



POLICY BRIEF



AUGUST 2012 (NOT FOR CITING)

The question: Why are local people in South East Asia unable to make a better living from forests?

It is widely understood that forests throughout the world are under growing pressure as societal demands increase and diversify. If the drivers for this pressure are not coherently addressed, forest destruction, and their ecological, economic, and social implications will continue. It is ever more recognized that local people (here local people refers to communities and smallholders) living in and around forests can play a significant role in facilitating the sustainable management of these forests. In many ways their knowledge of and their connection with the forest makes them ideal stewards of the forests in their locality. This belief is underscored by the understanding that if they have access to the forests, have an enabling environment and support to manage and make a living from the forests, and the capacity to take advantage of the livelihood opportunities that the forests offer then they will ensure that their investment in the future, namely the forests, is managed in a sustainable manner. The cornerstone of this assumption is that the communities and smallholders will be allowed to make a better living from these forests. Unfortunately evidence shows that often this is not the case. This leads to the question of *Why are local people unable to make a better living from forests?*

Box 1. Community forestry's importance for Sustainable Forest Management

Sustainable forest management (SFM) is built upon balancing forests' economic, environmental, and social functions and ensuring their continued benefits. Community forestry, with its emphasis on the role of local people in forest management, is central to SFM in many countries in Asia.

Community forestry provides an important avenue to improving forest protection, with implications for biodiversity conservation, improved livelihoods (with implications for social inclusion, equity and poverty reduction), as well as climate change mitigation strategies such as REDD+.

The Rights and Resources Initiative (RRI) and RECOFTC – The Center for People and Forests have been conducting research in five Asian countries (Cambodia, Indonesia, Nepal, Papua New Guinea, the Philippines and Vietnam) in order to answer the question.

The answer: Numerous regulations act as a prohibitive barrier preventing local people from making a living from the forests in their vicinity

In general, forestry in the region is significantly regulated, especially in comparison to agriculture, with a heavy onus being placed on local communities and smallholders. The regulations in forestry are partly a reflection of the environmental importance of the forests, compounded by the fear and impact of illegal logging. The environmental and legality emphasis dominates even when forest management is devolved; hence the large number of regulations.

For these reasons communities and smallholders face a significant number of regulatory barriers that greatly inhibit their ability to profit from their forest tenure rights. Despite the barriers many already benefit enormously from the products and services provided by forests to support their existing livelihoods. Nevertheless these barriers often require significant investment in terms of time and money, and involve complicated technical requirements which the communities and smallholders are often unable to meet. These are compounded by the small areas, often with poor quality trees, frequently managed by communities and smallholders, leading to a competitive disadvantage against larger forestry businesses that can benefit from economies of scale.

Additionally the regulations are often counterproductive, sometimes actually encouraging rent seeking behavior by those who should be upholding the law, illegal logging, and ultimately unsustainable forestry practices, distorted markets and sub-optimal economic returns for producers, consumers and states.

It also must not be overlooked that complex regulations also impose burdens and costs on the agencies that have to administer them. Governments could cut costs and employ staff in more productive capacities if regulations were relaxed.

The restrictions that communities face are largely based on over-regulation regarding, for example, timber harvesting, possessing or operating forest machinery, and prohibitive transport regulations regarding logs and processed timber. In addition, however, there are requirements and barriers facing the communities that go beyond the often complicated and rigid management planning requirements, such as technical and financial limitations. Additional issues include having to compete with illegal or unsustainable operations and trade, and a globalizing market that prefers consistent supply of cheap, uniform (i.e. plantation) material, as well as increasingly closing itself off to timber from communities and smallholders due to their inability to meet all the strict requirements of legality assurance, for example, relating to FLEGT and the Lacey Act. In other words there are numerous, often prohibitive challenges facing communities and smallholders in their attempts to making a living from the sale of timber on their land. Examples from the studied countries illustrate the depth of the issues:

Rent seeking was strongly emphasized as an issue in Cambodia, Indonesia, the Philippines, Nepal and Vietnam particularly regarding transportation.

The complexity involved in meeting the requirements of the regulations was felt to be beyond many communities and smallholders in all the countries, particularly referring to formulation of management plans.

The high costs in terms of fees, as well for conducting the work to meet the regulations was viewed as being prohibitive in all countries, to varying degrees. It was particularly emphasized in Vietnam, and is a strong concern in Cambodia.

The differences between forest types as well as forest ownership structure were emphasized in all countries. To varying degrees in all the countries studied companies face fewer regulations than communities, while in the Philippines and Vietnam often the smallholders also have fewer obligations to meet in terms of regulations compared to communities. Also the large number of regulations for forestry compared to agriculture was highlighted in many of the countries, particularly Vietnam.

