

## Decentralization and Forest Governance in Asia and the Pacific: Trends, Lessons and Continuing Challenges

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Forestry decentralization in the Asia-Pacific region continues to be a work in progress. Different countries have taken varied paths and have opted for different types of decentralization (Ferguson and Chandrasekharan, 2005). As in other parts of the world, countries in the Asia-Pacific region continue to experiment with the degree and pace of decentralization and to negotiate the balance of power between central and lower levels of government and among stakeholder groups (Enters et al, 2000; Brown and Durst, 2003; FAO 2006; Colfer and Capistrano, 2005). Some countries (for example China, Vietnam, Lao PDR, New Zealand and Indonesia) have embarked on relatively rapid and sweeping reforms to effect decentralization. Such radical reforms have typically been ushered in by political discontinuities, such as the fall of the Suharto regime in Indonesia, the election of a new government in New Zealand, and rapidly developing market opportunities in China, Vietnam and Lao PDR (Box 3.2 and Chapters 6, 8, 10 and 12 of this volume).

Most countries in the region, however, have opted for gradual, incremental decentralization. Even Indonesia, which started with a bang, has downshifted to a more cautious pace as the initial exuberance with decentralization increased conflicts and institutional complexities (Siswanto and Wardoyo, 2005; Barr et al, 2006). As a political process, decentralization necessarily entails continuing negotiation of power and authority over forests and related resources. As a social process, decentralization also involves continuing struggles over ideology and guiding philosophy and over the alternative meanings and directions they imply.

In contrast to the heady early days of decentralization three decades ago, the types of decentralization implemented during the past 15 years have tended to be more pragmatic and give more explicit attention to equity, livelihoods

and market opportunities. There also appear to be greater appreciation for the long-term nature of the process of decentralization and growing recognition that, inevitably, decentralization requires continual learning, adaptation, and technical, administrative and financial support. New skills and capacities need to be developed to enable actors and stakeholders at all levels – communities, local governments, support organizations, state and corporate entities, and national governments – to discharge their roles and responsibilities and take advantage of new opportunities created by decentralization. At the same time, the outcomes from similar decentralization approaches and interventions vary in different countries and locations. Local historical antecedents, the nature and characteristics of institutions, the capacities of key actors, socioeconomic and political dynamics, and options for the use of forests and related resources all affect the end results (Chapter 3 of this volume; Capistrano and Colfer, 2005).

Backlash from dominant stakeholders and entrenched interest groups protesting the erosion of their power and working to recapture lost ground has caused the pendulum in some countries (for example Nepal, Indonesia and the Philippines) to swing back towards greater central control in recent years (Chapters 5 and 11 of this volume; Barr et al, 2006). In many countries, the opposed forces for centralization and decentralization play out in different decision-making forums. These counter-pressures can lead to periodic cycles of decentralization and recentralization, observed in many countries around the world (Capistrano and Colfer, 2005). At times these countercurrents become manifest in contradictory policies, processes or mechanisms that negate each other. This is akin to giving with one hand while taking with the other to maintain an uneasy balance or return to a pre-decentralization status quo. Examples include Vietnam's and Lao PDR's state devolution of collective forest management to individual households and companies while designating much of the devolved forests as nature reserves and protected areas (Chapters 8 and 12 of this volume).

Lessons from countries that have already undergone decentralization and devolution indicate that central control and decentralization need to be complementary and are perhaps best viewed as two sides of the same coin. Without a strong and effective central government, decentralization can lead to loss of policy coherence, heightened inequities, accelerated fragmentation and forest loss (Box 3.2 and Chapter 2 of this volume). It can also weaken integrated land-use planning, forest firefighting and regulatory enforcement and, under certain conditions, encourage corruption. Analysts have noted that, although some decentralization reforms can be associated with greater state responsiveness and increased levels of citizens' activity, the majority are not. And there are concerns that localization of politics may obscure wider patterns of injustice and undermine collective responses to them (Larson and Ribot, 2005; Ribot, 2005).

As in other parts of the world, in recent decades the overall discourse on decentralization in Asia and the Pacific has become increasingly nuanced, and its instruments more sophisticated and increasingly market-oriented. From an initial

perception of decentralization as a somewhat straightforward win/lose allocation of authority between central and local governments and actors, over the years decentralization has become increasingly viewed as a reconfiguration of the bases of power and authority in the context of multi-stakeholder negotiation (Gluck et al, 2005). In the redefinition of the relative roles and authority of different stakeholders, mutually beneficial gains can be possible.

Although previous notions of decentralization as top-down transfer of authority remain strong, particularly among state agencies and forestry bureaucracies, decentralization is increasingly understood as a first and necessary step towards participatory forest governance. Decentralization, which has meant privatization in countries such as New Zealand, China, Vietnam and Lao PDR, has also been regarded as a means of capturing greater efficiencies from liberalizing markets. Others see decentralization and the devolution of power and authority that is supposed to follow in its wake as means towards greater democratization. However, to lead to democratization, decentralization must be downwardly accountable and create spaces for genuine, popular participation (Larson and Ribot, 2005).

