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How can a VPA contribute to poverty reduction?

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Introduction

> Illegal logging is a pervasive problem of major international concern. ... It has social, political and economic implications, often undermining progress towards good governance and threatening the livelihoods of local forest-dependent communities, and it can be linked to armed conflicts. (European Parliament 2010 L295/23)

Illegal logging has a devastating impact not only on some of the world's remaining forests but also on the people who live in them and rely on the resources they provide. The questions of how forests should be managed, by whom and for whose benefit require governance answers at local, national, regional and international levels – which adds to the complexity surrounding forest management. Timber markets worldwide, especially in the United States and the EU, have become more sensitive to environmental and social issues, thus encouraging the EU to consider ways to close its borders to timber produced illegally. However, countries with a long history of exporting timber from illegal sources face great challenges in shifting to legal production of timber. In response to this situation, the EU developed Voluntary Partnership Agreements (VPAs) as part of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. VPAs are bilateral trade agreements between the EU and a partner country, yet one of their key objectives is to address the governance arrangements for the forest sector. They are also expected to lead to positive impacts on people's livelihoods. This brief considers how VPAs might affect poverty and looks at ways both to improve outcomes of VPAs for poverty and to prevent or mitigate any possible negative effects of VPA implementation.

FLEGT and poverty

The strong commitment to poverty reduction contained in the FLEGT Action Plan and VPAs is clearly reflected in the conclusions from the Council of the European Union in 2003 (2003/C268/01), which recognised 'the importance of strengthened governance in the forest sector, and the positive impact this has on reducing poverty'.

The Council's conclusions identify the critical elements underpinning the relationships between illegal logging and poverty – elements that need to be addressed. Necessary actions include strengthening land tenure and access rights, especially for marginalised, rural communities and indigenous people, and strengthening the effective participation of all stakeholders, particularly of non-state actors and indigenous people, in formulating and implementing policy.

Key messages:

- The use of forests to reduce poverty is often complicated, as effects are indirect and differ across social groups and geographical contexts. The potential effects of VPAs are similarly complex.
- As poverty has multiple dimensions of deprivation, addressing its causes requires a multidimensional approach. Building understanding of the potential effects of a VPA on poverty is essential for mitigating or preventing possible negative outcomes for poor people's livelihoods brought about by VPA implementation.
- The VPA is a political process, framed by political stakes. It rebalances power between stakeholder groups and opens up and legitimises new political space for groups that previously had no influence over or access to decision-making.
- VPAs, as legally binding agreements negotiated by multiple stakeholder groups, bring together the necessary elements for reducing poverty and improving the security of forest people's livelihoods, namely, creation of political space for governance reforms with opportunities for engagement by civil society to influence laws and policies: the 'rules of the game'. This increases the chances of securing poor people's livelihood assets and rights.

These elements underpin the timber trade agreements, known as VPAs, made between the EU and forest-rich timber-exporting countries that wish to improve the governance of their resources and strengthen the rule of law while improving access to the EU's valuable single market. Producer countries that sign a VPA commit, at the very least, to exporting to the EU only wood that is verified as legal. However, most countries that have signed an agreement to date have gone far beyond this original intention of ensuring legality only of timber exports to the EU – they have voluntarily committed to also ensuring the legality of all timber produced and consumed in their domestic markets. This commitment could lead to widespread effects on many poor people whose livelihoods are directly or indirectly dependent on forests and their resources.

Forests are contested resources and decisions about their use and management are usually highly political. The multi-stakeholder political process that has emerged in the development of the VPAs – encompassing the four phases of pre-negotiation, negotiation, systems development and fully operational legality assurance system – means that VPAs are much more complex than other relatively simple trade agreements. It is becoming increasingly apparent that in this complex process lies the key to achieving broad impacts on

VPA legality definition vetting exercise, Liberia

poverty, of a scale and directness that was not originally envisaged.

To date, the national diagnostics and debate that take place in preparation for VPA negotiations have not appeared to involve any systematic reflection on the potential impacts, positive and negative, on poor forest-dependent people. National stakeholders and governments have certainly explored in depth the pros and cons of a VPA, including for rural livelihoods, yet there has been little evidence of systematic attention directed towards identifying measures to prevent or mitigate any potential negative impacts of the agreements. Rather, the parties have opted to embrace these issues and concerns at the heart of the VPA and its implementation. Although the VPA contains an article on social safeguards (see Box 1), fulfilling this obligation requires the representation of all the appropriate stakeholders in the negotiations, which may not occur if poverty is not a prominent issue at the outset.

