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# Community-based forest management institutions in the Galician communal forests: A new institutional approach

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## ABSTRACT

The interest in forests managed by communities has been increasing in recent decades, and it implied a relevant research agenda on community-based forest management institutions. This paper analyzes the process of institutional change, the property rights system and the governance mechanism in the management of communal forests in Galicia from the approach of the New Institutional Economics (NIE). Traditionally, the Spanish legal framework did not establish the existence of communal forests, and therefore there was a process of state and individual-proprietorship of communal land. The 1957 Forestry Act legally assumed the figure of communal forests, and the 1968 Communal Forestry Act implied a new phase in the process of collective-choice institutional change. The process conducted to an institutional framework that has supported communal property rights and has implied an institutional status-quo for Galician communal forest policy since 1989.

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## 1. Introduction

The interest in forests managed by communities has been increasing in recent decades, and it implied a relevant research agenda on community-based forest management institutions. Institutional analysis has focused on the study of the sets of rules and governance mechanisms that guide decisions about resource management by community members (Edmunds, 1999).

Self-governed forest resources would be those that are governed entirely by the users of the forests and not at all by external authorities. Nevertheless, the forest governance systems in the present time are ruled by local, regional, national or international authorities and these rules affect decision-making in forest resource management (Ostrom, 1999). In any case, the set of rules can define very different property rights systems and there are several alternatives “from government to governance” (Holmgren et al., 2010; Hackett, 2013). In particular, the study of community-based forest management institutions requires the analysis of institutional change, political framework, legal rules, property rights, governance mechanisms, participation of users and policy-making, among others. Empirical studies have showed “how forest users in many locations have organized themselves to vigorously protect and, in some cases, enhance local forests” (Ostrom, 1999, p. 3). Further empirical research is demanded to improve the knowledge on effective management of communal forests, and new case-studies are

necessary to test the strengths and weaknesses of self-governance of forestry resources.

Galicia is a northwestern region of Spain and it has had communal forests for centuries although they have not always been legally recognized. In the second half of the last century, there was a process of legal change that implied that Galician communal forests (*Montes Veciñais en Mán Común*) correspond to a singular type of collective ownership in Galicia. Nowadays, there are around 2800 communal forests in Galicia and they occupy nearly 700,000 ha. This implies that around one third of the privately owned forests are communal forests in Galicia.

These forests are privately owned but the private property of Galician communal forests is collective, that is to say, each communal forest is assigned to a neighbor community and each neighbor that represents a house in the community will have property rights on the communal forests. This neighbor will be considered as a commoner. Nevertheless, each commoner has no individual property quota, because communal forests are owned by the community that incorporates all the commoners. The property rights of the community are collective and they are structured throughout a governance system that includes a General Meeting of Commoners and an Executive Board.

This paper studies the process of institutional change, the property rights system and the governance mechanism in the management of communal forests in Galicia from the approach of the New Institutional Economics (NIE). There are several contributions on the Galician communal forests from diverse disciplines and approaches (Fernández-Leiceaga et al., 2006; Gómez-Vázquez et al., 2009), and this paper will complement the existing literature with an institutional analysis that combines the use of the theoretical framework of the New Institutional Economics and the

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historical, legal and institutional qualitative evidence of the Galician communal forests. The paper provides a solid institutional insight on this communal forest case study that is interesting for those studying the role of institutions and governance in the management of the commons (Alston, 2008).

The paper is structured in five sections. Section 2 reviews the foundations of the NIE and introduces the contributions of Elinor Ostrom. Section 3 presents the state of forests and communal forests in Galicia. Section 4 shows an institutional analysis that incorporates several issues such as institutional change, legal framework and property rights system in the case of the Galician communal forests. Section 5 presents the conclusions of the paper.

## 2. Theoretical foundations: The New Institutional Economics

Institutional analysis has advanced in recent decades, and the New Institutional Economics (NIE) has changed the trajectory of institutional economics (Ménard and Shirley, 2014). In fact, the economics mainstream has rediscovered the role of institutions throughout the advances of the NIE, and four new institutional scholars have been distinguished as Nobel laureates (Ronald Coase, Douglass North, Elinor Ostrom, Oliver Williamson).

The NIE used the *Coasean* notion of transaction costs and the *Northian* notion of institutions. Coase (1937, 1960, 1988) explained that economic markets are characterized by the presence of positive transaction costs, and therefore no transaction is carried out whenever such costs surpass the expected gains from such transaction. North (1990) presented institutions as the humanly devised constraints that structure political, economic and social interaction. In this way, the term *institutions* refers to the rules that humans use when interacting within a wide variety of repetitive and structured situations at multiple levels of analysis (Ostrom, 2008). In this approach, institutions consist of formal rules, informal norms and enforcement mechanisms, and they provide the incentive structure of an economy (North, 1990). According to this approach, institutions are a mechanism to reduce transaction costs and obtain a greater efficiency in economic performance. The “rules of the game” determine the cost of carrying out transactions.

