

**Forest Ecosystem Compensation Program
(FECP): Impacts and Implications for Collective
Forest Owners**

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Purpose

- ❖ **Reviews the objectives and status of the FECP in China**
- ❖ **Examines the implementation of the FECP in Hunan Province**
- ❖ **Assesses the impact of the compensation on incentives to maintain forests and the equity dimensions of the program**
- ❖ **Offers recommendations for improving the FECP**

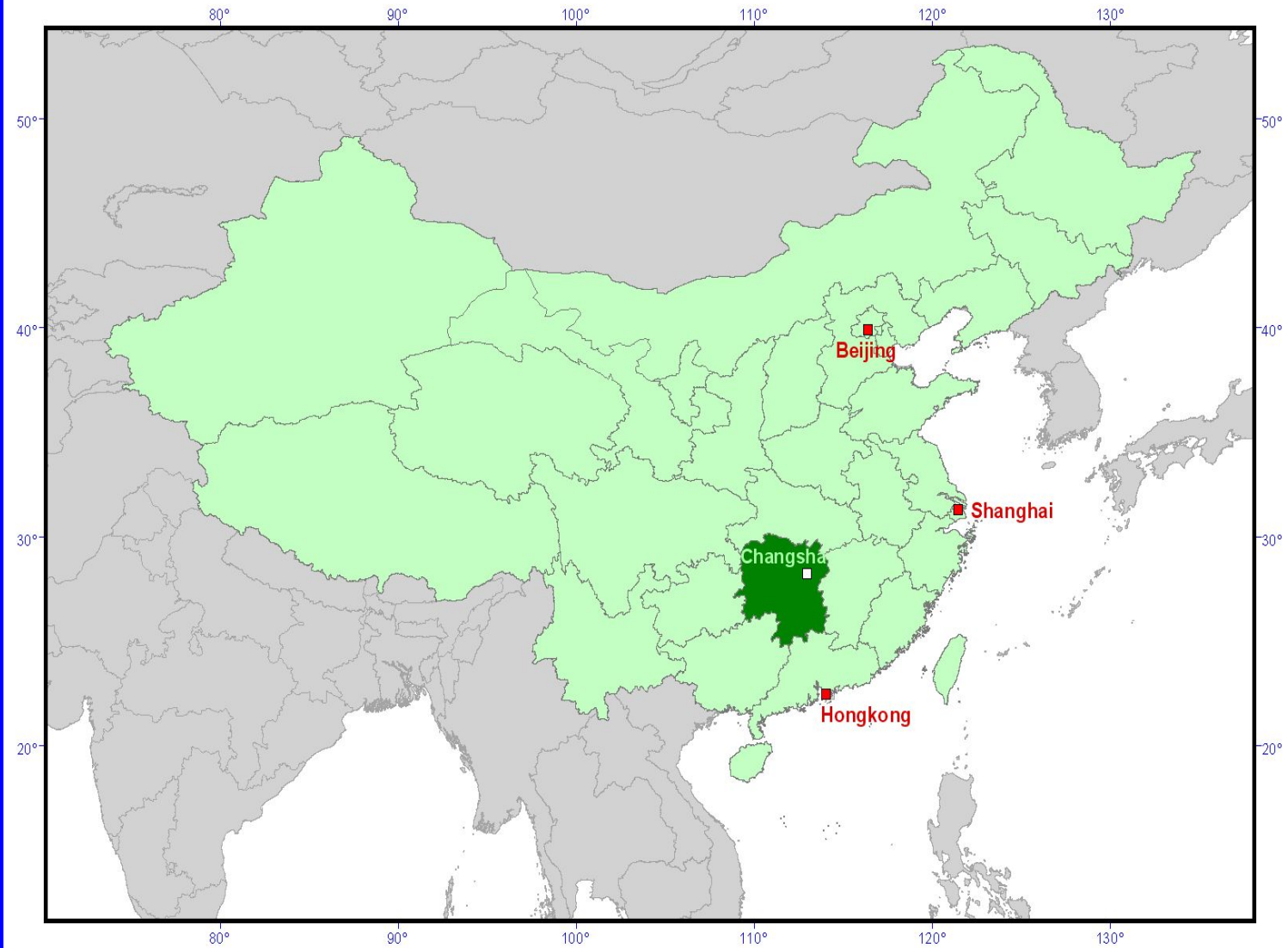
Background

- 1982 - decentralized forest land tenure reform
- 1985 – harvest quota established to regulate logging
- 1998 – 2 types of forest classification: commercial forest and public beneficiary forest
- 1998 - critical review of harvest quota and other forest policies following Yangtse flood
- 2002 - Forest Ecosystem Compensation Program (FECP) implemented

FECF Profile

- Aims to formulate a conservation mechanism via economic instrument
- Subsidies provided to owners/users of public beneficiary forests (PBF)
- In 11 provinces (10 in eastern or central China)
- Total area 13.33 million ha
- PBF identification and subsidy distribution managed by State Forestry Administration (SFA)
- US\$120.7 million of State subsidies per year – US\$9/ha (70% to farmers)
- Access to use of forest resources will be strictly limited