Therefore, it is important to develop understanding of the relationship between the forest resource and poverty before negotiations begin, to ensure that these critical issues are considered during negotiations and that the final VPA incorporates poverty-alleviation objectives.

After ratification of the agreement, the social safeguards provision (Box 1) commits the signatories to

Box 1: Social safeguards article
in the Indonesia–EU VPA

Understanding
In order to minimize possible adverse impacts of this Agreement, [the Parties] agree to develop a better understanding of the impacts on the timber industry as well as on the livelihoods of potentially affected indigenous and local communities as described in their respective national laws and regulations.

Monitoring
[The Parties] will monitor the impacts of this Agreement on those communities and other actors identified [in paragraph 1], while taking reasonable steps to mitigate any adverse impacts. [The Parties] may agree on additional measures to address adverse impacts.

understanding the livelihood effects of the VPA as well as to monitoring its social, economic and environmental impacts, as part of implementation. This provides an entry point for developing a poverty impact monitoring system that builds understanding, monitors effects and adjusts practices during implementation.

Context: Poverty and forests

Livelihoods depend on forests

More than 1 billion poor people depend, to varying degrees, on forests for their livelihoods, with many more depending on the ecosystem services they provide (Chomitz et al. 2007: 39). About 60 million indigenous people are almost wholly dependent on forests and are among the poorest of the poor communities (Chomitz et al. 2007: 38). There are many reasons why this is the case. In any context, the persistence of poverty can be explained by a combination of any number of issues, including unclear and insecure tenure; resource grabbing by predatory states and the private sector; extractive approaches to resource management; unfavourable policies and laws discriminating against local people; limited infrastructure development restricting access to markets; lack of assets limiting livelihood development opportunities; limited alternative sources of income; globalisation pressures and land grabbing; and forest and environmental degradation.

In addition to providing direct benefits through the use of forest products, forests provide important sources of employment. Most forest enterprises are classified as small and medium enterprises (employing up to 100 employees) for both timber and non-timber forest products. They are estimated to represent 50% of forest sector employment, generating US$130 billion of gross value-added (Elson 2008: 4). Forest employment is often particularly important because other employment opportunities in remote forest areas tend to be limited.

Socially differentiated effects of forest change

The effects of forest change are experienced differently across gender and social groups and across forest types. Forest dependence is most acute for indigenous groups that are dependent on forests for all aspects of their livelihoods, including their socio-cultural well-being; for the extreme poor, who have limited options to substitute food and income requirements from private sources; and for women, who require regular and unmediated access to forests to perform their gender roles. The loss of access either through degradation or through changed management regimes often has the greatest impact on these three groups. The degree of dependence ranges from those whose livelihoods are totally reliant on forest resources and who are shaped socially, culturally and economically by their use of these resources to distant users reliant on the forests for a range of ecosystem services.

What are the necessary conditions for forests to help reduce poverty?

The use of forests to reduce poverty is often complicated, as the effects are indirect and differ across social groups and geographical contexts. Effects of the VPA are similarly complex. Nevertheless, evidence from around the world indicates that forests do have the potential to reduce poverty, particularly when certain enabling circumstances prevail.

Enabling conditions
- **Secure local property rights** to the forest and the ability to use these rights without fear of injustice
- **Local decision-making power** over use of the forest through a legally recognised governance structure that respects socially differentiated needs for access and use of resources
- Processes for **engagement in deliberation and choice** over how resources are to be used and by whom
- **Capable civil society** able to engage with, check,   influence and hold to account decision-makers at all levels
- **Legal, policy and financial support** from the state to local people, including across land uses, such as agriculture and other natural resource extractive industries
- **Local access to and control over benefits** and **decision-making authority** over use of benefits (financial and products)
- **Publicly available information** generated by monitoring the effects of policy implementation and changes to laws and practices on poor people's livelihoods, with the scope to adapt practices and policies where negative effects are observed
- **Accountability** of those who make decisions and of those who implement them to those who are affected

Forest mapping near Pokola, Republic of the Congo

Tim Lewis, Handcrafted Films

- **Transparency** in access to information and understanding of systems and rules so that engagement can be fair and informed and people know what decisions have been taken and their own rights
- Fair access to **justice and grievance mechanisms**

How is poverty reduction embedded in VPA content and processes?

