



**TRANSFORMING TRADE AND POLICY FOR FORESTS AND LIVELIHOODS IN CHINA AND EAST ASIA
RIGHTS AND RESOURCES INITIATIVE – FOREST TRENDS – PEKING UNIVERSITY**

**IMPROVING PRODUCTION AND LIVELIHOODS IN CHINA
THROUGH TENURE AND REGULATORY REFORM**

CONFERENCE PROCEEDINGS

SEPTEMBER 21, 2006

Sponsored by: Department of Policy and Legislation (DPoL) of the State Forest Administration, Peking University (PKU), Forest Trends, Rights and Resources Initiative (RRI)

Funded by: DFID, SIDA

Objective: Second in a series of two workshops to present and discuss issues related to a sustainable forest and related industries' sector, which will cover aspects from strengthening domestic production and rural livelihoods through collective tenure reform to sustainable international trade. This workshop focuses specifically on improving production and livelihoods through tenure and regulatory reform in China. It will present results of new research from China and evidence from other major forestry countries.

Location: Conference Building, Friendship Hotel, 3 Bai Shi Qiao Road, Beijing, China

Session 1:

Welcome and Opening:

Plans, Progress and Challenges in China's Collective Tenure and Policy Reform

Jiang Jisheng, DoPL

Deputy Director General Jiang of the State Forest Administration (SFA) described the content and process to implement reforms for China's collective forests¹ related to land rights and tenure. To raise the productivity of collective forests and boost rural incomes, the SFA is promoting tenure reforms to enable the decentralization of collective forest ownership, reallocating more plots away from collective ownership and into the control of individual households. These changes are already underway in Fujian, Jiangxi, Liaoning, and Guangdong provinces; most other provinces are slated to follow suit. Jiang stressed the importance of industrializing smallholder forestry projects through improved financing and technology extension, and achieving economies of scale by organizing forest-owning households into cooperatives and joint partnerships. Jiang explained that these reforms are not a panacea, and will need to be coupled with other

¹ Forest areas owned by villages rather than the provincial or central government.

reforms (such as reducing harvesting regulations and barriers) to ensure that local farmers benefit. Above all, these regulatory and legal changes require the support of local peoples if they are to firmly take hold.

Global Overview of Trends in Tenure and Regulatory Reform

Andy White, RRI

To frame Jiang's briefing of forest tenure reform in China in the wider context, Andy White outlined the broad trends in forest ownership and rights of access worldwide. A major dynamic is the transition away from the historically dominant state command over land, and towards a mix of state, civil society, and market control. This shift is the result of many factors, but most importantly it follows from recognition of indigenous peoples' land rights, and a broader movement to devolve many rights and responsibilities previously administered by the central authority to local- or community-level governance structures. The shrinking role of the state is an extremely significant trend: although the great majority of forests still remain in governments' hands, White estimates that half of the world's forests will come under community or individual control between 2015-2020. This transition follows on yet another transition away from centralized, prescription-based management to flexible management systems based on outcomes. White presented evidence that reforms in this direction will be fundamental to achieve development goals and invigorate private investment in forests. Even in developed countries such as the U.S., research shows land under simpler, voluntary regulatory regimes, based on best practice and "bad actor" laws, are cost-efficient and highly effective at achieving enforcement.

Session 2:

Local Experience in Tenure Reform

Chai Xitang, Fujian Department of Forestry

Fujian is one of the provinces furthest along in its reforms – a priority for the region since 80% of their forests are run by collectives. Chai cited three drivers for the reforms: laws giving farmers forest use rights, development needs, and public opinion, extremely important when some Fujian villages obtain 72% of their income from forestry. These factors spurred on a 2003-2006 pilot project that has gradually encompassed virtually every village in Fujian, parceling out some collective forests concessions to individuals or joint-partnerships between families (and sometimes corporations). The framework of these arrangements is customized according to local conditions. Fujian decided to levy a forest user fee in exchange for the forest use rights certificate - however the taxes went to communal health care and senior care funds, not the government. Farmers can use their forest rights certificate as collateral for loans. The program also supported forestry technology extension services. As Chai relates, this pilot has been quite successful. With land under their control, the incentive to carefully manage forests grew, leading to 27 million *mu* (~666 m²) of forests planted in 2005. Locals also set up their own forest management systems, with volunteer fire and pest prevention groups, and Chai reports that problems with illegal loggers, insect pests, and wildfires are decreasing.

