Local actors, timber markets and emerging forest policy approaches in Western Amazon

Pablo Pacheco
Outline

- Changes in the rural dynamics
- Policy shifts and forest reforms
- Assumptions of forest reforms
- A diversity of local forest actors
- Timber operations and markets
- New perspectives in forest policy
- Conclusions
The Western Amazon region

- Important forest area in the region [10Mha in Ecuador, 50Mha in Bolivia, and 68Mha in Peru]
- About a third is controlled by smallholders and communities who use the forests in different ways
- Most forest extraction is done individually but also through collective plans
Changes in the rural dynamics

- More complex livelihood strategies in multi-sited households
- Tenure rights recognition but some local actors have not land
- Public forests under conservation and/or forest concessions
- Penetration of markets and more influence of urban demand
Changes in the policy frameworks

- Significant political reforms took place in Western Amazon in mid-1990/early 2000s driven by processes of economic liberalization, state modernization and forests conservation.

- Forest reforms adopted the same approach, which was to support a model of “Sustainable Forest Management” (SFM). This model was inspired in large-scale logging operations.

- New perspectives are emerging due to better understanding of the strengths and weaknesses of the SFM model. Yet, these are taking different paths in Bolivia and Ecuador vs. Peru.

- Bolivia and Ecuador linked to “Living Well” perspectives – more people centered views – while more emphasis in resources-based economic growth and neo-liberal views in Peru.
Forest reforms linked to SFM model

- Commercial use of forests was aimed at increasing their economic value
- Timber extraction was seen as a way to improve benefits of local users
- Dominance of a perspective based on large-scale commercial logging, and associated silvicultural practices
- Significant efforts made to improve the timber legality verification systems
- Sophisticated norms and management instruments adopted across countries
- Attempts to secure tenure rights for indigenous people and smallholders
Diverse local forest actors

**With no forest rights**
- Services providers
- Intermediaries
- Extractors (small and medium)
- Chainsaw millers

**With forest rights**
- Timber enterprises
- Indigenous people
- Traditional communities
- Smallholders

**Local – more involved in timber extraction**

**Less local – more involved in primary transformation**
- Sawmills
- Depots
- Carpentries

**More distant – involved in second transformation**
- Industry
- SMEs
- Construction
Evidence suggests that ...

- Timber supply from small- and medium-scale operations, often undertaken informally, tends to grow over time.
- Smallholders depend on multiple income streams, but other local actors depend significantly on timber-related incomes.
- Smallholders tend to be quite efficient in using resources to their disposal, but obtain lower profits compared to others.
- Much of benefit distribution depends on how smallholders participate in the operations, and the role of intermediaries.
- Timber markets are fragmented but function through quite vigorous local social networks linked to urban buyers.
(1) Small-scale logging

- Timber supply from small-scale logging operations is important, yet important differences exist across countries.
- An important (unknown) portion of these activities is undertaken outside of the law (and informally) due to several institutional barriers that impede law compliance.
- Undertaken forestry operations informally makes economic sense for a major portion of smallholders and extractors.

### Selected information on the timber sector by country

<table>
<thead>
<tr>
<th></th>
<th>Bolivia</th>
<th>Ecuador</th>
<th>Peru</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total area of state production forests under concessions in M ha</td>
<td>3.8</td>
<td>0.0</td>
<td>7.6</td>
</tr>
<tr>
<td>Total area of forests under control by smallholders and communities, M ha</td>
<td>5.6</td>
<td>7.5</td>
<td>13.2</td>
</tr>
<tr>
<td>Production of native forest in M m³ (Avg. 2008-2012)</td>
<td>1.1</td>
<td>0.2</td>
<td>1.6</td>
</tr>
<tr>
<td>% total production from native forests by smallholders-communities (Avg. 2008-12)</td>
<td>58.0</td>
<td>35.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Note: Several sources; these estimates are only referential.
(2) Diversity of income streams

- Smallholder income vary a lot depending on location, access to assets, household lifecycles, and other factors. Off-farm income and transfers tend to expand over time.

