

# The Importance of Inequality for Natural Resource Governance: Evidence from Two Nicaraguan Territories

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**Summary.** — Natural resources constitute an important axis around which rural territorial dynamics revolve. Based on empirical registration of how applications for and denouncements of natural resource use are dealt with in two Nicaraguan rural territories, this paper examines the importance of inequality for the institutional practices through which district-level governance of natural resource use takes place. Notable differences are identified. The paper concludes that institutional practices which promote rule-based natural resource governance and gradually curb the veto possibilities of powerful actors are more likely to emerge in territories where political voice is not restricted to the economic elite.

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## 1. INTRODUCTION

Natural resources constitute an important axis around which rural territorial dynamics revolve (Berdegué, Bebbington, & Escobal, 2015; Berdegué *et al.*, 2011). Not only do they provide a source of livelihood, income, and a sense of meaning and identity to rural populations; they also constitute a source of revenue and authority to national and district governments, a source of wealth to national economic and political elites, and the basis for the provision of ecosystem services of local, regional, and global importance (MEA, 2005). This makes the governance of natural resources a powerful lens (Larson & Ribot, 2004) for examining territorial dynamics, i.e., processes of social, economic, political, and institutional change in a given territory and their concomitant changes in development outcomes such as growth, distribution of assets and benefits, social inclusiveness and environmental sustainability.

Governance of natural resources such as water, land and forests, may be understood as the establishment, reaffirmation, or change of institutions (policies, procedures, practices and organizations) which regulate or resolve conflicts – overt or latent – between actors, both users as well as authorities, with respect to access to and the conditions for use of natural resources (e.g., Lemos & Agrawal, 2006; Paavola, 2007). Governance of natural resources takes place at many inter-connected levels ranging from the international level through multilateral environmental agreements such as the Convention on Biological Diversity, through the national level with its legislation and national agencies, to the territorial and local levels e.g., through district-level by-laws, administrative procedures and community-based arrangements e.g., for the use of fire and fire control. In this paper, we focus at the governance of natural resources as it takes place at the sub-national level.

In the aftermath of the Sandinista revolution in 1979 and the civil war during the 1980s, Nicaragua embarked upon a process of political decentralization which gradually – although at times somewhat reluctantly – also got translated into the assignation of specific legal and administrative powers

to the districts. The emergence of elected district governments coincided with a growing environmental concern, both internationally and locally. Combined with the central importance of natural resources to rural territorial dynamics, natural resource governance in many places came to constitute an important issue in district politics and administration. Although district governments and their administrations may be regarded as new institutions established in Nicaraguan districts in 1990 on a common legal basis, they were not created in a void but in different territories, each being characterized by specific social, economic, and political structures and thus by different levels and patterns of inequality.

Inspired by recent literature on inequality and natural resource governance from the perspective of new institutional economics (e.g., Boyce, 1994; Clement & Meunie, 2010; Li & Reuveny, 2006; Paavola, 2007), this paper is concerned with how different social, economic, and political structures shape district-level natural resource governance and in particular, how different levels and patterns of inequality influence the persistence and change of specific institutional practices. Based

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on Acemoglu, Johnson, and Robinson (2002) and Bebbington, Dani, de Haan, and Walton (2008), the *World Development Report 2006* argued that high levels of economic and political inequality tend to produce economic institutions and social arrangements that – legally or extra-legally – systematically favor the interests of those with more influence (World Bank, 2005). The report launched the concept of ‘inequality traps’ referring to situations where personal and property rights are enforced only selectively, where budgetary allocations benefit mainly the politically influential, and where the distribution of public services favors the wealthy, and thus, where both middle and poorer groups end up with unexploited talent. “These adverse effects of unequal opportunities and political power on development,” the report argues, “are all the more damaging because economic, political, and social inequalities tend to reproduce themselves over time and across generations.” (World Bank, 2005, p. 2). “These patterns of domination persist because economic and social differences are reinforced by the overt and covert use of power. Elites protect their interests in subtle ways, by exclusionary practices in marriage and kinship systems, for instance, and in ways that are less subtle, such as aggressive political manipulation or the explicit use of violence.” (World Bank, 2005, p. 2).