Poverty is multidimensional

Given the conditions necessary for poverty reduction in forest areas, one of the many questions facing stakeholder groups is how to ensure that the VPA provides positive outcomes for poor people's livelihoods. Of particular concern is the problem described in the FLEGT Action Plan (European Commission 2003: 6): 'The challenge is to ensure that actions to address illegal logging ... do not target weak groups, such as the rural poor, while leaving powerful players unscathed.'

Poverty has multiple dimensions of deprivation and so addressing its causes requires a multidimensional response:

> Poverty denotes people's exclusion from socially adequate living standards and it encompasses a range of dimensions. These cover distinct aspects of human capabilities: economic (income, livelihoods, decent work), human (health, education), political (empowerment, rights, voice), socio-cultural (status, dignity) and protective (insecurity, risk, vulnerability). Mainstreaming gender is essential for reducing poverty in all its dimensions. And sustaining the natural resource base is essential for poverty reduction to endure. (OECD/DAC 2001: 18)

The VPA process provides an important opportunity to address these multiple dimensions of poverty.

Conditions for ensuring that a VPA addresses poverty

The conditions for poverty reduction can be collapsed into four critical dimensions of change (Figure 1). Experience with FLEGT to date suggests that there are a number of ways in which the processes that underpin the four stages of the VPA can create political and practical opportunities for stakeholders to pursue aims relevant to each of these dimensions. These four dimensions link elements of the good governance agenda to the multidimensional definition of poverty based on capabilities, as follows.

1. **Establishing space and opportunities for political deliberation and consensus building** that provide a context for meaningful negotiation, representation and accountability. This enables poor people

Aka Pygmies from Likouala, Republic of the Congo

to participate meaningfully in forums where they are heard and responded to over the lifetime of the VPA. The VPA contains an explicit provision on participation during both negotiations and implementation.

2. **Building the capacity of poor individuals** and their representatives to engage with, influence and hold to account decision-makers. In most countries entering into a VPA, this capacity has been developed through separate programmes for supporting civil society.

3. **Changing the 'rules of the game'**, that is, ensuring that policies, regulations and legislation as well as informal social and cultural norms at all levels (local to national) support changes in the quality and impact of groups' voices and protect against events that may increase poor people's vulnerability and reduce their resilience. This is an important outcome from the negotiation process for the legality definition and the scope of laws it covers, the gaps identified and the changes recommended. As most legal change takes place during implementation, sustained participation in shaping the new rules is important.

4. **Securing access to livelihood assets and services** and building livelihood security for the poor through improved access to diverse assets and services (to ensure economic, socio-cultural and human capabilities).

Figure 1 illustrates the interconnections between these dimensions and the processes that support their achievement.

Building understanding of poverty and action into the four phases of the VPA

Opportunities to integrate poverty-oriented action that could support the achievement of positive poverty outcomes arise throughout all four phases of the VPA. Figure 2 sets out possible activities at each stage and Table 1 lists ways in which VPAs can support the key elements required for poverty reduction.

Pre-negotiation

The phase prior to negotiation is generally initiated by the timber-exporting country with the aim of exploring the possibilities of a VPA. The EU responds to the government's expression of interest by providing information about the VPA concept and shares experiences from countries that have already made a FLEGT commitment. Generally, governmental and non-governmental stakeholders will employ data analysis and stakeholder consultation to consider the scope for improving the terms of timber trade and sectoral governance through a VPA with the EU.

Pre-negotiation is a key period for establishing opportunities and capacities for meaningful negotiation, representation and accountability throughout all phases of the VPA. The data collected and disseminated at this point may inform stakeholders' negotiating positions and strategies. To date, the potential for poverty alleviation has been informally assessed as part of the wider evaluation of opportunities for improved forest governance. Recent analysis has highlighted the potential for expanding these general assessments to include a more explicit reflection on poverty issues (see Hobley 2013). Such assessment could help national stakeholders to identify both the potential country-specific governance challenges that the VPA might address and the possible socio-economic impacts of desired changes and to establish baselines for monitoring those impacts over time. A focused poverty impact assessment could be conducted either formally or informally, by government or other stakeholders (such as civil society organisations) depending on the political sensitivities in the country. The resulting data and analysis could be made public to increase accountability or used directly to inform negotiations.

