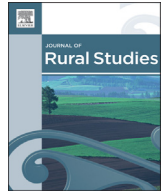




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# Money from and for forests: A critical reflection on the feasibility of market approaches for the conservation of Amazonian forests

Benno Pokorny<sup>a, \*</sup>, Pablo Pacheco<sup>b, 1</sup>

<sup>a</sup> University of Freiburg, Faculty of Environment and Natural Resources, Tennenbacherstrasse 4, 79106 Freiburg, Germany

<sup>b</sup> Centre for International Forestry Research – CIFOR, P.O. Box 0113 BOCBD, Bogor 16000, Indonesia

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## ABSTRACT

The preservation of Amazonian natural forests is of utmost national and international interest. The exploration of market opportunities for the commercialization of forest goods and services has become the prevailing conservation approach. It is likely that the generation of income from forests will motivate forest owners and users to appreciate and use their resources more sustainably. After more than 20 years of applying, adjusting and expanding this approach, this paper critically reflects on its main assumptions, successes and consequences with a special emphasis on the Amazon's natural forests. Over time, three major strategies have been outlined to translate the approach into practice: (1) the management of timber by logging companies in forest concessions, (2) the use of timber and non-timber forest products by smallholders and communities, and (3) the selling of environmental services that forests provide, in particular carbon. The analysis revealed that the commercialization of goods and services from natural forests has indeed the potential to generate income, yet their financial attractiveness is rather limited if compared with other land use options. This seriously affects the probability that forest-related uses at a wider scale will be successful. It also became evident that the legal-institutional framework set up to facilitate economic gains from the forests' commercial potential tended to discriminate against traditional forest users who, due to disparate reasons, would be willing to accept the modest financial returns from managing natural forests in commercial ways. It is discussed that the feasibility of market approaches, in contrast to the assumptions of free market environmentalism, depends on effective measures to strengthen the role and market position of local forest users and on initiatives from firms to invest in the establishment of more sustainable commodities even when a reduction in profits are a possibility.

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## 1. Introduction

Conservation approaches are largely influenced by political and economic perspectives of development. In 1992, at the United Nations Conference on Environment and Development in Rio, also known as the Earth Summit, the possibilities for guiding sustainable development, in particular the role and effective protection of tropical forests (UNCED, 1992) were highlighted and discussed. The debate centred on the assumption that deforestation occurs primarily for economic reasons and was done either by the rural poor, in an attempt to make a living, or by the private sector in search of profits. The latter view was systematically promoted by actors and national governments interested in exploiting forest lands to support economic development

nationally (Yokomizo, 1989; Mahar, 1989). It was further ascertained that the governments did not make the necessary financial and human resources available needed to effectively enforce environmental regulations and to control the different social groups interested in capturing rents from land and forest use, which often operated in an institutional context dominated by flawed regulations (Lele, 2000; Scherr et al., 2004). Inspired by studies that expressed enthusiasm for the immense economic potential of tropical forests (see for example Peters et al., 1989), the Brundtland report (UNCED, 1987) described economic opportunities that would stem from the rational use of tropical forests while breaking the vicious cycle of poverty and forest over-utilization concurrently.

The compelling approach to sustainable forest management that emerged supported the continued use of the forest for economic purposes while at the same time limiting deforestation and forest degradation. The income gained from the planned and effective use of forest goods and services including timber, non-

\* Corresponding author. Tel.: +49 761 203 3680; fax: +49 761 203 3871.

E-mail addresses: [benno.pokorny@waldbau.uni-freiburg.de](mailto:benno.pokorny@waldbau.uni-freiburg.de) (B. Pokorny), [p.pacheco@cgiar.org](mailto:p.pacheco@cgiar.org) (P. Pacheco).

<sup>1</sup> Tel.: +62 251 8622 622; fax: +62 251 8622 100.

timber forest products (NTFP), biodiversity, environmental protection and carbon storage was expected to restrain forest users from destroying forests, and add money to the national economy that could be used for local and national development. However, since forest use does not happen in an institutional vacuum, additional measures were required to put these goals into practice, mainly removing the market failures that favoured opportunistic and short-term behaviour, and addressing policy imperfections that produced perverse effects and worked against natural resources conservation (Bulte and Engel, 2003). The latter has been a significant attempt towards the neoliberalisation of nature with forests being a central piece of those efforts.

Backed by the neoliberal approach of free market environmentalism (Adler, 2000; Anderson and Leal, 2001) there is a belief that the commodification of natural forest goods and services is decisive in ensuring their conservation. In the classic understanding, free markets are needed but the state has a very limited role. Primarily it should take care of granting property rights and the establishment of institutional procedures that legally sustain tort claims for damages caused by externalities. However, the relationship between market action and legal-institutional frameworks remains a key element of the research frontier (see Ostrom, 2005). Over time there has been a growing recognition of the institutional dimensions of market governance aimed at making markets amenable to forest goods and services (Lederer, 2012), to secure benefits for the rural poor (World Bank, 2002) and to avoid over-exploitation and speculation for short-term profits (Castree, 2005).

