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### **Case for Local Forest Management: Environmental Services, Internalisation of Costs and Markets**

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## Special articles

# Case for Local Forest Management Environmental Services, Internalisation of Costs and Markets

*The paper argues that forests are not only sources of timber and non-timber forest products, but also of environmental services. It is through the fall in the supply of local environmental services, like nutrient recycling and soil formation, that forest communities bear the external costs that are not included in the price of timber and other forest products. Local environmental services are taken into account in forest management decisions by local communities, but not by external agents, like forest departments, and form a basis for setting up local forest management systems. In arguing for the establishment of forest communities' property rights over forests, the paper supports the establishment of markets for regional and global environmental services provided by forests.*

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For a long time, forests, seen from the viewpoint of states and forest departments, meant timber. More recently, the importance of non-timber forest products (NTFP), on which forest communities rely for a large part of their cash income and self-consumed products, has become an integral part of the discussion on forests. "The importance attached to NTFPs has possibly changed forever the way forest values and their development potential are assessed" [Wollenberg 1998]. But forests are not only timber and NTFP; they also provide environmental services. Carbon sequestration is one of the global environmental services that forests pro-

vide. we argue that the fall in the provision of these environmental services is the form in which the external costs of state or other external agency conducted logging are internalised by the indigenous peoples. This accounts in large part for the drain from the forest-based economy resulting in lowered productivity and loss of production potential of the indigenous people. The effects of the fall in productivity, however, are not equally distributed across the genders. Women bear a disproportionate share of the resulting higher burden.

External evaluations of forest departments must inevitably focus on what external agencies want from the forest

markets, while they would not solve all problems associated with an inadequate supply of these environmental services, would help to increase supply of these services by providing forest communities some incentive for their production.

Timber has been treated as an isolated resource, one which does not interact with the rest of the economy of the indigenous peoples. To the extent that there has been discussion of the costs of timber extraction, it has concentrated on the difference between 'cost of extraction' and the full costs, which would also include the cost of regeneration' (i.e., the cost of planting, tending and otherwise bringing a plant-

environmental services that forests provide. Disastrous floods in the lower Yangtze and Ganges-Brahmaputra basins have drawn attention to the role of forests in preventing large-scale flooding at the regional level. While the flood protection or carbon sequestration provided by forests benefit largely the non-forest communities, it is the forest communities who pay for the provision of these services in terms of livelihood opportunities foregone and the freezing of land use.

Over and above these global and regional environmental services, forests are important in providing local environmental services to the economy of forest communities, who are for the most part indigenous peoples. In this paper

external agencies wait from the forest, which is largely timber and to an extent NTFP, and thus suffer from being partial or even one-sided. Local communities, on the other hand, can balance the benefits and costs accruing to the local economy from changes in the use of forest resources as a whole. Their management of forests is based on local knowledge of environmental interactions, local knowledge that is not available to external authorities, and is used by communities to protect locally critical natural resources.

In arguing for establishing forest communities' property rights over forests, the paper supports the establishment of markets for environmental services provided by forests regionally and globally. Such

logging and otherwise bringing a plantation to mature extraction stage). But this is based on a mistaken notion of costless extraction, which assumes that there are no further effects on the economic activities of the forest communities. Costless extraction, even when the cost of regeneration is included, is the economic equivalent of the legal doctrine of *terra nullius*, lands vacant or empty of people.

Logging in tropical forests in Asia is usually not clear felling,<sup>1</sup> and selective logging in tropical forests need not per se lead to deforestation. But there are numerous effects which lead at least to 'degeneration' of the forest, defined as "temporary or permanent deterioration in the density of structure of vegetation

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