A regulatory impact assessment focusing on small and micro enterprises and producers could also be undertaken at this stage, to explore the impact of existing regulatory frameworks on some of the most vulnerable groups in the timber supply chain and to explore proposals for regulatory reform. Similarly, the potential impact on access to non-timber forest products could be assessed as part of the pre-negotiation process. The aim of these assessments would be to inform stakeholder groups so that they can effectively represent the inter-
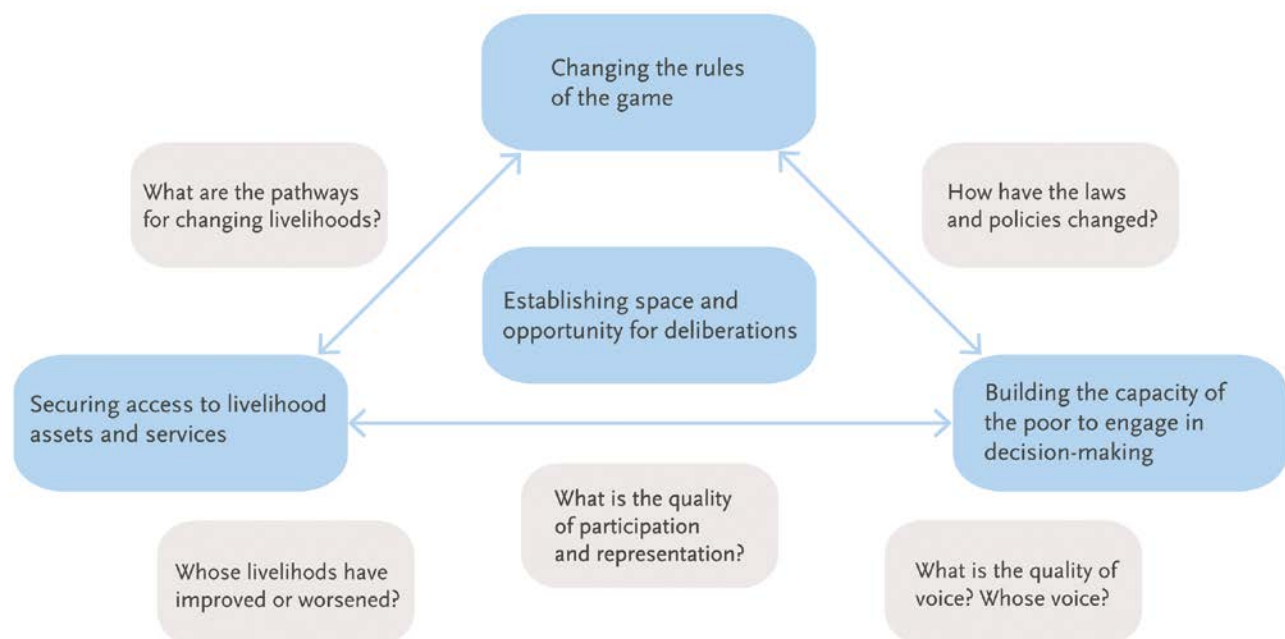

Figure 1: Four dimensions of change for poverty reduction in VPAs. Source: Hobley and Buchy (2011)

ests of their constituencies in what can often be complex and legalistic negotiations.

Opportunities to prepare national stakeholders for changing the rules of the game by changing legal, policy and regulatory frameworks could also be taken at this stage. Reflecting on poverty through the assessment of impacts would be particularly useful for informing national and stakeholder discussions about what types of legal and policy reform could lead to improved poverty outcomes.

Negotiation

So far, the negotiation phase has lasted between nine months and six years. During the negotiation phase national stakeholders meet frequently to develop proposals for consideration by representatives of the exporting country and of the EU at political and technical discussions. During this stage, a national definition of 'legal' timber is developed, reflecting all national laws relevant to the three pillars of sustainability systems: social, economic and environmental pillars. Following this, a system is designed to verify compliance with all elements of the definition and to track and control the national flow of timber and timber products. This system generally builds on existing procedures but must be considered robust by both parties for the timber sector to maintain a credible reputation. The legality definition and the compliance/control system, which jointly make up the timber legality assurance system,

are documented as annexes to the VPA text. Together, the VPA text and annexes form the basis of the binding commitment made by the parties at the end of the negotiation phase.