Box 2. It is apparent that **laws and regulations favor the companies over the communities and smallholders** (Figure 1). For example in Papua New Guinea, where 97% of the land is under customary ownership, there have been half a dozen amendments to the 1991 Forestry Act but all have been tailored to make life easier and convenient for the big players. The forestry laws must change so that landowners are the central figure in forestry development. After all they own the land and the forests and not the state nor the logging company.

The study found that regulations increase from plantations to natural forests, and within that from state owned forests to communal forests (Figure 1).

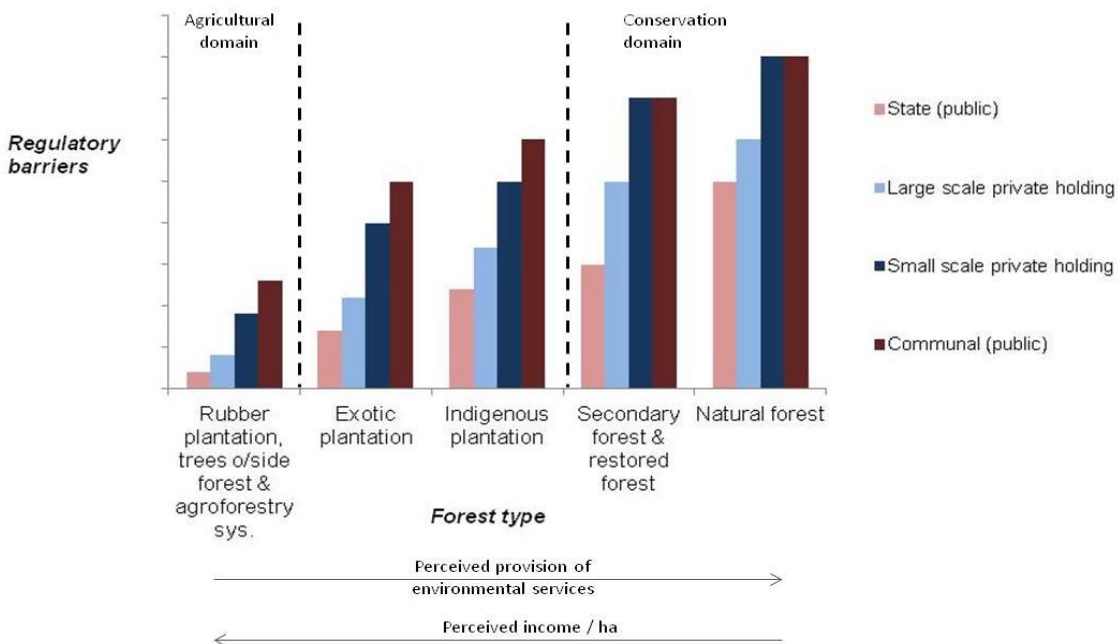


Figure 1. Illustration of different scale of regulatory barriers according to forest type and tenure arrangement. This is based on the findings from the countries studied as well as from related literature

Box 3. Requirements of **community forestry management plans in Cambodia** are that they are reviewed by the Forest Administration (FA) every 5 years (or earlier if necessary) (Article 30 of Sub-Decree on Community Forest Management, 2003). The review of the management plan is a very expensive and a time consuming process, exacerbated by the communities' lack of capacity.

There is a need to train local community members to formulate the management plans, including in aspects that are of no direct interest to communities. However, often people are too busy to attend the training, Additionally the FA does not yet have the human capacity to perform this function.

Box 4. A timber entrepreneur in **Nepal provides an example of the frustration with the regulations regarding timber transportation and trading**. The entrepreneur, who engaged in timber trading and operated in the furniture industry for seven years, has recently left his occupation. The timber trade was very difficult, complex and socially humiliating as he had to engage in bribing different associated stakeholders including forestry officials, political leaders, and local 'Dons' (*chundre-mundre*). He reports: "it is very difficult to gather all documents required to buy and transport the timber both from government-managed and community forest. It requires visiting range post and district forest office more than 10 times for a single purchase. I should also bribe the fellow entrepreneurs not to compete in the market. Also I was not sure whether forestry measurements are accurate or forest technician manipulated the measurements. Each technician gives different result of measurement of the same quantity of timber. I need to pay them informally for their technical support, facilitation, and monitoring and measurement. In the last few years, there are more hurdles created by *chundre-mundre* as they stop the loaded vehicle and ask for money... donations. Traders also need to distribute money at each police and forest checkpoint. My estimation is that we spend about 30% of the timber price on such informal malpractices. In my view, timber trade can only be carried out by those who have muscle and money."

