



Smallholders and domestic timber markets in Ecuador: Research findings and policy options

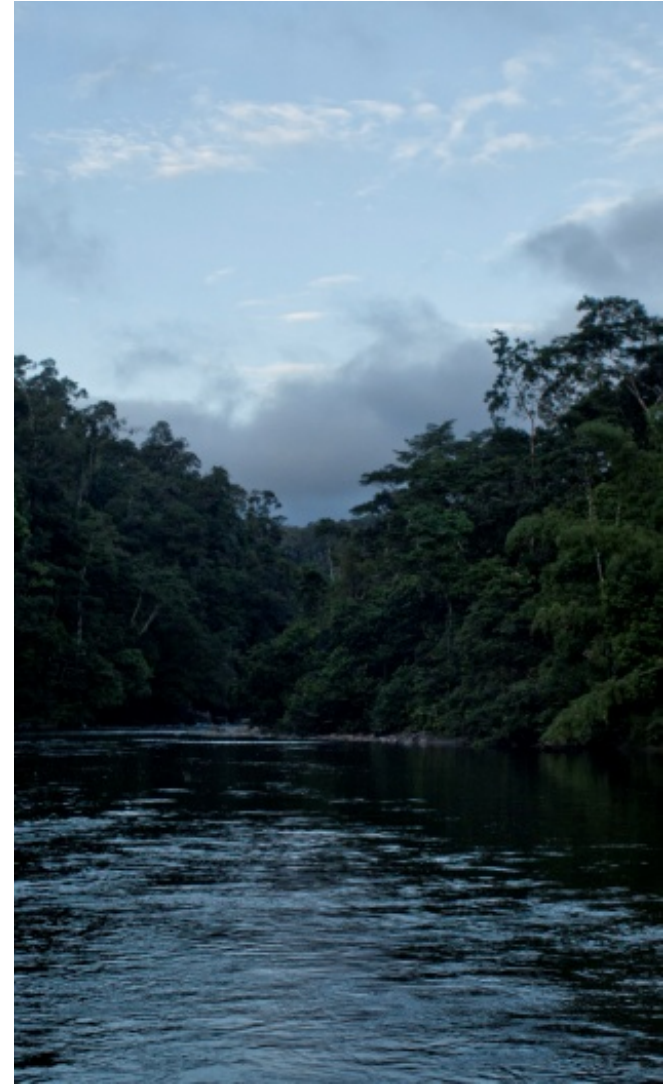
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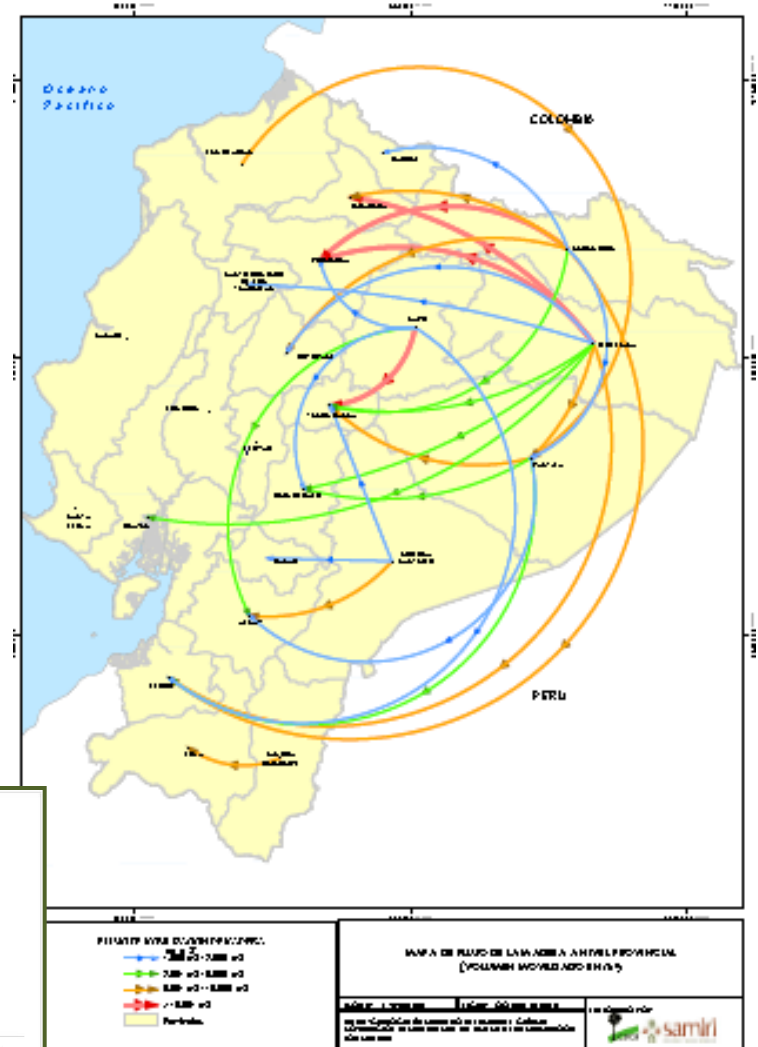
The institutional context