Community Forestry in India: Evaluating the Roles of State and Community in Natural Resource Management

Ashwini Chhatre, Harvard University

Chhatre presented the results of his research which focuses on examining the role of the political context in community resource management. While joint forestry management (JFM) programs in India have been widely touted, its track record is in fact quite mixed. Chhatre concludes that even if JFM is responsible for afforestation, there must be other factors at work. The research compares two regions over 2000-2003: Uttaranchal, with a large area under JFM but marginal forest regrowth, and Himachal Pradesh, with greater total forest regeneration and a JFM program a sixth of the size. Chhatre surveyed the areas, examining forest regeneration as well as the activity of various secular community organizations – youth groups, women's groups, etc. The findings showed that forest regrowth was highest in the areas where these community groups were most active, whether or not there was a JFM presence. The research also demonstrates that the government plays an indirect role in supporting community forestry – not only by setting up JFM programs, but by creating a political climate conducive to community cohesiveness, which in turn increases the effectiveness of community forestry projects. Chhatre concluded that while collective tenure arrangements are a requirement for sustainability, they are not sufficient in and of themselves. In order to be effective, they must be supported by an environment that enables political participation.

Testing the Community Forestry Hypothesis in Mexico: Poverty Alleviation and Forest Protection

David Bray, Florida International University

In a comprehensive analysis, Bray highlighted several factors leading to the success of community forestry enterprises in Mexico that are relevant to the Chinese experience. His results show that community timber ventures can be profitable at all levels of vertical integration, from simple suppliers of raw logs to logging operations with their own plywood mills. Furthermore, they can also be international competitive. In many cases, profits from the enterprises are distributed in profit-sharing or invested in the enterprise or community infrastructure. The factors that make community forest enterprises effective at reducing poverty are the degree of vertical integration, the number of jobs created, and the average size of families in the community. In addition to greatly increasing rural incomes in many cases, studies have shown that community forest management areas in Mexico also have lower rates of deforestation than protected areas. Older, more established community management areas are more likely to effectively manage forests. Yet while some recently settled areas have the same rate of deforestation as nearby protected areas, those parks cost governments money and take away resource use rights, while the community forest management areas produce a benefit stream.

Discussion

- *Zuo Ting, China Agricultural University*
- *Zhang Minxin, Nanjing Forestry University*

Dr. Zuo Ting reflected on the workshop's presentations, emphasizing the importance of adapting management systems to particular regional characteristics. Finding it hard to believe that one model would be effective throughout, Zuo found the plurality of systems in China encouraging. There are nonetheless many outstanding issues that must be dealt with before the decentralization is complete, such as corruption, benefit distribution, and the lack of capacity in some communities to bear the responsibilities of decentralized authority.

Nanjing Forestry University's Zhang Minxin weighed in on the range experiences shared in the first half of the day. Zhang noted the variety of institutional structures, from Indian JFM to Mexican community forestry management to China's collective forests, and agreed that tenure reforms must take account of the particular local conditions. Nonetheless there also hold some similar characteristics: the role of the government is crucial across the board, and the international experience shows that land tenure reform is just one step in the decentralization process. Zhang also raised several questions that the presentations inspired: how far should

decentralization reach - the townships, local collectives, or all the way to the household level? Even after this decentralization occurs, will still have to reckon with the fact that the rural government will be dominant—how to get farmers' voices heard? Zhang hopes to see further discussion on the matter.

Session 3:

Legal Aspects of Forest Tenure Reform

Li Ping, Rural Development Institute

By Li's analysis, many of the laws governing China's collective forests are unclear and obstruct benefits to local small holders. What rules govern the transfer of use rights from the collective forest council to farmers? Can these forests be mortgaged? How do the laws govern the compensation of farmers for government appropriation of their lands (for instance, for forests submerged by dam projects or declared no-logging zones such as eco-forests.) Another contentious issue involves what Li calls a conflict between the laws and the politics, where the letter of the law becomes distorted by the political clout of local officials. The quota system of access to harvesting rights is an example of this, as most farmers cannot receive sufficient logging permits without connections to the local forestry department. This has precipitated the rise of well-connected middlemen who obtain the permits and then sell them back to the farmers or companies on the black-market. In other instances, much of the benefits from government compensation or corporations leasing forests went to corrupt local politicians. Dispute resolution mechanisms for these conflicts are also vague. To resolve many of these problematic regulations, Ping recommends eliminating restrictions on transfer of forests, allowing use of leased forests as collateral for loans, standardizing contracts - including wives in the contracts rather than just the head of the household, and using environmental impact assessments to regulate logging rather than the unreasonable quota system.