The NIE has renewed the theoretical framework for understanding the role of institutions in society. It has incorporated the neoclassical assumptions of scarcity and competition, but rejected the neoclassical assumption of perfect information and instrumental rationality and worked in a world where the passage of time matters. Moreover, the theoretical framework of the NIE assumed the existence of incomplete property rights, positive transaction costs and institutions (North, 1990; Williamson, 2000; Eggertsson, 2005; Ménard and Shirley, 2005; Brousseau and Glachant, 2008). This new institutional analysis has adopted an inter-disciplinary approach in social sciences Coase (1999), and even a New Institutional Social Science has been propelled in modern political economy (Schofield and Caballero, 2011; Schofield et al., 2013). In any case, we should recognize that there is no general theory of institutional economics and in some ways NIE is still more of a movement than a field (Ménard and Shirley, 2014). This movement has been applying advanced institutional analysis to the study of the management of natural and environmental resources such as fisheries (Caballero et al., 2008, 2014), aquaculture (Caballero et al., 2009, 2012), forestry resources (Gibson et al., 2000, Schlüter, 2007), pollution (Cole, 2002), wetland governance (Ahmed et al., 2008) or water management (Libecap, 2011).

A microanalytical and a macroanalytical trend were developed in the NIE. A) The microanalytical approach of organizations emerged since the explanation of Coase (1937) on the “Nature of the Firm”. There are firms because there are costs to transacting in the market, and a firm can reduce the transaction costs by establishing a hierarchical system to coordinate the factors of productions. This micro-approach gave rise to “transaction cost economics” (Williamson, 1975, 1985). B) The macroanalytical approach that studies the relationships between

institutions and economic performance emerged since Coase (1960) on “The Problem of Social Cost”. In that paper, Coase explained that the assignment of property rights only matters because of positive transaction costs. This approach was continued by North (1990) explaining how institutions and institutional change affect economic success and failure over time.

Both approaches are mutually inter-related, and they are included in the NIE. Ménard and Shirley (2005) conclude that the NIE studies institutions and how institutions interact with organizational arrangements within an economy.

In this paper, three main arguments of the NIE are especially relevant: the role and influence of political rules, the dynamics of institutional change and the governance of common-pool resources. A brief introduction to these issues is required at this point.

Regarding the role of political rules in society, we should point out that institutions include political rules and the making of political and legal rules implies a “first order economizing” in society (Williamson, 2000). In this sense, political institutions shape the structure of incentives of the political and economic actors, and the institutional determinants act as a bias on policy-making. Therefore, the NIE has studied political rules and the governance of State, which includes matters such as decentralization, Congress, the bureaucracy and agencies (Ménard and Shirley, 2005; Schofield and Caballero, 2011). In this sense, political economy is reborn with power over the theoretical bases of the NIE and the links between economic theory and political theory are strengthened (North, 1999).

Regarding the relevance of the dynamics of institutional change, North (1990, 1994, 1995, 2005) argued that processes of institutional change are normally incremental due to increasing returns. That approach implies the following issues: A) Institutional change is an incremental process that is heavily weighted in favor of policies that are broadly consistent with the basic institutional framework. B) Institutional change is characterized by a slow evolution of formal rules and informal constraints. C) The continuous interaction between institutions and organizations implies competition and investment in skills and knowledge D) The economies of scope, complementarities, and network externalities of an institutional matrix make institutional change overwhelmingly incremental and path-dependent. E) Individual and specific changes in formal and informal institutions can change history but will find it difficult to reverse the course of history (this happens in relatively few cases). In any case, North (1990, 1995) explained that institutional change is a path-dependent process, while “small events and chance circumstances can determine solutions that, once they prevail, lead one to a particular path”.

Ostrom (2005) emphasized that if we want to understand institutions, we need to know how and why they are crafted and sustained. Therefore, there is a broad consensus in social sciences about the importance and complexity of institutional change. Kingston and Caballero (2009) showed a variety of theoretical approaches to conceptualizing dynamics and stability change. Four main groups of theories of institutional change were presented in that paper: A) Collective-choice theories of institutional change: This category includes theories in which institutions are purposefully designed and implemented in a centralized way, either by a single individual or by many individuals or groups interacting through some kind of collective choice or political process.<sup>1</sup> B) Evolutionary theories of institutional change: In these theories, new institutional forms periodically emerge (either at random or through deliberate design) and undergo some kind of a decentralized selection process as they compete against alternative institutions.<sup>2</sup> C) Blending evolution and design: In many real-world processes of institutional

<sup>1</sup> In this collective-choice process, the actors lobby, bargain, vote, or otherwise compete, trying to implement institutional changes which they perceive as beneficial to themselves, or to block those that they view as undesirable.

<sup>2</sup> In this way, institutional change occurs spontaneously, through the uncoordinated choices of many agents, rather than in a centralized and coordinated manner.

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