During the negotiation phase, timber-exporting countries facilitate domestic consultations and negotiations between competing sets of stakeholder interests, the results of which inform the national negotiating position. In most cases, representatives of the private sector and civil society join government agencies in their delegations and thus become part of the whole negotiation process. Where needed, the EU has made resources available to support stakeholder capacity building and engagement in order to encourage effective participation in the process. Analyses have shown that there may be scope to increase representation and effectiveness through further investment in building the capacity of smaller and more diverse groups (particularly forest-dependent people and small and micro producers) so that they can understand the complex issues under consideration and translate their needs into clear, focused proposals to feed into discussions. Capacity building could take place jointly with support for institutionalising the representation of those actors in all relevant decision-making forums.

The negotiation phase offers the greatest opportunity for rule changes throughout the entire VPA process. For example, in drafting a national legality standard, countries must clarify all forest use rights and identify

Pre-negotiation	Negotiation	System development	Operational legality assurance system
Conduct a poverty impact assessment: • Understand potential poverty impacts and identify preventative measures if negative impacts may occur. • Establish interests of stakeholder groups • Deepen and broaden civil society representation • Conduct regulatory impact assessment to identify areas affecting poor people's livelihoods	Strengthen stakeholder representation and capacity (multilevel feedback mechanisms): • Review legislation using the poverty impact assessment to identify groups potentially affected • Identify livelihood diversification opportunities where available – remove barriers to artisanal operations and market barriers • Improve legal framework for use of revenue and tax regimes for local development	Build monitoring systems to track effects on poverty: • Ensure civil society representation in legal reform discussions (particularly representation of poor people's interests) • Clarify forest/land tenure allocation processes • Institute grievance mechanisms for forest-dependent people	Develop parallel programmes to mitigate risks of VPA and enhance livelihood outcomes: • Develop civil society capacity at multiple levels • Improve revenue tracking and local decision-making for resource allocation, including accountability mechanisms • Support small-scale business development • Introduce programmes to support livelihood diversification where there is major domestic restructuring

Figure 2: Options for incorporating the issue of poverty into the four stages of a VPA

Table 1. Possible actions at each stage of the VPA process to improve poverty outcomes

Informed, accountable and representative voice	
Pre-negotiation	• Identification of poor and vulnerable groups potentially most affected by changes to forest use, including those whose livelihoods could be strengthened or threatened by legal enforcement, as well as those whose livelihoods could be improved or worsened through enforcement of social, environmental or economic safeguards already built into law, or through changes to the legal framework • Efforts to strengthen the voices of those who are potentially affected, either directly or through representative structures • Efforts to ensure the availability of appropriate forums so that poor people can have an informed voice • Efforts to understand and inform stakeholders on challenges specific to poverty and forests
Negotiation	• Use of information from the analysis of poverty and poor people's reliance on forest resources to inform discussions and negotiations • Efforts to ensure that voices of the poor are incorporated into negotiation processes and that the potential livelihood effects of the VPA options under discussion are considered during negotiations. Support for capacity building of stakeholder groups could encompass diverse interests and target vulnerable groups and ensure participation in relevant decision-making forums. • Efforts to strengthen the voices of those who are potentially affected, either directly or through representative structures • Efforts to ensure the availability of appropriate forums so that poor people can have an informed voice and share perspectives with negotiations
System development	• Institutionalisation of multi-stakeholder participation at all relevant levels to ensure ongoing accountability and to maintain political momentum across the spectrum of VPA commitments • Efforts to strengthen the voices of those who are potentially affected, either directly or through representative structures • Efforts to ensure the availability of appropriate forums so that poor people have an informed voice in development of policies and regulations • Efforts to strengthen transparency supported
Operational legality assurance system	• Use of impact monitoring measured against the findings from poverty impact assessment or other baselines to gather data on poverty, governance improvements and the allocation of rights and revenues over the lifetime of the VPA • Use of this information to inform changes where negative effects have been identified. Information gathered through poverty impact monitoring could be built into the overall VPA impact monitoring system that will be tracking changes in all impact areas of the VPA. • Efforts to strengthen the voices of those who are potentially affected, either directly or through representative structures • Efforts to ensure the availability of appropriate forums so that poor people can have an informed voice in monitoring implementation and impacts • Transparency measures operational
Changing the rules of the game	
Pre-negotiation	• Analyses and discussions of poverty impacts identify those areas of legislation, policy, regulation and practice that could be changed, added or enforced in order to improve livelihood security
Negotiation	• Clarification of forest use rights and commitment to actionable timetables for governance reform, potentially including judicial functions, forest use rights, revenue share, development support and revenue distribution
System development	• Provision of targeted information covering the application and monitoring of existing environmental and social safeguards as well as changes to rights over forest use, rules on benefit-sharing, complaint mechanisms and rights to revenue • Efforts to strengthen the participation of voices representing interests of the poor in development of governance reform, legal change, regulatory approaches framed in the VPA
Operational legality assurance system	• Tracking of governance reform commitments in joint committees and monitoring mechanisms. Efforts could be made to prevent the poverty/governance focus from being overshadowed by licensing and market considerations.