Earlier rounds of decentralization in the Asia-Pacific region were implemented by governments generally under pressure and with funding from external donors and international development agencies. Reforms tended to focus more on administrative aspects than on the political dimensions of devolution and power sharing. In general, the economic, fiscal and financial dimensions of decentralization tended to be ignored or sidelined in these discussions. As countries in the region look back on their collective experience with the politics and administration of decentralization and devolution, and as external funds to support these processes dwindle, attention has increasingly turned to the requisites for economically and technically viable decentralization. To be viable and sustainable, decentralized systems of forest management will have to demonstrate increased productivity and offer significant returns and long-term incentives. At the same time, those concerned with the environment would like to see decentralization lead to enhanced conservation and environmental improvements over time (Sayer and Maginnis, 2005).

Indeed, the goalposts and standards for assessing decentralization results in the region have been changing along with politics, markets, and understanding of ecology and development. Rising demands and expectations for decentralization, the growing diversity of interests, and the complexity of the politics involved in the process require different, more effective ways of making decentralization work. In reviewing the experience of different countries, it is clear that proponents of decentralization must address persistent problems with participation, equity, tenure, rights, livelihoods and capacities. In the meantime, some old and new areas of concern have emerged: conservation, finance, systems of incentives, corruption and illegal activities in decentralized forest governance.

The authors in this volume and participants in the Workshop on Decentralization in Asia and the Pacific discussed these issues in plenary and working group

sessions. Several priority areas for reform were identified, along with recommendations for specific actions. The main recommendations from the workshop are summarized in Box 13.1.

## PATTERNS, LESSONS AND CONTINUING CHALLENGES

### Frameworks, roles and implementation processes

The cases in this volume reveal major gaps between decentralization policies and their implementation. Intent is not necessarily matched by political will and commitment (Chapter 11 of this volume). Even progressive policies (for example the Philippines' Indigenous Peoples' Rights Act) tend to remain largely on paper (Lynch, 2005; Saway and Mirasol, 2005). Strong demand and credible pressure from below have been required in many cases before states implement decentralization policies. Consistent pressure and show of collective strength have generally accompanied cases of real devolution of power and authority (Shrestha, 2000; Ritchie and Haggith, 2005; Durst et al, 2005; Colchester et al, 2006; Chapter 11 of this volume).

Guidelines and mechanisms for decentralization policy implementation are often unclear or nonexistent. Resistance or sabotage by those who stand to lose, including traditional power brokers, competing forest claimants and segments of the state bureaucracy, can derail the implementation of even the best-intentioned policies.

Much remains to be done in clarifying the legal and regulatory framework for decentralization of forest management in Asia and the Pacific. As in other regions of the world, there is often a disjuncture between roles, responsibilities and rewards for forest management (Chapter 3 of this volume; Capistrano and Colfer, 2005; K uchli and Blaser, 2005). And in many countries, forest users and managers still have only a vague understanding of their roles, responsibilities and rights (FAO, 2006). The cases in this volume illustrate the continuing evolution of the definition, allocation and modes of implementation of roles, rights and responsibilities among resource users, managers and stakeholders.

As parties gain experience in their new roles, they seek to address aspects that are unclear, inconsistent, impractical or iniquitous through renegotiations and further reforms. For example, in the 1990s the national and provincial governments of Australia developed and adopted regional forest agreements as a way of addressing their tensions and disputes over forest conservation and trade (Ferguson and Chandrasekharan, 2005). Workable systems of checks and balance are needed to implement decentralization. Clear and accountable frameworks for implementation, monitoring and regulation are important. And the participation of civil society and key stakeholders is essential in defining and achieving the appropriate balance.

Uncertain legal and regulatory frameworks for decentralization create insecurities in entitlements and benefits that undermine the viability and sustainability of local forest management. Unilateral changes in policies, such as those regarding forest product harvest, transport, sales, taxation and rights transfers, affect returns from decentralized forest management. Such unilateral and arbitrary changes weaken confidence and trust in the system and raise doubts about its stability and prospects for realizing expected returns. Unfortunately, such uncertainties are not uncommon.

In the Philippines, use rights of community forest management agreement holders have been suspended or cancelled at least four times since 1999 (Chapter 11 of this volume). In China, national policy on the ownership and management of forestlands changed four times in the quarter-century before 1978, and local administration changed even more frequently. Despite recent reforms, a degree of uncertainty remains among China's tree farming households. Harvest and shipping permits for timber can change from season to season and be subject to unpredictable increases. Forest taxes have risen in some cases from negligible to 35 to 60 per cent of timber revenues. Even when official state policies are favourable, the arbitrariness of some local administrators' oversight and dealings with tree-growing households also add to the uncertainty at the local level (Hyde et al, 2003).