Impacts of Forest Tenure Reform on Farmer Forest Management in Fujian

Kong Xiangzhi, People's University of China

Kong presented the major conclusions from a survey of 320 households in Fujian and Guangxi Province, gathered during the initial years of collective forestry reforms in 2003-2006. During this time, incomes in provinces rose, the area of irrigated land increased, and of public infrastructure was further developed. Forest cover increased as well. Taxes on forest use also increased, stabilizing local government officials' salaries. 61.5% of farmers found the fees reasonable. However over 70% of the villagers surveyed were unsatisfied with their opportunities for technical training, and were unsure where to obtain more information. While the reforms have had a positive impact, there are other factors that must be addressed, particularly loan granting. The costs of loan applications remain high for rural households, while the amount of financing available is quite low. Farmers are averse to mortgaging their forest for a loan, as this decreases the chances of being granted a portion of the harvesting permit quota. Thus large-scale plantations with surplus land are more likely to obtain loans. Kong warned participants of these tradeoffs between equity and efficiency beleaguer the forestry sector in these provinces.

Understanding Forest Tenure Reform

Xu Jintao, Peking University

Xu showed the results of his analysis of forest tenure regimes in Fujian and Jiangxi province enacted over 2001-2004. Fujian and Jiangxi provinces are moving away from the prevalent collective system into more diversified forms of forest tenure. Xu categorized the types of land use rights present in these provinces:

- private plots (always present, very small, for subsistence use only)
- village household contracts (forests leased to individual households)
- village household partnerships (forests jointly contracted to 5-10 households)
- market-allocated plots (where the village asks outsiders for bids on their forests)
- collective management (the classical Chinese forest management system)

In Fujian (the best model for forest tenure reform according to Xu), over 600 households in 10 counties were surveyed. In Jiangxi, the community councils that controlled the collective forests and their distribution under the new tenure system were not allowed to levy land rents for the allocated forests. However, this proved to be a disincentive for the councils to allocate land to individuals or partnerships. In Fujian, the councils collected rents for the collective land they contracted out to households, and subsequently more land were allocated to individuals. Forestry's share is households' incomes rose significantly. Fujian also saw a greater amount of afforestation than Jiangxi. Based on these and other statistically significant findings, it appears that the Fujian model was more successful in decentralizing forest control. Xu attributes this to the fact that their reforms were largely based on consultations with farmers, and not based solely on government directives

Question and Answer:

A representative from the Hunan Department of Forestry gave an in-depth profile of Hunan province's collective tenure reform program. Like Fujian and Jiangxi, Hunan wrestles with the tradeoff between equity and efficiency: how to prioritize production while maintaining social equity. The speaker advised regional solutions to these problems, emphasizing Hunan's need to develop its own reforms. The Hunan program retains the forests on flatlands for collective use, while allocating much of the more remote, steeply-sloped land to households.

Panel Discussion: Priorities to Improve Production and Livelihoods: Research and Policy Reform

- *Wang Huanling, DDG, FEDRC*
- *Du Qun, Wuban University Law School*
- *Hou Meng, Sociology Department, Peking University*
- *David Bray, Florida International University*

Wang affirmed the FEDRC's commitment to tenure reform, focusing on the equal distribution of benefits. According to Wang, in some areas only 1/16 of the benefits from collective forestry operations accrue to farmers. Another concern he listed was forest fires, which have a huge political cost and are rising. Wang also agreed that the great variety of tenure systems is a boon, and assuaged his fears that the conference would only promote or present one particular model of reform for all cases.