- Ecuador has taken important steps to enhance forests governance, with emphasis on simplifying norms and improving timber legality verification
- Legality monitoring is complemented with payments for conservation and incentives for plantations expansion
- Smallholders, however, find difficult to overcome institutional barriers to operate legally and there are in place vigorous informal market networks to access finance and timber markets

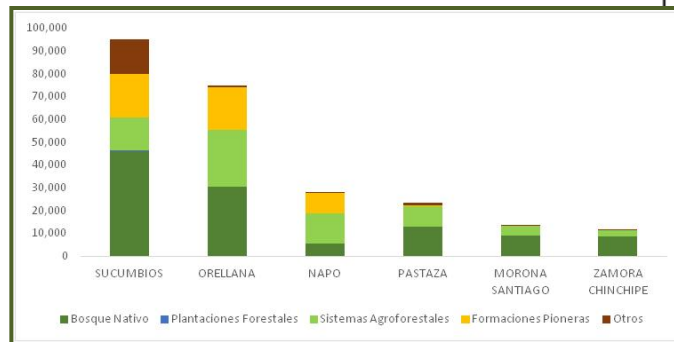


Domestic timber supply

- Major timber trade occurs in the regions of the Coast and Sierra
- Wood supply originates in forest plantations and agroforestry systems followed by pioneer species and native forests
- The Amazon contributes with 12% of total production, but provides 48% of wood from native forests, 81% from small-scale operations



Amazon: Timber harvested by forest type and provinces (in cubic meters)



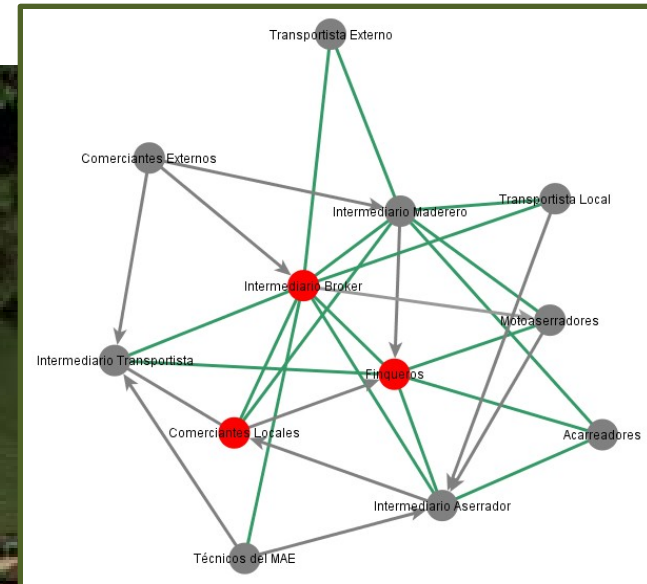
Timber markets

- Mid- and large-scale depots intermediate most of the timber and are the providers for industry and construction
- Small and very small depots intermediate only ~4% of total timber placed in the market
- Most of the supplier and buyers are individuals and 12% only are established companies



Timber market networks

- Forest stakeholders (i.e. foresters, *regentes*, intermediaries and final buyers) establish among them complex interactions
- Local foresters/intermediaries articulate the forest networks playing a key role in services provision and access to markets