The cases in this volume show that adequate and honest consultation, transparent and accountable decision-making, and a genuinely participatory approach to decentralization also continue to be major gaps across countries in the region. Clearly, these need to be addressed for viable decentralization in the long term. Processes for participation and procedures for recognition of collective and individual rights in many countries are confusing, cumbersome and in need of simplification. Even in Papua New Guinea, where 97 per cent of the land and forests is owned by communities under customary tenure, forest owners are not necessarily in a position to make decisions or even meaningfully participate in decisions about their forests. The government acquires the rights to harvest timber and develop the condition of forests and confers these rights through public tender to (mostly foreign) logging companies for periods of five to 20 years. A cumbersome, 34-step process of securing timber harvest permits involves prohibitively high transaction costs that deter communities from legally harvesting their own timber (Potter and Bun, Box 3.1, this volume).

Lack of trust between different levels of government and among communities and other stakeholder groups also inhibits progress towards effective decentralization and constrains innovation to find locally appropriate solutions to vexing issues. Concerned institutions and forest managers at different levels have to develop and agree on appropriate standards, systems and processes to make decentralization work in their specific contexts. The development of needed skills, capacities and infrastructure remains critically important and requires continuing support. Also required are the resources and enabling environment that can encourage local

adaptation and organization that may be more appropriate than centrally prescribed institutional arrangements and forest management plans (Colfer, 2005).

However, more fundamentally, the long-term viability of forest decentralization will require real changes in processes and ‘rules of the game’, especially on how rights, roles, responsibilities and rewards are allocated and by whom. The rhetoric of participation will have to be translated into real spaces for genuine stakeholder participation. Forest governance reforms are needed to improve the rules of the game and encourage shared decision-making and greater equity in the distribution of benefits and burdens that result. Without needed reforms (see Box 13.1), decentralization is simply another way for central governments to get local people to bear the costs of state forest management (Edmunds and Wollenberg, 2003).

### **Tenure, rights and privatization**

The latest FAO (2006) assessment of the status of forest ownership and tenure in Asia and the Pacific shows that decentralization and devolution in the forestry sector remains limited. The area of forests managed under various decentralized schemes also continues to be limited. Forests in the region are overwhelmingly (86 per cent) public forests,<sup>1</sup> and almost 80 per cent are still under the direct control of central governments. Devolution to local communities involves no more than 10 per cent of forests (18 per cent if small-scale forest holders are included). In general, rights are devolved for degraded forests while well-stocked and valuable forests remain under central control. The FAO study cites evidence of links between clear, secure tenure arrangements and better forest management and more sustainable forest-based livelihoods. However, tenure security alone is not sufficient; it needs to be supported by effective capacity-building and necessary reforms.

Privatization of state forests is among the most significant trends in decentralization in the Asia-Pacific region (FAO, 2006). This trend is most pronounced in China and in centrally planned economies transitioning to liberal market economies, including Vietnam and Lao PDR. In Malaysia, long-term arrangements of 100 years granted to private companies signal a stronger commitment to privatization.

No country’s forest policy has changed more dramatically than China’s, and many of the changes here are part of a broader trend toward more decentralized management in all sectors of the economy. By 1998, households managed 52 per cent of China’s total forest area, including 74 per cent of forest plantations, 92 per cent of economic forests<sup>2</sup> and 93 per cent of bamboo forests (Xu and Hyde, 2005).

Like China, Vietnam has also embarked on a path to privatization.<sup>3</sup> Until the early 1990s, Vietnam’s forests were managed solely by state agencies (Tan, 2005). This changed dramatically in 1991, when the Forest Protection and Development Law introduced private property rights in forests and established a legal basis for

setting up management boards as a new form of state management of protection forests and forests designated for special uses. As in China and other countries in transition from centrally planned to market-based economies, this opening unleashed a range of creative approaches to tenure reforms. There are now a variety of tenure regimes over forests and forest products based on different ways of packaging or bundling the nature and degrees of rights and entitlements over land, resources within the forest over time and space, and flows of services and benefits from the forest ecosystem. At the same time that the rights and entitlements for individual households, communities and corporate entities have expanded, new markets have developed where some of these rights and entitlements can be exchanged. Through its engagement in these markets, governments at different levels can more finely tune incentives and disincentives for decentralized forest management.

For countries that have opted to implement decentralization as privatization, New Zealand's earlier experience can be instructive. Between 1980 and 1996, foreign ownership of New Zealand's forest plantations increased from 2 to 48 per cent. Such a dramatic shift in forest resource ownership has implications for governance and regulatory enforcement. With decentralization it is even more important to clarify which level or agency of government is responsible for regulation, enforcement and conflict resolution. In poor countries with weak capacity, regulatory enforcement can be a major issue, particularly when external parties are big and powerful (see Box 3.2).

Indeed, with the move towards greater privatization and market orientation within forest decentralization, clarity, security and protection of rights become even more important. Rights need protection not only from foreign business interests but also from local actors, including the state and its agencies. In Lao PDR, for example, the state designated more than 90 per cent of the village territory it had allocated for community management as protection and conservation forests, in effect curtailing communities' rights to a major portion of the forest products (LPDR, 2005; Chapter 8 of this volume). Similarly, in China, though their rights are recognized, individual households have generally not been consulted about major government decisions, such as logging bans or creation of protected areas (Chapter 6 of this volume).