Legal expert Qun called on participants to coordinate the development of China's forests so that farmers are treated fairly and the resource is used sustainably. The current laws enumerating farmers' rights need to be clarified and reviewed to ensure equity. She warned that simply legislating reforms will not be enough - the laws must also be sustainable, in the sense that they are enforceable and supported by all levels of government.

Hou presented research conducted by the Peking University Sociology Department in Jiangxi and Yunnan provinces. During a two-week long stay in a village that does not yet allow collective forests to be contracted out, his team interviewed locals on their opinion of potential reforms. The farmers they met with were largely content with the current system, and expressed concerns that parceling out collective forests would deprive

their village of funds for the collective or community infrastructure. The surveys also showed skepticism of the market-based transfer of land and the judicial arbitration of forest tenure. Their research conclusions echoed those of other workshop presenters: tenure reform must reflect the local context, the quota system requires reform, and the lack of clarity of laws governing the transfer of rights.

David Bray gave his impressions of the day's presentations. Struck by the degree of experimentation and variety occurring in China, Bray was also enthusiastic about the common recommendations: solicit villager's input, ensure that local communities retain benefits from forest production, find alternatives to the quota system, and bear in mind regional differences. Bray also elucidated the difference between "open access" modes of forest use - associated with the "tragedy of the commons" and natural resources degradation - and "community" or "common property" modes, the focus of his presentation and several others. His final comments cautioned that, in the rush to push individual property rights in China, there is a danger of forgetting the virtues of community-controlled common properties, and advised Chinese researchers to explore these opportunities thoroughly.

ANNEX 1: AGENDA

IMPROVING PRODUCTION AND LIVELIHOODS IN CHINA THROUGH TENURE AND REGULATORY REFORM

MEETING AGENDA

SEPTEMBER 21, 2006

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Location: Conference Building, Friendship Hotel, 3 Bai Shi Qiao Road, Beijing, China

8:30-9:00 Registration

Session 1

Chair Xu Jintao, Peking University

9:00 – 9:10 Opening
– *Xu Jintao, Peking University*
– *Andy White, Rights and Resources Initiative*

9:10 – 9:40 Welcome and Opening:
Plans, Progress and Challenges in China's Collective Tenure and Policy Reform
Jiang Jisong, DDG, DoPL, SFA

9:40 – 10:10 Global Overview of Trends in Tenure and Regulatory Reform
Andy White, RRI

10:10 – 10:30 Coffee Break

Session 2:

Chair: Andy White, RRI

- 10:00 – 11:00 Local Experience in Tenure Reform
Chai Xitang, Fujian Department of Forestry
- 11:00 – 11:30 Community Forestry in India: Evaluating the Roles of State and Community in Natural Resource Management
Ashwini Chhatre, Harvard University
- 11:30 – 12:00 Testing the Community Forestry Hypothesis in Mexico: Poverty Alleviation and Forest Protection
David Bray, Florida International University
- 12:00 – 12:30 Discussion
– *Zuo Ting, China Agricultural University*
– *Zhang Minxin, Nanjing Forestry University*
- 12:30 – 2:00 Lunch

Session 3:

Chair: Wang Huanliang, FEDRC

- 2:00 – 2:30 Analysis of Laws that Affect Collective Forest Owners and their Interactions with Government and Industry
Li Ping, Rural Development Institute
- 2:30 – 3:00 Impacts of Forest Tenure Reform on Farmer Forest Management in Fujian
Kong Xiangzhi, People's University of China
- 3:00 – 3:30 Economic Analysis of Collective Forest Tenure Formation
Xu Jintao, Peking University
- 3:30 – 3:40 Question & Answer
- 3:40 – 4:00 Coffee Break

Session 4:

Chair: Jiang Jisheng, DDG, DoPL, SFA

- 4:00 – 4:40 Panel Discussion: Priorities to Improve Production and Livelihoods: Research and Policy Reform
– *Wang Huanling, DDG, FEDRC*
– *Du Qun, Wuhai University Law School*
– *Hou Meng, Sociology Department, Peking University*
– *David Bray, Florida International University*
- 4:40 – 5:00 Question & Answer