Table 1. continued

Securing livelihood assets and services	
Pre-negotiation	• Consideration of potential for improvements to forest management practices, rights allocation, terms of timber trade and sector governance by national stakeholders. Stakeholder groups could undertake studies of regulatory efficiency and governance challenges, particularly as regards to the poor.
Negotiation	• Explicit attention to constraints on improving livelihood security within the legal framework • Consideration of potential for improvements identified by stakeholders focused on poverty reduction and strategies for strengthened law enforcement that safeguards the interest of the poor
System development	• Support of parallel programmes to restructure the domestic market in support of diversification of livelihoods
Operational legality assurance system	• Support for small and micro enterprises wishing to access both local and international markets at a realistic price, to consolidate their position and ensure that VPA systems and strategies accommodate their needs • Use of impact monitoring against a poverty impact assessment baseline to gather data on poverty, governance improvements and the allocation of rights and revenues over the lifetime of the VPA

gaps and ambiguities in the existing legal framework governing forest management systems. This creates an important opportunity to identify the potential for securing further rights with the aim of generating positive impacts on poor rural communities. Any background work undertaken during the pre-negotiation phase, including the poverty impact or similar assessments, would be useful to inform national stakeholders participating in the negotiations. Use of this information could be further enhanced by supporting people's capacity to engage in effective lobbying and, where necessary, legal drafting by the representatives of poor and forest-dependent people.

Not only is the legality assurance system designed during the negotiation phase, but also implementation timetables are established. These timetables may include commitments to political reforms that are likely to address some elements of forest-based poverty. Such reforms could include the ways in which forest revenues are used at local levels and changes to legal systems, such as securing local access rights and introducing community management frameworks.

Systems development

Following the conclusion of negotiations, each party pursues its domestic political processes to ratify the agreements and, initially in parallel, partner countries undertake the challenging work of operationalising the legality assurance system designed during negotiations. Relevant domestic institutions must put into place any wider governance reform and strengthening of institutions, where the need was noted during the pre-negotiation and negotiation phases.

Multi-stakeholder working groups and monitoring systems are put in place to support accountability and to ensure that the more politically sensitive commitments to governance reform are not overshadowed by necessary technical development. At this stage parties need to maintain political momentum and emphasise the elements of the VPA commitments that have the greatest potential for positive impacts on poor and vulnerable groups. Critically, this could include establishment of monitoring systems to track the effects of the VPA on these groups.

Information dissemination is important at this point. To date, all partner countries have committed to communication programmes designed to inform groups that will be affected by the implementation of the VPA. The aim of these programmes is to provide information about new opportunities and any implications for livelihoods and rights. Such information could cover changes – in principle or practice – to rights over forest use, rules on benefit-sharing, complaint mechanisms and rights to revenue. Informing people is the first step towards genuine accountability and is essential for establishing a credible legality assurance system. The form of communication is critical and should ensure that information is readily accessible to the most disadvantaged households, including through the use of local languages where appropriate.

Operational legality assurance system

Full implementation of all aspects of the legality assurance system, including licensing, commences when both parties are confident that the systems are robust and that all wood products destined for the EU market can be issued with FLEGT licences.

No partner country has yet entered the FLEGT licensing phase of a VPA, so no experience with ensuring participation and accountability has accumulated. How-

VPA meetings in Vietnam

VPA session in Democratic Republic of the Congo

through small-business development programmes. Such capacity building would enable small and micro enterprises to develop a coherent lobbying position and, ultimately, would support the development of accountable, representative structures.