Disagreements over who has rights and who should control forests and forestlands are often at the root of conflicts and destructive forest practices. Decentralization can add layers of complexity and exacerbate disagreements, particularly if the new laws and regulations are conflicting. Decentralization can also pit the interests of local governments against those of the central government with respect to regulating private industry, especially if local governments have incentives to exploit resources faster for revenue generation.

In Indonesia, different interpretations of the definition and location of the country's forests and forest zones, and jurisdiction over them, are at the heart of policy conflicts over public versus private rights and management priorities

(Contreras-Hermosilla and Fay, 2005). Questions about legal jurisdiction and the authority to grant or extinguish rights and issue permits are crucially important in determining which activities are legal or illegal. Local people can be ensnared in webs of illegality, especially when laws and regulations are inconsistent or subject to conflicting interpretations (Resosudarmo and Dermawan, 2002; Lynch and Harwell, 2002; Tacconi et al, 2003; Colchester et al, 2006).

Even when rights are clear, lack of capacity can prevent rights holders from claiming or exercising their rights. In India, for example, the law confers management rights over forests and other natural resources to village governments (*panchayats*). Yet lack of skills, funds, technology, market access and other requisite inputs has prevented many *panchayats* from exercising these rights and discharging their roles (Saigal, 2003).

### **Forest rehabilitation, fire and conservation**

Forest management by communities and households has been credited with rehabilitating degraded lands and transforming landscapes in many countries in the region (FAO, 2006). India's joint forest management, a system of co-management between state governments and village-based forest groups covering almost 17.4 million hectares and involving almost 85,000 villages, is among the few examples of large-scale decentralization (Bahuguna et al, 2004). Although joint forest management has had mixed results in terms of livelihoods and equity, it has contributed to the rehabilitation and re-greening of India's degraded forests and wastelands (Saigal et al, 2005; Singh and Varalakshmi, 1998). Detailed ecological studies show general improvements in tree cover, crown density and forest productivity in joint forest management areas (Ravindranath et al, 2004). For example, between 1995 and 1998, tree density in nine randomly selected sites in the Eastern Ghats showed improvements ranging from 139 to 704 per cent. An analysis of indicators of ecological change in 5 per cent of all joint management groups in the state of Andhra Pradesh over the same period revealed similar improvements. Growing stock increased by 50 per cent; increases in non-timber forest products ranged from 26 to 165 per cent; overall regeneration ranged from 13 to 145 per cent; increase in species diversity ranged from 29 to 165 per cent; and water tables registered an average rise of 3.6m (Rangachari and Mukherji, 2000; Banerjee, 2004).

In China, despite the limitation on timber markets, the effects of privatization on forest cover were rapid and substantial on both agricultural and forest lands. In its windy and erosion-prone North Central Plains, forest cover expanded from about 5 per cent in 1977 to 11 per cent by 1988. Improvement in property rights was also determined to have positive impacts on production and conservation. Conservation investment in trees (a response to improved property rights) explained 5 per cent of the increase in agricultural output from 1977 to 1984 and 20 per cent thereafter, as newly planted seedlings matured into larger trees and formed better protection against eroding and desiccating winds (Yin, 2003).



Preventing and fighting forest fires can be more complicated under decentralized forest management. In South Korea, fire prevention and control systems needed to be restructured to better complement the decentralized structure of the forest management bureaucracy (Chapter 7 of this volume). The involvement of villages and local forest users in forest prevention and firefighting has resulted in fewer incidents of fire in community-managed forests in India (Bahuguna et al, 2004). In Indonesia, many forest fires are set for land clearing and illegal forest-land conversions to crop plantations (Barber and Scheweithelm, 2000). In theory, decentralization and the improved forest governance that is expected to ensue would help reduce forest fires. This has not been the case in Indonesia, where fires continue to affect large tracts. In China, fragmentation of land under private household management has raised the cost of forest protection. Boundaries per unit of forestland are relatively longer in small plots than in larger plots. The costs of boundary markings, patrolling and protection from fires and illegal activities have increased because of land fragmentation under decentralization through privatization. This has limited the ability of many households to effectively protect their forests from fire and theft.

Overall, patchy information and lack of data make it difficult to assert general conclusions about the links between decentralized forest management, forestland rehabilitation and fire protection. The impacts of decentralization on fire prevention vary in different contexts. Links between decentralized forest management and biodiversity conservation also remain uncertain, although some have argued that protected areas are better retained under central control (Sayer et al, 2005; Sayer and McGinnis, 2005).

What is clear, however, is that the momentum for local forest management under different types of decentralization schemes, and any environmental benefits they provide, may be difficult to sustain. In many cases, there is little incentive for local governments, households and communities to continue to engage with decentralized forest management schemes (Mayers and Bass, 2004). Particularly where the initial quality of forest resources is poor, where infrastructure, capacities and inputs are deficient and markets underdeveloped, the burdens of local forest management can outweigh the benefits (Capistrano and Colfer, 2005).