Finally, it appears that the plethora of regulations are not only restricting local communities from maximizing the benefits from sustainable forest management and hence dis-incentivising their participation and investment, but that the regulations are also not serving their primary purpose. The continued rampant deforestation and forest degradation, along with figures suggesting that that criminal activity related to forests generates approximately US\$10–15 billion annually worldwide¹. These funds that are unregulated, untaxed, and often remain in the hands of organized criminal gangs, in other words local communities invariably receive no benefit. National and international efforts to restrict forest crimes have focused on preventative measures, but they invariably have had little or no significant impact. While prevention is an essential part of enforcement efforts to tackle illegal logging, it has not halted the deforestation or degradation. New ideas and strategies are needed to preserve what is left of forests.

¹ World Bank (2012) Justice for Forests Improving Criminal Justice Efforts to Combat Illegal Logging. World Bank, Washington DC.

The response: Key policy recommendations

These recommendations are based on a regional study of the regulatory barriers, they are applicable to a large extent throughout Asia.

- There needs to be a general strengthening, at the governmental level, of the understanding that a key component of the success of community forestry is allowing the communities to benefit from the forests under their management. The importance of which is the vital role that community forestry can play in the sustainable management of forests.
- Governments in the region need to revisit the regulations regarding forest management and examine whether they are fit for purpose. In other words, are the regulations providing the best route to the sustainable management of forests (SFM), including combating illegal logging?
- Governments need to move away from using regulations (i.e. prescriptive regulations) as a method for achieving SFM and focus more on appropriate incentives (i.e. outcome based regulations) for communities and smallholders to sustainably manage the forests, and more effective use of the criminal justice system to target organized crime rather than local communities.
- Regulations for communities and smallholders should focus less on the cumbersome and prohibitive processes, such as seeking approval from various offices to fell a tree often involving a great deal of time and money, to instead focusing on the outcome: specifically ensuring the sustainability of the remaining forest.
- Governments in the consumer countries, such as in Europe and North America, must ensure that such policies that try to assure the legality of timber are not counter-productive and in fact result in restricting communities and smallholders access to the market greatly reducing their livelihood options.

Box 5. **In Vietnam the national quota for timber harvesting** is set by the Prime Minister. The Ministry of Agricultural and Rural Development (MARD) informs provinces of their respective quotas. Then the Provincial People Committees decide the quotas for individual districts and private sector in the province. Finally the district people committees allocate quotas for smallholders and communities. The whole process results in the smallholders and communities receiving the quota relatively late and delaying the harvesting activities by at least 4 to 5 months, and missing the most favorable months, in terms of weather, for harvesting.

Box 6. **In Nepal the regulations on location of timber processing can be costly.** For example, the Community Forestry User Groups (CFUG) can convert the logs into sawn timber before selling. However, the establishment and operation of a sawmill requires prior approval from the district forest officer. The law states sawmills should be located outside the forest (5 km away in Terai [southern lowlands of Nepal] and 3 km away in hills and mountains). The logic behind this distance-based provision is to try and control the illegal activities by the sawmills, as well as facilitating monitoring. The result is that, the CFUG either sell the logs directly or uses hand-saw for sawing timbers with implications in terms of income, quality of end product and efficiency.

Box 7. **Incentives, rather than regulations are the key**, for example in the Philippines the research has shown that with adequate incentives, communities are willing to invest their own labor in developing tree farms and small-scale agroforestry systems while protecting the forest from forest fire, poaching and the entry of slash-and-burn farmers. Unless the government looks at CBFM as a serious investment and make the People's Organizations (POs) as meaningful partners in forest protection and development, these forests will always be susceptible to intense pressure from illegal forest activities.

Disclaimer

The contents of this document are the sole responsibility of the authors and can under no circumstances be regarded as reflecting the position of Rights and Resources Initiative and RECOFTC – The Center for People and Forests.

Acknowledgements

Funding for this project was provided by Rights and Resources Initiative and RECOFTC – The Center for People and Forests. The following are gratefully acknowledged for conducting the work in the various countries: Dana Kao, Edwin Payuan and Sophie Lewis (Cambodia), Naya Sharma Paudel, Harisharan Luintel, Dil Bahadur Khatri and Kamal Bhandari (Nepal), Juan Pulhin and Mark Anthony Ramirez (the Philippines), Tran Ngoc Thanh, Nguyen Xuan Phuong and Tran Ngoc Dan Thuy (Vietnam), Francisco Chapela, Benjamin Hodgdon, and David Barton Bray (Mexico). The brief was written by David Gritten, Julian Atkinson, Madankumar Janakiraman, Bernhard Mohns and James Bampton.