Hunan Province

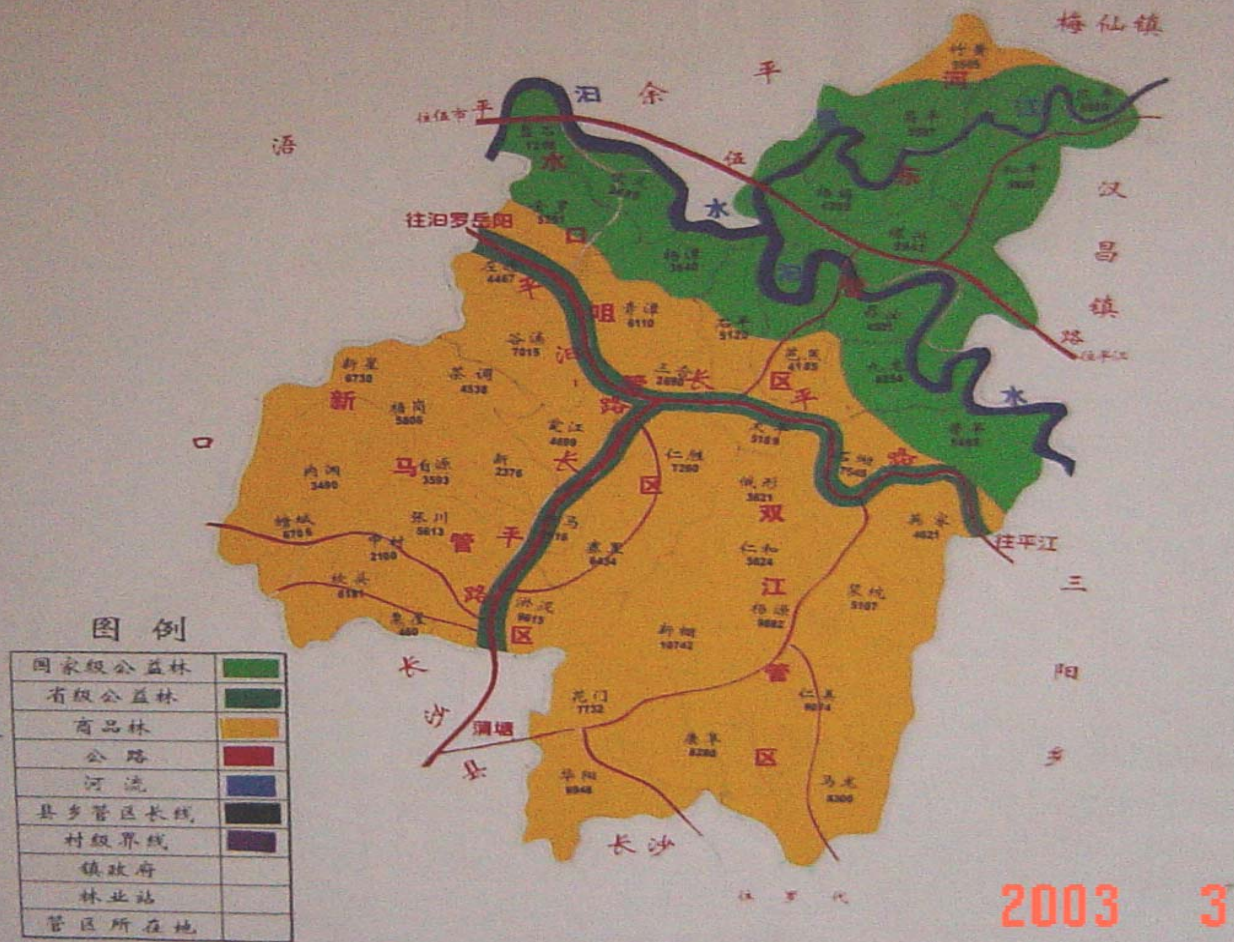


Study Cases in Hunan Province

Township	Village	No. of households	Average Farmland (Mu)	Forest land (Mu)	FECF forest (Mu)	Major income source
Wengjiang	Ta-xing	426	820	11000	9200	Migration labor
Nanjiang	Ao-li	320	816	7800	6000	Migration labor
Banjiang	Liu-jiang	400	462	14800	12300	Processing bamboo

1 hectare = 15 mu

平江县瓮江镇公益林界定图