## **Corruption and illegal forest activities**

Corruption, illegal forest activities and problems with law enforcement are common, though their nature and extent vary among countries in Asia and the Pacific. Corruption and illegal forest activities can be a significant factor in increased forest-related violence and civil unrest (Peluso and Watts, 2001; Tacconi et al, 2003). They can also be so pervasive in some countries that progress to address them will require concerted reforms and interventions beyond the forest sector alone (FAO/ITTO, 2005).

Decentralization has been expected to serve as a counterweight to organized corruption, state and national elite capture of forest benefits, and collusion by corrupt and inefficient forestry bureaucracies (Chapters 3 and 11 of this volume). It is expected to provide local stakeholders and communities with greater power and control over local forest resources, strengthen incentives for protection from illegal logging and unauthorized resource use, and foster greater self-regulation among local users. But decentralization can be a double-edged sword. It presents both threats and opportunities for addressing corruption, illegality and criminality.

Under certain conditions, effective collective action and decentralized forest governance have resulted in more effective regulation and forest law enforcement. Reductions in illegal encroachment and forestland conversion, illegal logging and wildlife poaching, and corruption, for example, have been reported in community-managed forests in South Asia (Rangacharya and Mukherjee, 2000; Bahuguna et al, 2004). In these cases, individual local government officials, local actors and institutions are often crucial in determining outcomes. Commonly understood rules and consistency of their enforcement have been identified in detailed studies as an important factor (Ostrom et al, 2002; Gibson et al, 2000). Successful enforcement at the local level depends in part on individuals who generally agree on what rules they should follow and why these rules have been adopted. Without this agreement, there is less incentive to comply. Vigorous efforts to enforce the rules can result in bribery and corruption or conflict and violence (Gibson et al, 2000).

Decentralization can also weaken regulatory enforcement and make the situation more complex and difficult. When centrally organized mechanisms for rent-seeking fall apart and fragment into competing factions all extorting rent, decentralization can end up decentralizing corruption as well. This phenomenon appears to have occurred, for example, in some areas in Indonesia and the Philippines (Siswanto and Wardojo, 2005; Barr et al, 2006; Chapter 11 of this volume).

Inconsistencies in decentralization laws, policies and regulations can exacerbate policy confusion and create grey areas in which corruption tends to flourish. Uncertainties during the process of transition to decentralized management and lack of clarity on the locus of authority for granting permits and sanctions provide fertile ground for corruption and illegal activities. Overly burdensome bureaucratic requirements, coupled with high transaction costs of compliance, can also make it difficult for poor, small-scale forest users to comply (Potetr and Bun, Box 3.1, this volume; Tacconi et al, 2003; Obidzinski et al, 2006). Unrealistic prohibitions, such as indiscriminate logging bans or prohibitions on use of forest resources without providing alternatives can render customary forest uses for subsistence and livelihoods technically illegal (Colchester, 2006). In cases of violations, local forest users and small-scale loggers tend to be penalized more severely, while large-scale illegal loggers, financiers and powerful perpetrators of organized forest crimes tend to escape sanctions (Setiono and Hussain, 2005). Clear and consistent laws and policies and fair and just regulations and their consistent enforcement are essential

foundations for any long-term approach to addressing corruption, illegalities and forest crimes.

Alliances with civil society and use of the media to raise public awareness and generate popular support, advocacy and direct action have been employed with varying degrees of effectiveness to address forest-related corruption and illegal activities. In the Philippines in the mid-1980s, an alliance of civil society organizations, anti-Marcos coalitions and religious groups found political space and started advocating for reforms to clean up widespread corruption and redress inequities. Their advocacy led to the cancellation of logging concessions to Marcos's cronies, which had been lucrative vehicles for environmental plunder and subsidies to a privileged few. This resulted in the reduction in the number of large-scale logging concessions (Chapter 11 of this volume). Some of the land was subsequently reallocated to various forms of local community and household management. Advocacy by these allied stakeholder groups and popular support for reforms eventually led to a reconfiguration of the country's policies, with far-reaching implications for forestry and related sectors.

Addressing corruption, criminality and illegality is fraught with risks and requires a variety of approaches at different levels to be effective. Several tactics have been used singly or in combination. These include media pressure, direct action such as 'naming and shaming' perpetrators, economic sanctions such as freezing assets or 'bankrupting the corruptors', local community empowerment to apply 'pressure from below', and international-level cooperation in trade, finance, investment regulation and law enforcement.

Breaking the links between corrupt business interests and state decision-makers is essential in the fight against corruption. Workshop participants agreed that under decentralized forest management, approaches need to be adapted to specific situations in different provinces, districts and locations. Results are expected to vary greatly depending on the capacity and commitment of local government, local institutions and other actors. There was also a common expectation that central government agencies play a strong, clean oversight role. Appropriately targeted international pressure and support from donor governments, trading partners, international agencies, global civil society and advocacy organizations can help strengthen the resolve and commitment of governments reluctant to tackle corruption, illegal logging and forest-related crimes. International initiatives such as Forest Law Enforcement Governance and Trade (FLEG/T), the Asia-Pacific Forestry Commission, and partnership forums such as the Asia Forest Partnership can also help encourage and facilitate necessary action.