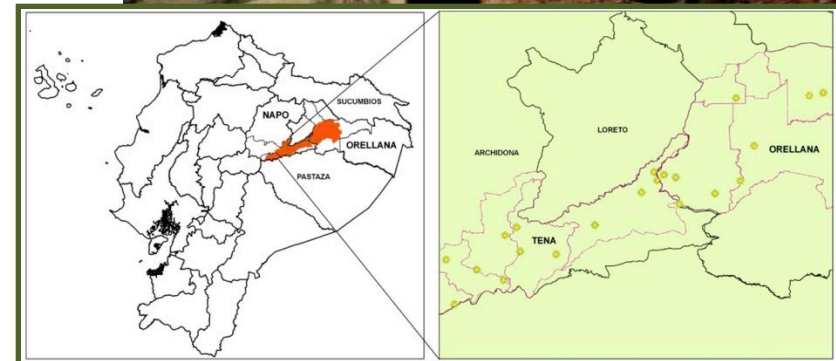


Obstacles to legality

- Main obstacle is the ability to pay not only for the paper work but the elaboration of ‘forest management programs’
- Working informally allows flexibility for species selection and volumes harvesting, while legal programs tend to lead to larger volumes and higher dependency on middlemen
- The system of control (SAF) tends to reinforce the asymmetries between the different market players, often favoring to those who have control of the markets
- Diverse strategies are put in place to avoid control leading to interactions between the formal and informal sectors; for example, through laundry, smuggling and bribery

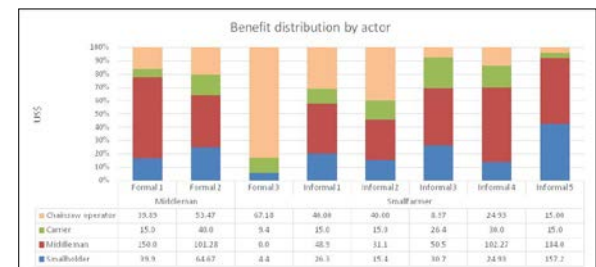
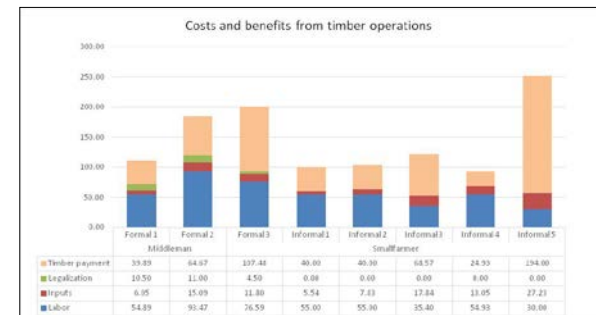
Timber extraction and income

- In Orellana and Napo, forests are the 2nd source of income of smallholders and indigenous (about 15% respect to the total)
- Bargaining power and access to prices information are poor for all farmers, no matter ethnicity
- The amount of timber sold with a harvesting program is about two or three times larger that without a program in both provinces.
- Timber species differ in the two provinces due to context factors



Small-scale operations

- There is pressure from brokers and farmers on the most commercially valuable species (semi-hard and hard) which allows paying for legality or earning more with less
- Timber incomes from smallholders depend on the scale of logging and how the forestry operations are organized [based on an analysis of eight cases in two provinces]



Long-term ecological impacts

- Smallholders cannot depend on forests incomes indefinitely
- Hard species often provide more money but tend to decrease more rapidly since are first chosen for logging
- Alternatives are needed in order to ensure that valuable species can provide income in the long run or are combined with fast growth species



Policy recommendations



Areas for policy improvement

- Continue streamlining/adapting forestry norms
- Improve economic incentives for forest management
- More targeted control emphasizing the demand-side
- Develop actions to enhance markets transparency
- Bilateral/regional efforts to monitor timber trade



Streamline and adjust current forestry norms

- Forest fees linked to frequency and intensity of harvesting
- Forest ownership supported by locally recognized tenure rights
- Revisit the system of *regentes*:
 - More emphasis on management than in timber legality verification
 - Expand the assistance of free technical services for smallholders



Incentives for small-scale forests management

- Economic incentives to manage forests for production vis-à-vis the ones for forests conservation
- Make cheap credit available to smallholders as a way to reverse dependency from informal finance
- Training and assistance to professionalize local forest service providers (e.g. sawn milling)