Forest classification in Wengjiang Township, Pingjiang County

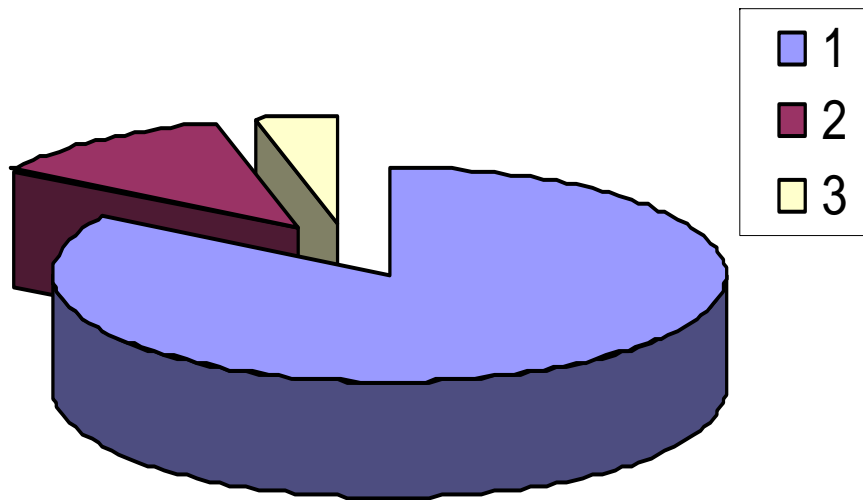
Commercial Forest Ecological Forest

Impacts: Forest Eco-environment

- Logging ban
- Effective prevention of forest fire
- Less soil erosion and flood
- More wildlife reported
 - Wild pigs and rabbits frequently damage crops
 - Normal farming activities stopped in 11 out of 786 villages in Nanjiang Township