The belief in commodification has over time become the central pillar of national and international efforts to protect forests. The commodification has been transposed into different contexts, as in the case of the Amazon region. In spite of that, the political economy of Amazonian natural forests' conservation has led to the adoption of different institutional measures to accompany policy efforts to make possible financial returns from natural forests not only for the sake of bolstering the national purse for national economic development purposes, but also for enhancing local people's livelihoods and the corporate sector's profits. Thus, in the Amazon some other policies have been put into place aimed at reducing the adverse environmental effects associated with the constant advance of agricultural frontiers to the detriment of natural forests. These policies include the enactment of environmental regulations, the strengthening of government's enforcement capacities, strategic land use planning, the clarification of land tenure together with the recognition of local peoples' customary rights and the demarcation of protected areas such as national parks, indigenous lands and extractive reserves, and includes campaigns to make people more aware of environmental issues (Maia et al., 2011; Pokorny, 2013).

After more than 20 years of applying, expanding, and adjusting this market-based approach for the conservation of Amazonian forests, this paper critically reflects on the underlying assumptions of this approach and the dichotomy of markets and regulations. It does this by exploring relevant studies and statistics about major economic dynamics unfolding in the region. The second section outlines the principal strategies used to put into practice the market-oriented approach to forest conservation. Section 3 analyses the financial aspects of managing goods and services from natural forests while Section 4 explores the general financial attractiveness of natural forest management by putting it into the context of competing land-use options. Finally, Section 5 discusses the effects of the legal-institutional frameworks in place to promote the different market strategies aimed at the conservation of Amazonian forests on the different actor groups active in the region.

The findings clearly indicate that the profits attainable from managing natural forest goods and services are rather limited when compared to profits made from other land uses such as agriculture

and forest plantations. Due to the influence of overly optimistic discourses on the economic potential of natural forest management, large tracts of public forests, often under local user regimes, have been made accessible to management schemes that indirectly may even accelerate their conversion into other land uses in the long run. Most concerning is that the battle for land and other natural resources has contributed to marginalize those actor groups most willing to accept the rather limited profits available from managing natural forests. These are traditional communities and firms with a special conservation background. We conclude that, in contrast to the assumptions of free market environmentalism, massive state interventions in favour of these two actor groups are needed to make market approaches to the conservation of Amazonian forests work.

## 2. The prevailing market approaches on Amazonian forests

Over decades, national and international governmental and non-governmental organisations have invested in the assumption that providing opportunities for acquiring income from forests will raise interest and increase the willingness of relevant land users to conserve forests as an economically valuable resource and prevent their continual misuse and conversion to other land uses. Broadly speaking, over time three approaches have been employed to put this idea into practice: (1) the marketing of legally harvested timber from forest concessions managed by timber companies in accordance with principles for sustainable forest management, (2) the exploration of markets for timber and NTFP from forests managed by forest dwellers and smallholder colonists, generally covered under the term community forestry, and (3) the marketing of forest environmental services, most importantly carbon. These approaches have been used in partly overlapping periods and have been associated with the formulation and application of specific policy tools and instruments including the set-up and enforcement of regulatory frameworks, the building of capacity at the level of forest managers and the exploration of marketing opportunities, primarily those related to global markets.

Subsequent to the Earth Summit, efforts have concentrated on regulating illegal and informal timber companies involved in predatory logging of private as well as public forests. Guidelines for so-called Reduced Impact Logging (RIL) were designed to lead the way to effective Sustainable Forest Management (SFM). Most importantly these guidelines aimed at improving planning, harvesting and skidding practices. RIL also widened the range of tree species harvested thereby reducing the pressure on desirable noble species so that they will not become threatened in the long-term (Enters et al., 2002). Many governments, often strongly supported by international cooperation, invested in shaping the legal framework for SFM and the creation of state environmental agencies to better enforce the new regulations. Notable in this respect were Bolivia, Ecuador, Brazil and Peru (Pokorny, 2013). Parallel to this, nearly all Amazonian countries came up with initiatives for land use planning or economic-ecologic zoning, which clarified land and forest tenure and set aside large tracts of public forest land to be allocated as timber concessions, notably in Bolivia, Peru and Brazil (Sabogal et al., 2008). At an international level, these national efforts were backed up with initiatives such as the *Tarapoto Process* for monitoring the progress towards sustainability (Elias, 2004) and the FLEGT program of the European Union<sup>2</sup> that banned illegal timber imports to the European market

<sup>2</sup> FLEGT stands for Forest Law Enforcement, Governance and Trade. The EU's FLEGT Action Plan was established in 2003. It aims to reduce illegal logging by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber (see also <http://www.euflegt.efi.int/home>).

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