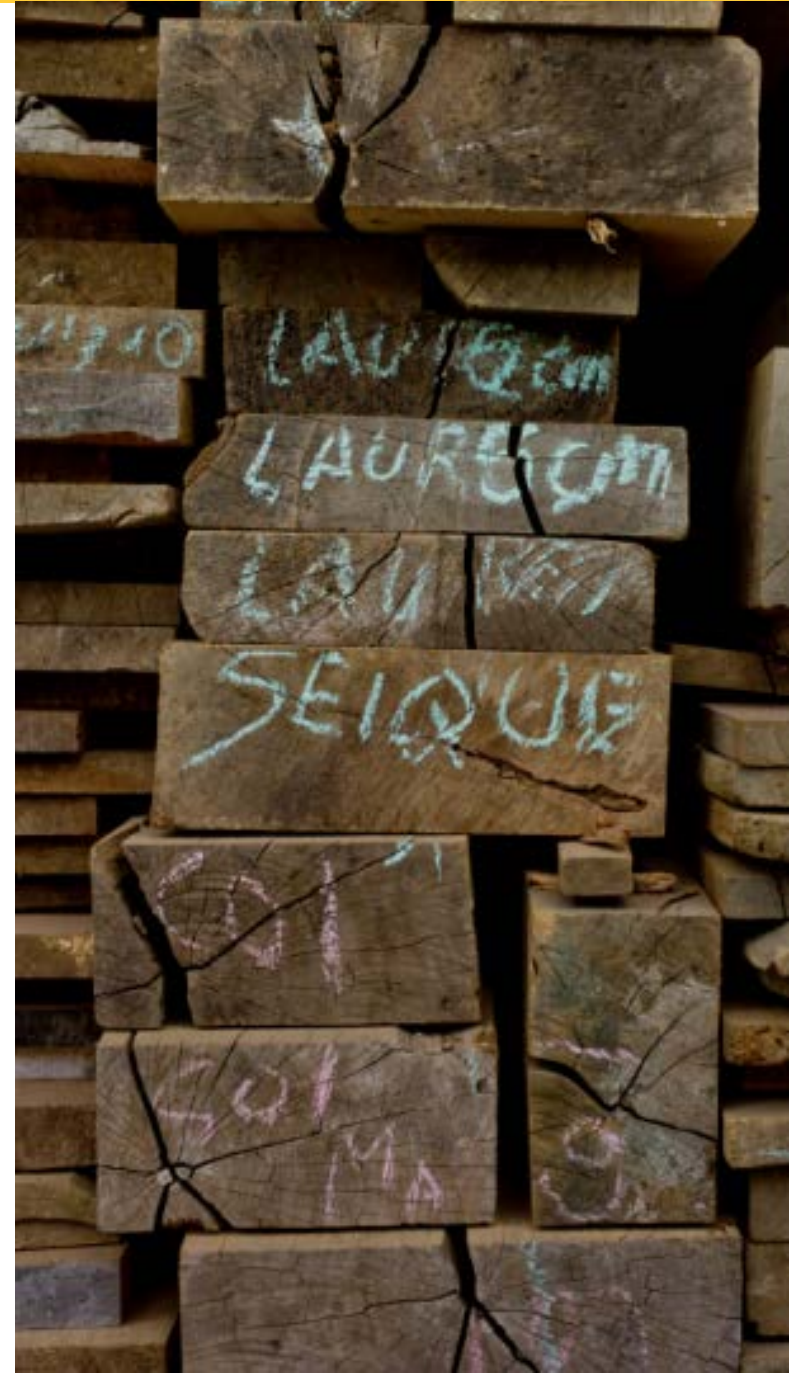
Targeted control downstream the value chains

- Less attention to controlling smallholders but a handful of large-scale operators
- More emphasis on targeted actions of legal timber control
- More attention to control in downstream activities of the timber value chain (depots)



Measures to make timber markets more transparent

- Explore measures to improve the bargaining power of smallholders (for example, minimum prices)
- Public procurement schemes to promote legal timber extraction and smallholder's operations
- Support more transparent contracts negotiation making available market information



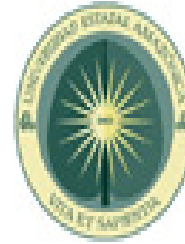
More attention to transboundary timber trade

- Greater attention to monitoring domestic and transboundary timber flows and transactions
- Include transboundary trade of timber as part of bilateral and regional agreements & processes
- Coordinated actions between countries involving approaches of integrated law enforcement



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