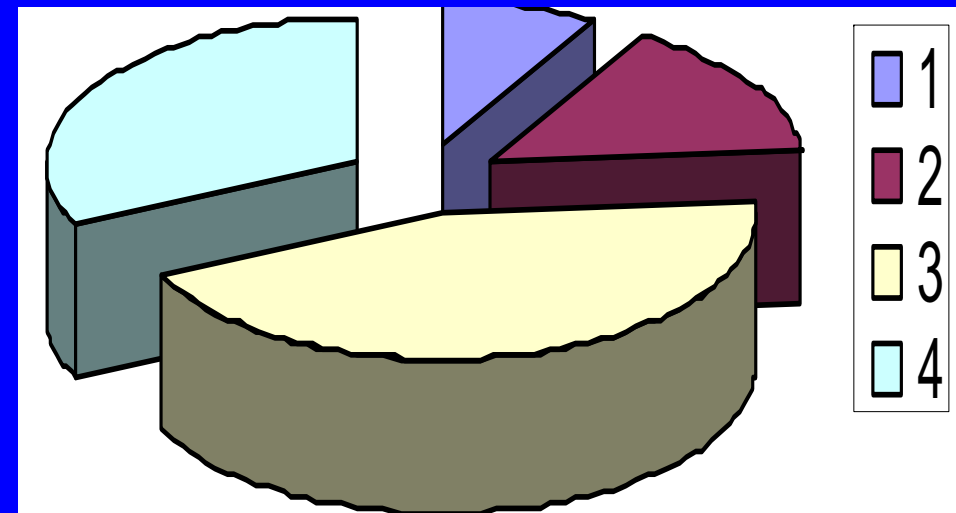
Impacts: Sources of Energy

Before FECP



Note: 1. 100% firewood; 2. 90% firewood and 10% coal; 3. 30% firewood and 70% coal

After FECP



Note: 2. 100% firewood; 2. 90% firewood and 10% coal ; 3. 30% firewood and 70% coal; 4. 100% coal

Increased Fuel Expenditure

Amount of increase (CNY / year)	Households	Percentage (%)
0-100	2	8
101-300	2	8
301-500	8	32
501-700	9	36
701-900	4	16

US\$1 = 8.28 CNY

Impacts: Income of Households

Increased income from subsidies

- 76 CNY per household each year in Taxing village
- 65 CNY per household each year in Aoli village
- 107 CNY per household each year in Liujiang village

Reduced income from forestry

- Income from selling charcoal, timber, and bamboo was sharply reduced
- 200 CNY reduction per household in Yaopu farmers' group, Taxing village
- 500 – 1500 CNY reduction in 6 surveyed households in Liujiang village

Note: Average income per household was about CNY 6000 in 2003

Impacts: Revenue of village committee

- Increased income for village leaders as forest guards in Liujiang Village
- Village committee revenue of FECF subsidy from collective managed forest (e.g. 3500 mu from Aoli village)

Impacts: Availability of labor

Less labor in forestry


- ❑ Previously, one full-time laborer required per household
- ❑ After FECP, this labor was not required (Source: 4 female laborers)


More labor in non-farm activities

- ❑ Migratory labor compensates for increasing coal and propane expenses (Source: 8/25 households)

Gain and Loss Comparison

Pre-FECP access	Non-FECP Areas	FECP Areas
strict logging quota control/less use	No FECP subsidy No access to use	FECP subsidy No access to use
loose logging quota control/more use	No FECP subsidy Access to use	FECP subsidy No access to use





The balance between gains of the FECP subsidy and loss of use access is the key concern of villagers.

Degree of Satisfaction with FECP

Degree of satisfaction	Satisfied	Medium or unclear attitude	Unsatisfied	Extremely unsatisfied
Households	5	13	6	1
Percentage (%)	20	52	24	4

- Primary dissatisfaction comes from low subsidies
- Secondary dissatisfaction comes from the strict ban and limit to forest resource use

Villagers' Concerns

- Subsidy does not cover opportunity cost of forest use
- Miscommunication resulted in over-expectations and misunderstanding
- Less flexibility in identification of Public Beneficiary Forest (PBF)(to suit local situation)
- Individual preferences vs. community preferences
- Can PBF be utilized in an accepted way?

Conclusions and Suggestions

- FECP can be a strategy to fill the widening gap between needs of conservation and development
- FECP could and should have flexible practical instruments and implementation.
- FECP should be considered as both a process and a platform lobbying different stakeholders, particularly villagers' participation

Thank you!