## **Gender, equity and external alliances**

Decentralization is a social process embedded in local politics, social relations and histories, which shape it and are in turn shaped by it. Patterns of local hierarchy, dominance, exclusion and inequities are woven into these contexts and form the

subtext for decentralization in specific countries and locations (Chapter 4 of this volume). Inequity – within and among geographic regions, gender groups, ethnic and tribal groups, castes, economic classes, communities, and stakeholder groups – is typically an element of this context. Unfortunately, inequity persists as one of the major issues in forest decentralization in the Asia-Pacific region as elsewhere.

Uneven access to resources and opportunities to participate in forest-related decision-making limits the effectiveness and unfairly distributes benefits and burdens of decentralized forest governance. Poor and low-status households, regions, ethnic minorities, forest-dependent communities and women bear a disproportionate share of the burdens and share least in the benefits (Carter, 2005; Colfer, 2005). They also tend to have the least influence in decision-making but are the most affected by insecurities wrought by decentralization, especially on vital issues such as forest land tenure, rights of resource access and use, and benefit sharing. The chronically poor are especially excluded from access to institutions even at the most local level. Even those who engage actively often find participation an onerous activity that detracts from their pursuit of livelihoods and helps perpetuate the status quo (Cleaver, 2005).

Across countries in the region, women and disadvantaged groups are typically under-represented in institutions, organizations and forums for forest-related decision-making. Village forest committees, state forest departments and different levels of government agencies dealing with forests are generally dominated and controlled by men, elite groups and privileged classes. This domination and control of processes for representation, agenda setting, modes of operation and resource allocation inhibit the participation of women and disadvantaged groups. Interventions and changes in ways of working are necessary to enable women and marginalized groups to participate and benefit from their participation (Chapters 3 and 4 of this volume). These include targeted capacity-building, including the capacity to negotiate; upgrading of communication, literacy and educational skills; increased access to credit and other livelihood resources; and adjustments in the conduct and scheduling of activities.

External actors have been influential in shaping local contexts and forest-related interactions. The actions and decisions of foreign donors and international environmental and civil society organizations, as well as central and state government agencies in distant locations, are increasingly affecting local people and their relations to forests and other actors. Depending on who they are and what their interests are, external actors can facilitate flows of funds; open new channels of access to information, technical resources and inputs; broker and bridge contacts with other external actors and institutions; introduce new practices and standards of behaviour; and catalyse the creation of new organizations and institutional arrangements. In the process, however, they may deliberately or inadvertently also create new elites and alternative bases of local power and legitimacy.

External interventions, such as donor-supported projects and contractual arrangements with state and private corporate entities, can both mitigate or exacerbate

local inequities and introduce new norms and standards of behaviour. Externally mandated reforms in the composition and functioning of local organizations and institutions have created some openings for women and disadvantaged groups in some countries. Reserving a minimum number of village forest council seats for women and low-caste representatives in India and Nepal, for example, helped boost women's participation in village resource management. The space for women's participation has gradually expanded as increasing numbers of women in village-based forest councils contest and get elected to positions in local government (Boaz and Boaz, 2006; Chapter 5 of this volume).

When needed capacity, confidence-building and space for participation are not adequately provided, however, women and disadvantaged groups can become mere tokens. Their presence and marginal participation can lend legitimacy to captured institutions and organizations with few benefits for themselves and other disadvantaged groups. Rather than challenging the dominance of entrenched interests, in many cases, women and disadvantaged groups have opted out of male-dominated and elite-captured organizations and institutions. They have tended instead to establish their own organizations and design their own processes. They have also chosen to frame and address forest-related issues within the context of local development and their own needs for livelihoods and wellbeing. Women have generally fared better and derived greater benefits from their investment in time and energy when they control the terms of their participation and have greater latitude in framing issues and deciding how best to address them (Chapter 4 of this volume).

New capacities and alliances among the disempowered and marginalized are critical for decentralization to deliver real changes in the rules of the game and create genuine spaces for voices from below. Some federations and umbrella organizations of forest users who on their own would be powerless have employed this strategy. Advocacy has been an essential element.

Effective advocacy is a necessary part of the struggle to promote particular agendas, preferred interpretations and courses of action in the public policy sphere. Successful advocacy strategies have been typically accompanied by building alliances with internal and external actors, building organizations, mobilizing members and supporters, and staging marches and other activities to demonstrate collective strength (Ritchie and Haggith, 2005; Boaz and Boaz, 2006; Chapters 4 and 11 of this volume).

Nepal's national federation of community forest user groups has successfully used this strategy with financial, technical and moral support from its donors and allies. This helped make the Federation of Community Forest Groups a significant player in Nepal's forest policy discussions and enabled it to play a role in the country's recent transition to democracy. The strategy required organizational strengthening and capacity-building within its ranks, which also helped reduce inequities and corruption among members of the federation. Despite their progress, however, elite members continue to capture a disproportionate share of the benefits

from the federation's forest management efforts. Domination by powerful groups at both the community level and within the federation also continues to be an issue of concern (Chapter 5 of this volume).