The EU and its partners also commit to monitoring the impacts of VPAs when they are fully operational, particularly any positive or negative effects on vulnerable forest-dependent people. Data from poverty or other impact assessments or VPA impact monitoring frameworks could be used to create a vital baseline for effective monitoring, making it possible to collect and publish information on, for example, poverty, governance changes and the allocation of rights and revenues. National VPA impact monitoring systems will provide the overall framework within which poverty impact monitoring could take place.

The focus for changing the rules of the game during this phase shifts to the implementation of commitments made earlier – both those linked to the licensing system and other reforms identified in VPA annexes, which will take time to negotiate and legislate for. During this period, the EU and its partners should strive to maintain the focus on governance reform and poverty outcomes in parallel with market considerations, through their joint committee meetings and ongoing monitoring mechanisms.

An opportunity to link parallel processes

Stakeholder commitment to a VPA process creates an opportunity for a country to link VPA-related activities to parallel political and regulatory processes and to engage with programmes that have the potential to increase the poverty-reduction outcomes from a legal forest sector.

Access to justice, arbitration and grievance mechanisms
Lack of access to effective and affordable justice is a fundamental constraint on poor people attempting to escape poverty. Efforts to support targeted reform of judicial institutions affecting those seeking justice in the forest sector could help to substantially increase the poverty-alleviation impacts.

Forest rent use
Increasing the transparency and accountability mechanisms that govern revenue distribution systems would directly increase financial flows to those that need them most. Supporting the informed involvement of local people in decision-making and increasing their capacity to hold to account relevant institutions would ensure that revenue collected as a result of legality assurance activities was used most effectively to address poverty in all its forms.

ever, if system designs set out on paper are realised, there is significant potential for both to flourish. For example, all partner countries must include some form of independent audit of their legality assurance system, reporting to the joint committee. The agency performing this function will be obliged to accept and investigate information about legal non-compliance from all credible sources, including forest-dependent people and civil society groups. Similarly, the terms of all agreements include requirements for the publication of key documents on forests such as concession maps, which will encourage better accountability of both government agencies and concessionaires.

The continued support and strengthening of the political voice of forest-dependent people and small and micro enterprises will be an important element of maintaining the transparency and accountability of the VPA. It will also help to secure continued livelihood improvements through the identification of new opportunities for legal and policy reforms.

VPAs also have the potential to directly support small and micro producers by ensuring that they have affordable access to local and international markets. Achieving this would likely require capacity building

Market restructuring

Most VPAs now address the restructuring and for-malisation of the domestic market. The proposed restructuring could make it necessary to reduce the vulnerability of small-scale producers to the rapid changes associated with stricter law enforcement or market shifts. To do this effectively, a number of sup-port mechanisms would ideally function in parallel, including financing and professional capacity building in the long term, the development of new markets for non-traditional wood species in the medium term and piloting of alternative livelihoods for illegal chainsaw operators in the short term.

Gleaners gathering dried corn in Myanmar

And the future? Why are VPAs exciting?

VPAs, as legally binding agreements negotiated by multiple stakeholders, bring together the necessary ele-ments to reduce poverty and improve the security of for-est people's livelihoods, namely the creation of political space and opportunities for engagement by civil society to influence and change 'the rules of the game'. This shift could increase the likelihood that poor people's livelihood assets and rights will be secured. The use of parallel processes to support and enhance the develop-ment of civil society, improvement in internal systems to track revenue flows and decisions concerning its allo-cation, and attention to careful restructuring of domes-tic markets could all lead to more resilient livelihoods for people who are dependent on the forest sector. However, this potential will be translated into positive change only if the understanding of how the VPA can be used to improve livelihoods is translated into opera-tional practice both in the VPA and in the mechanisms developed to implement and monitor it.

The VPA is a political process, framed by political stakes. It rebalances power between stakeholder groups and opens up and legitimises new political space for voices that previously had no influence over or access to decision-making. This is the first time in decades of support to the (notoriously intransigent) forest sector that the right processes for change are in place. The VPA represents the start of a process of broadening and deepening good governance in the forest sector, with a focus on making a real and positive difference to peo-ple's lives.

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