Robinson (2010) talks of this mutually constituting and reinforcing relationship between political and economic institutions as ‘institutional persistence’. Institutional persistence is produced and reproduced ‘when those with power in any given moment choose political institutions in the future and they naturally tend to choose those which reproduce their *de jure* power. This persistence is further strengthened when those with power in any given moment determine economic institutions which tend to distribute resources in their favor, thus reproducing their *de facto* power’ (Robinson, 2010, p. 9).

More recently, this focus on path-dependent, institutional inequality traps (Rao, 2006), has been complemented by a focus on gradual institutional change (Mahoney & Thelen, 2011). In their theory of gradual institutional change, Mahoney and Thelen (2011) examine the relationship between different modes of institutional change and the political and institutional context. In particular, they argue, two features characterizing the political and institutional context are associated with different modes of institutional change. The first of these two features is the extent to which the political context is associated with strong or weak veto possibilities. Veto possibilities, they explain, “can derive either from especially powerful veto players or from numerous institutional veto points” (Mahoney & Thelen, 2011, p. 18). “Veto possibilities are high where there exist actors who have access to institutional or extra-institutional means of blocking change” (Mahoney & Thelen, 2011, p. 19). The second feature is the extent to which a particular institution is characterized by a high or low level of discretion, i.e. the extent to which decisions are made according to the judgment of individual actors or according to pre-established rules which guide the interpretation and enforcement of legal and administrative rules. Combined these characteristics of the political and institutional context for a particular institution such as district-level environmental units produce different opportunities for potential change-agents such as district environmental officers and their constituencies for promoting gradual institutional change, in this case the institutional practices through which natural resources are governed. In turn, such emerging institutional practices may contribute to reshape and gradually change the political context.

This resonates with the findings reported by Andersson (2002, 2004) and Andersson and Ostrom (2008). In his

research on district-level forest governance in 32 districts in Bolivia, Andersson found considerable differences in their forest governance performance despite operating within a single legal framework. Andersson (2004) and Andersson and Ostrom (2008) propose that this varied performance to a large extent is explained by the face-to-face interactions – both horizontal and vertical – which district officers maintain. Vertical interactions are interactions between actors at different levels of government, such as between (groups of) users of forest resources and a district forest officer or between a district forest officer and a ministry delegate (Andersson, 2004). Vertical interactions are important to ensure upward as well as downward accountability from district authorities (see also Ribot, 2002, 2004). Horizontal interactions are interactions between actors at the same level, e.g., between forest officers working in different organizations for example in other districts or government agencies, NGOs, etc. Horizontal interactions are important for sharing insights and experiences on how to solve common problems, planning joined activities, etc. (Andersson, 2004). Based on theories on polycentric governance, i.e., the relationships among multiple authorities with overlapping mandates, Andersson and Ostrom propose that a governance system that manages to distribute capabilities and duties in such a way that perverse incentive and information problems at one level are offset to some extent by positive incentives and information capabilities for actors at other levels, will achieve better outcomes than either a highly centralized or fully decentralized system (Andersson & Ostrom, 2008, p. 73). In this way, they argue, multi-level or polycentric governance contributes to produce checks and balances and hence to limit the space for discretionary implementation and enforcement of the rules relating to the governance of natural resources.

On this basis, the paper sets out to examine the institutional practices through which district-level governance of natural resource use is performed in two Nicaraguan territories with different patterns of inequality, namely the Estelí area in northern part of Nicaragua, consisting of the districts of Estelí and Condega, and the Santo Tomás area, consisting of the districts of Santo Tomás, San Pedro de Lóvago and Villa Sandino in the Chontales department at the eastern shores of the Cocibolca Lake (Figure 1). In particular the paper focuses upon the character and frequency of horizontal and vertical interactions as a distinguishing feature of the institutional practices through which district-level governance of natural resource use takes place, which reflect but also hold the potential to gradually shape the political and institutional context through widening or narrowing the veto possibilities and the room for discretion in the governance of natural resource use that characterize the political and institutional context.

The paper is divided into six sections. The following section describes the methods employed and the data sets produced as part of the empirical work underlying the paper. Section three briefly introduces to two territories where empirical research has been undertaken, emphasizing their differences with respect to distribution of land and the continued presence of small-scale farmers, while the fourth section describes the role that district authorities play in the governance of natural resource use in Nicaragua. Section five presents the results of the empirical research conducted as the basis for this paper and, through this lens, examines the institutional practices through which the district-level governance of natural resource use takes place in the two areas. Finally the sixth and last section concludes and provides some final reflections.

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