## **Financing decentralization**

Pressure from donor governments and international development agencies has been a driving force for decentralization in many countries in the Asia-Pacific region. Decentralization was prescribed as a way of downsizing inefficient bureaucracies, off-loading responsibilities for degraded or low-value forestland, and reducing government deficits as conditions for structural adjustment lending in the 1970s and 1980s (Capistrano, 1994; Larson, 2005; Ribot, 2005). Because decentralization in most countries came about partly in response to tight budgets and heavy debt burdens, however, funding for decentralization has generally been inadequate. Funds for decentralized forest management have come largely from central and local governments, local communities, external donors, and the private sector. Of these, the private sector remains a relatively minor source of funding for decentralized forest management; its potential as a funding source remains largely untapped.

Decentralization efforts in most countries in Asia and the Pacific continue to rely to varying degrees on external donor funding. In India, foreign donors provided roughly 30 to 35 per cent of the total budget of the forestry sector between 1981/82 and 1998/99 (Saigal, 2003). The share of donor funding for forestry in some countries is even higher. During the past decade, a major portion of donors' forestry funding tended to go to plantation development, rehabilitation of degraded forestlands, protection forests and conservation reserves. Improved decentralization, community forestry, and livelihoods and governance reforms have received less funding despite the high profile and publicity given to these topics in national and international forestry discussions.

In countries that depend mostly on external funds, the future direction and sustainability of decentralization are subject to the vagaries of fluctuating donor budgets and changing priorities. The need to show measurable success within short timeframes and to demonstrate impacts against rapidly changing donor benchmarks complicate decentralization planning and implementation. Changing standards of achievement as preconditions for continued support make it difficult to sustain decentralization initiatives, even in cases where real positive results are being achieved. Some factors, such as international trade, foreign debt and currency fluctuations, are likely to significantly affect decentralization outcomes. Yet they frequently lie beyond a country's control and pose continuing uncertainties (see Box 3.1).

Future funding to sustain decentralization and ensure its long-term viability will eventually have to be generated by the countries themselves. This will require putting in place incentives that will make decentralized forest management schemes

attractive options for households, communities, the private sector and different levels of government. It will also require sufficiently strong political support and commitment from governments to commit funds to make decentralization work.

## **Incentives and investments**

In practice, decentralization has generally meant devolving the costs and burdens of forest regeneration, protection and management to local governments, communities and households, with little authority and uncertain benefits (Capistrano and Colfer, 2005). The most productive and valuable forests in Asia and the Pacific and the rights to these resources remain largely centrally controlled. There is also a tendency to undervalue and under-compensate communities' and local peoples' investments and contributions in forest management while giving preferential treatment to investments by external actors and corporations (White and Martin, 2002; Molnar et al, 2004; Scherr et al, 2004; Box 3.1 and Chapter 11 of this volume).

Different actors and stakeholders have different interests and respond to different incentives to engage in decentralized forest management schemes. Secure tenure and an expanded set of rights and entitlements to land and forest products are generally important incentives for communities and households. Early decentralization efforts were designed based on this premise. They were structured to give communities and households access to (mostly degraded) forestlands to enable them to grow subsistence crops and collect forest products. In exchange, communities and households agreed to assume responsibility for forest protection and forestland rehabilitation. But as the actual costs and returns from forestry and forest management become apparent, meeting subsistence needs alone is no longer adequate incentive for their continued participation.

In recent years, the modes and design of decentralization in many countries have increasingly acknowledged the need to offer households, communities and local governments more attractive incentives and address broader livelihoods concerns. Local forest management and decentralization have thus been increasingly oriented towards securing rights to forest resources, sustaining livelihoods, and capturing and sharing revenues from commercial activities.

In some countries, state monopolies on forest product harvesting and marketing and prohibitions on sale of products and transfers of rights are being relaxed or dismantled. Since the 1990s, China has allowed households to sell wood in the free market rather than to state monopolies, as during the previous 40 years. Further reforms underway would reduce the revenue share of the state and increase that of tree-growing households from its current share of 20 per cent of gross revenues. Several states in India are similarly increasing the benefit shares of village-based joint forest management groups. In Indonesia the sharing of revenues between central and local governments continues to be the subject of negotiation.

Households and forest user groups are also organizing themselves to take advantage of opportunities that open up. Some attempt to tap into niche markets through certification, green marketing, ecotourism and other channels. Partly in reaction to inequities and bureaucratic inefficiencies, many customary forest owners in Papua New Guinea are beginning to invest their own resources to develop needed capacities and procure inputs and technical assistance in a bid to enhance returns from their forest resources (see Box 3.1). In South Asia, local forest management groups are coalescing and organizing to achieve commercially viable scales of operation through alliances, cooperatives, federations and joint ventures for forest plantations and product processing (Capistrano, 2000; Boaz and Boaz, 2006; Bahuguna et al, 2004; Saigal, 2005).