### Income from smallholders in Napo/Orellana (USD)

<table>
<thead>
<tr>
<th>Source of income</th>
<th>Average income</th>
<th>No. of households that obtain income from these activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Colonists (n=48)</td>
<td>Indigenous (n=72)</td>
</tr>
<tr>
<td></td>
<td>USD %</td>
<td>USD %</td>
</tr>
<tr>
<td>Wage labor***</td>
<td>2052 62%</td>
<td>923 47%</td>
</tr>
<tr>
<td>Sale of forest products b</td>
<td>341 10%</td>
<td>410 21%</td>
</tr>
<tr>
<td>Human Development Bond c</td>
<td>210 6%</td>
<td>233 12%</td>
</tr>
<tr>
<td>Sale of agricultural production d</td>
<td>217 7%</td>
<td>155 8%</td>
</tr>
<tr>
<td>Sale of livestock production e</td>
<td>177 5%</td>
<td>150 8%</td>
</tr>
<tr>
<td>Income from own business f, g</td>
<td>169 5%</td>
<td>50 3%</td>
</tr>
<tr>
<td>Other income h</td>
<td>53 2%</td>
<td>8 0%</td>
</tr>
<tr>
<td><strong>Total</strong>* h</td>
<td>2298 100%</td>
<td>1945 100%</td>
</tr>
</tbody>
</table>

Source: Mejia and Pacheco, 2014

- Many local actors (e.g. chainsaw millers, extractors, intermediaries) depend for their living on timber extraction, and reinvest a portion of their benefits on the activity, which is not the case for smallholders.
(3) Efficiency in the operations

- Timber extraction costs vary across the different types of forest users, and depend on scale and species extracted
- Extraction costs are lower in operations carried out by smallholders, waste is lower and tend to use soft species
(4) Distribution of benefits

- Often, smallholders are the ones who benefit the least, but there are exceptions depending on the degrees of their participation in the forestry operations. Yet, greater participation is limited by access to financial resources.

Source: Mejia et al. 2015
(5) Fragmented timber markets under strong social networks

- Strong social interactions, among different local actors in the timber markets, which facilitate exchanges of information, support financial flows and advances of capital, and secure the supply of timber. These networks are put in motion by timber “orders” from the cities.
Main challenges are ...

- Forest policies trying to regulate forest practices, based on agreed standards, place additional burdens on small- and medium-scale operations due to institutional barriers.
- Markets demand only a few number of species, which are the ones that are more appreciated for intermediaries, thus limiting the options to use commercially the forests.
- Intermediaries depend on orders (with specific delivery dates) from buyers in the cities, and (often bureaucratic) legal systems cannot match the ‘speed’ of the markets.
- Smallholders and indigenous have diversified sources of income, yet timber important for short-term cash. Modalities to compensate for conservation are limited.
New perspectives in forest policy

- Enhancing efficiency of timber legality verification systems (OSINFOR, ABT, SAF II) with attention to demand side
- Granting greater decision-making to local forest users (local quotas in BOL and PER, and simplified plans in ECU)
- Combining incentives for conservation and for improving forest management (Socio-Bosque and Socio-Manejo, ECU)
- Promoting integral forests use including conservation, management, restoration, and agricultural uses (BOL, ECU)
- Improving assistance from the state in the formulation of forest management plans (forestry advisors in ECU)
A more integrated framework

- Differentiated forestry regulations
- Enhance legal timber verification
- More effective sanction mechanisms

Integrated management of farms, community lands and landscapes

- Protected local tenure rights
- Participatory territorial planning
- Less restrictive land regulations

More equitable rural development

- More transparent markets
- Professionalized service providers

Benefits distribution

Forest management

- Expanded finance for forestry
- Incentives for forest production
- More inclusive business models

Public procurement

Domestic

- Market import regulations (e.g., FLEGT, Lacey Act)

Intra-regional

Enhanced market governance

Regional agreement for supporting legal timber trade

International

Source: Pacheco et al. (under review).
Conclusions

- Smallholders have built multiple strategies to articulate their commercial forestry operations with circuits supplying timber to the cities, which can reach some export markets.
- Too much emphasis has been placed in regulating and controlling forest uses, supported by conservation goals, for forests to provide income and ecological functions.
- Paradoxically, this approach tends to undermine the capacities of smallholders and put constraints to the local timber markets that provide resources to local economies.
- Little attention to other local actors that operate in timber markets (e.g. chainsaw millers, extractors, intermediaries) which are key for extraction and marketing to take place.
- Needed to move beyond a command-and-control approach to other that is more flexible, builds on local networks, includes all different local actors, and is based on trust.
Center for International Forestry Research (CIFOR)

CIFOR advances human well-being, environmental conservation and equity by conducting research to help shape policies and practices that affect forests in developing countries. CIFOR is a member of the CGIAR Consortium. Our headquarters are in Bogor, Indonesia, with offices in Asia, Africa and South America.