5:00 – 5:10 Closing Remarks
SFA, RRI, PKU

5:30 Dinner

ANNEX 2: LIST OF ATTENDEES

Name	Organization
Lucas Bailey	Forest Trends
Chris Barr	Center for International Forestry Research (CIFOR)
Michael Bennett	Peking University (PKU)
Hugh Blackett	Tropical Forest Trust
David Bray	Florida International University, USA
Gary Bull	University of British Columbia
Kerstin Canby	Forest Trends
Xiaoqian Chen	The Nature Conservancy China (TNC)
Ashwini Chhatre	Harvard University
Ahmad Dermawan	CIFOR
Richard Dornbosch	OECD
Lewis Du	Tropical Forest Trust
John Hudson	UK Department for International Development (DFID)
Ping Li	Rural Development Institute (RDI)
Ning Li	IUCN
Bing Liu	Greenpeace
Zizhen Lu	Stora Enso Guangxi forest company ltd.
Cynthia Mackie	USDA Forest Service
William Magrath	World Bank
Hugh Milner	Qinghai
Steven Northway	University of British Columbia
Robert Oberndorf	Regional Community Forestry Training Center (RECOFTC)
Krystof Obidzinski	CIFOR
Weiwei Ren	UK Embassy
Jade Saunders	Chatham House (Royal Institute of International Affairs)
William Sunderlin	Rights and Resources Initiative (RRI)
Yoshio Utsuki	Sino-Japan Forestry Ecology Training Center Project
Aimin Wang	Global Environmental Institute
Andy White	RRI
Zhong Wu	Stora Enso Guangxi forest company ltd.
Xiangjun Yang	RECOFTC
Runsheng Yin	Michigan State University
Kelli Young	USDA Forest Service
Lei Zhang	US Embassy
Yongjun Zhao	UK DFID, China
Eugenia Katigris	Forest Trends
Guangcui Dai	Forestry Economic Development and Research Center, SFA (FEDRC)
Jisheng Jiang	Policy and Legislation Department, State Forestry

	Administration (PLD SFA)
Guoqiang Yan	PLD SFA
Qunlong Gong	PLD SFA
Xingzhong Xue	PLD SFA
Hongzhu Song	State Forestry Administration (SFA)
Enling Wang	SFA
Huanliang Wang	SFA
Manyu Zhang	Green Time
Qin Xu	Forestry Economics
Xuan Zhao	Forestry Economics
Xitang Chai	Forestry Department□ Fujian
Mingtang Lin	Forestry Department□ Fujian
Ming Chen	Forestry Department□ Henan
Min Jiang	Forestry Department□ Shandong
Shikai Lan	Forestry Department□ Jilin
Guofeng Li	Forestry Department□ Tianjing
Xiangzhi Kong	Renmin University
Xiaoping Wu	Forestry Department□ Zhejiang
Yu Wang	Forestry Department□ Hebei
Zhenjun Tan	Forestry Reform Office□ Liaoning
Li Zhang	Forestry Department□ Qinghai
Peng Zhang	Forestry Department□ Qinghai
Cheng Yan	Forestry Department□ Jiangxi
Zhisheng Zhang	Forestry Department□ Anhui
Yanjian Xiang	Forestry Department□ Hunan
Baozhong Zhou	Forestry Department□ Sichuan
Hongxiao Zhang	Nanjing Forestry University
Qun Du	Wuhan University
Meng Hou	Peking University
Wenjiang Lv	Peking University
Ying Liu	Ministry of Commerce
Wenming Lu	Chinese Academy of Forestry (CAF)
Xiufeng Tan	CAF
Baodong Cheng	Beijing Forestry University (BJFU)
Huayou Zhong	SFA
Yanyan Yang	SFA
Ting Zuo	China Agricultural University
Liqun Wang	BJFU
Ju Qiu	Chinese Center for Agricultural Policy (CCAP), CAS
Liangming Feng	Fujian Agriculture and Forestry University
Shi yang Shao	College of Environmental Sciences, PKU
Wendi Tao	College of Environmental Sciences, PKU
Xuemei Jiang	College of Environmental Sciences, PKU

Yongjie Ji	College of Environmental Sciences, PKU
Yan Sun	College of Environmental Sciences, PKU
Hui He	College of Environmental Sciences, PKU
Xiaojun Yang	College of Environmental Sciences, PKU
Jie Li	College of Environmental Sciences, PKU
Ling Li	College of Environmental Sciences, PKU