An increasing number reinvest their forest revenues not only in forestry but also in local development and social welfare projects. In Nepal, after ploughing the required 25 per cent of revenues back into forest management, many forest user groups construct schools, irrigation canals and other local infrastructure. They also use a significant portion to help expand livelihood options for the poorest members of their communities (Shrestha, 2000; Chapter 5 of this volume). Joint forest management committees and forest cooperatives in India similarly allocate portions of collective funds for village development and social safety nets for poor households. In China, similar arrangements have begun to be mandated. In 2003, China's Jianxi Province allowed collective forests to be leased to individuals and corporate entities. Of the fees earned, 70 per cent is to be distributed to members of the collective and the rest (30 per cent) can be used for village public welfare and development needs (Hyde et al, 2003; Chapter 6 of this volume).

These are promising trends. However, most countries will have to do more to make forest management under decentralization a more attractive and viable proposition. At the minimum, the package of incentives will have to include the provision of secure legal rights to forestlands and resources. In addition, the package must include at least some of the following: deregulation and streamlining of bureaucratic requirements to reduce transaction costs; simplified taxation; more equitable production and revenue- and benefit-sharing arrangements; provision of adequate infrastructure; access to credit, technical support and markets; and mechanisms to reduce risks.

## CONCLUDING COMMENTS

There are indeed promising and hopeful signs that decentralized forest governance can work under certain conditions. Degraded forestlands are regenerating under various forms of individual household and group management. Capacities and institutions are being built and strengthened, and confidence and skills are being developed at different levels among actors and stakeholders. But it is difficult to gauge progress made under decentralization, and it is even more difficult to sustain



decentralization initiatives. The goalposts for decentralization have been changing constantly as new, more ambitious objectives and expectations have been added and as the initial goals have been redefined over time.

Decentralization is expected to yield a combination of public and private goods, produce multiple products, provide environmental services and biodiversity conservation, encourage allocative efficiency, enhance social justice and equity, improve governance overall, and be economically viable as well. The evolving goals

**BOX 13.1 MAJOR ISSUES IDENTIFIED BY THEMATIC  
BREAKOUT GROUPS (EQUITY, LEGALITY AND FINANCE)  
DURING THE WORKSHOP, 4–6 SEPTEMBER 2006**

- In most Asian countries, the involvement of women in the development process is largely ignored; decision-making and benefit sharing in forestry are controlled by local elites. Gender mainstreaming and capacity-building would improve women's participation in forestry.
- Government officials feel accountable to higher authorities but not to the communities. Performance evaluations should consider officials' contributions to community empowerment.
- Decentralization in the forestry sector is constrained by funding and capacity gaps, insufficient transfer of authority, and unclear roles and responsibilities at various levels.
- Lack of trust between government and communities and within the government bureaucratic layers accounts for the poor level of commitment to decentralization.
- Laws and regulations are highly inconsistent and frequently changing.
- A clear legal framework is necessary to ensure that agreed arrangements in decentralization are sound and enduring.
- In most cases in Asia, ethnic minority communities are marginalized and lack rights to their land. Equity in benefit sharing is not always addressed and is often left unclear.
- Logging bans are not observed in practice; rampant illegal logging is both a cause and an effect of corruption in most Asian countries. As it is so pervasive, the solution lies beyond intervention in the forestry sector.
- In many cases, customary institutions are good mechanisms for managing forests. Institutional restructuring could help improve implementation of decentralization.
- Decentralization presents both threats (decentralization of corruption) and opportunities (local community control and empowerment).
- Better governance in forestry requires greater transparency through the establishment of new laws and increased media scrutiny.

and expectations of decentralization reflect the general evolution in development and administration and changing ideals for environmental resource governance. As many analysts have noted, decentralization is not a panacea. The empirical evidence also suggests that decentralization cannot guarantee better governance and better forest management. In many cases, forest conditions can also worsen (for example in Japan, Korea, Switzerland, New Zealand, India and Nepal) before they get better.

The many goals and expectations from decentralization can be contradictory and may require trade-offs. In reality, the space for the proverbial win-win outcomes tends to be narrower than initially supposed. Widening this space will entail significant transaction costs and require altogether different values and new ways of working and making decisions. It could take time, and there will still be winners and losers in the end. But people and institutions learn and adapt all the time. They constantly renegotiate and reshape their thinking and institutional arrangements to better balance or accommodate competing views based on lessons from the past. Herein lies the hope that although it could be complicated and take time, decentralization will lead to improvements that have not yet been achieved under more centralized modes of governance.

## NOTES

- 1 Public forest refers to those forests which are managed primarily for ecological benefit; hence they are strictly protected, and logging and collection of other forest products is heavily regulated.
- 2 Economic forest are managed mainly for the production of timber, fuelwood and other forest products.
- 3 Privatization in Vietnam includes forest management by individual households and state and joint venture enterprises, where the forest is allocated to the owner for long-term management (50 years).

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