

Supporting policy, legal and institutional frameworks for the reform of forest tenure in China's collective forests and promoting knowledge exchange



## Introduction

The process of forest tenure reform in China offers an important opportunity to improve the sustainable management of forests and the livelihoods of farmers. Realizing this potential involves enormous and complex challenges. Limitations that emerged in early stages of the forest tenure reform process in the 1980's and '90's included unclear rights, limited contribution to farmers' incomes, weak position of small-scale family operations selling into regional markets, fragmented holdings, lack of access to decision making, and as a result, continued forest degradation. Beginning in 2003, Forest Farmer Co-operatives (FFC's) have been chosen by the government of China as the vehicle through which to carry out the process of overcoming these limitations at the village level.

In 2009, studies of 28 FFC's were carried out by six teams of university

researchers and representatives of local Forestry Bureaus to assess their development as effective vehicles for transformation of forest management and the rural economy. An attempt was made in the studies to identify the internal and external factors that explain the strengths and limitations of FFC's. Broadly speaking, the six Studies reach similar conclusions. Each Study also contributes some unique observations.

A limited number of studies had been carried out by researchers on the development of FFC's and their strengths and weaknesses, and brief literature reviews are included summarizing the findings of these previous studies by Chinese researchers as well as some external studies of general relevance.

项目省分布图  
The Location of the Project Pilot Provinces



- 6 provinces
- 8 counties
- 28 FFCs
- 90 technical reports

*Pictures of case studies in pilot villages*



## Description of Sample Sites

As background to the analysis of the experience of the 28 FFC's in the six Studies, the general forestry conditions in the eight counties of the six provinces are described. In many cases, these counties have relatively high percentages of forest cover, and the villages where the FFC's are located have relatively high forest areas per household and high levels

of forest-based economic activity. A brief description is provided of the progress in tenure reform and the types of cooperative activity and institutions that have been established in each village, and of the relevant economic trends in the county and province.

## Status of FFC's in Sample Sites

A brief history is provided for each of the 28 FFC's. They cover a wide range of levels and types of activity; some have a very narrow focus and perform a single function, while others carry out a broad range of forest management, training, and marketing activities. The extent to which they have established satisfactory internal governance procedures and methods of income distribution is described in detail. While levels of achievement vary considerably among the FFC's, many have had some success in accessing funds, harvest quotas, and other benefits through government programs and tax exemption policies, and in demonstrating some forest management operational advantages. They also share major challenges:

- scale of forest management activities is less than optimal
- allocation of use-rights in mountain forests is difficult

- capital available for infrastructure improvement such as roads, and funds for reforestation are insufficient
- management and decision making practices within the FFC have not yet become sufficiently transparent and democratic to motivate most farmers to fully exercise their rights and responsibilities as members, and to have the confidence they need to extend broader management responsibilities over their household forests to the FFC
- training and other capacity building requirements in business management and marketing, and forest management are much greater than government agencies can meet
- legal procedures to establish timber processing businesses are complicated

## Stakeholder Views of FFC's

Before offering their own conclusions about the challenges facing FFC's, the research teams list the issues identified by key participants in the development of FFC's.

(i) **Government representatives**

(from all levels) see the main constraints to development of FFC's as:

- Limited business and organization management capacity
- General shortage of reforestation program and infrastructure project funding
- More assistance needed in marketing
- Co-ordination between government Departments needs to be improved
- More detailed policy frameworks are needed
- Slow pace of bringing individual family parcels under FFC management (due, in part to inconsistent and unreliable assessment procedures for establishing the value of individual holdings of land and trees)
- Insufficient allocation of profits to development of the FFC's (and too much distributed to members and to village public welfare programs)
- Compensation rates for public benefit forest harvest ban are too low

They propose the following priorities for progress:

- Improved management capacity with training programs
- Continued support for FFC

development with program and project funding

- Apply a gradual, "step by step" approach to encouraging farmers to bring their land under FFC management

(ii) **Village committees** offer the observation that FFC's are both a reflection of the old village forest farms from the pre-tenure reform period, and a response to new government policy; continued project funding to support expanded production is important to allow FFC's to establish credibility; farmer confidence in the FFC's will also be encouraged with improved access to tree planting subsidies and reduced restrictions on timber cutting; it is important to strengthen democratic decision-making and increase the active involvement of members in the affairs of the FFC's; FFC's need improved market information networks and more support to develop processing facilities. Village Committees share the view of government officials: the development of FFC's should be "step by step".

(iii) **Farmers, FFC members** have a generally positive attitude towards their FFC's: they see them as a good way to manage

the forest; FFC's have reduced labour costs and improved services and benefits in ways individual households could not do; members want to see increased profits, increased access to government programs, especially for road building, reforestation and increased harvesting quotas; they understand the need to increase production scale, but many are reluctant to give authority to the FFC over their family holdings because they lack confidence in the long-term viability of the FFC, and they want to see better financial reporting by the FFC.

(iv) **Non-members** acknowledge they are benefiting from the FFC's through such services as fire prevention, introduction of and training in new technology, and access to the FFC's marketing service. They continue to adopt a wait and see attitude, in some cases because of the cost of becoming members, and generally, because they are not convinced of the FFC's long-term viability.

## **Problem Analysis: what incentives and disincentives for farmer participation in FFC's exist in present circumstances?**

FFC's offer some real and potential strengths that act as incentives to encourage participation and membership by farmers compared with single household management, or with pre-tenure reform forest farms or joint-stock/shareholder forest farms:

- A unified forest management

plan developed by an FFC is the basis for progress towards sustainable forest management; an FFC enlarges the scale of forest management activities, reducing problems of fragmentation, overcoming labour shortages and improving labour efficiency through development of a well-trained labour force, and creating

favourable conditions for adoption of new technologies.

- FFC's can organize a wide range of types of training for their members and for other villagers.
- They have or can develop the capacity for business and organization planning and

implementation that can, in turn, improve access to government programs and investment funds.

- They can undertake infrastructure projects such as road construction because of increased access to capital and because collective use of such quasi-public goods is less a disincentive for an FFC than for an individual household.
- They can increase farmer income by reducing transaction costs in marketing forest products, adding value through processing and branding, and by otherwise offsetting the competitive disadvantage of small individuals selling in a big market.
- They can provide a range of services such as fire protection, control of timber theft, and assistance with resolving property boundary disputes.
- They are required by the Law and Guidelines to follow

democratic decision-making, and distribute profits fairly. The Law is very clear on this. As this practice strengthens, it can have a positive effect on governance at the village level.

- They provide a means for communication with government agencies.

FFC's also have weaknesses that act as disincentives. To a considerable extent, these reflect their potential strengths which have only been partially developed due to their quite short history:

- They carry a legacy of non-democratic decision making, lack of transparent financial reporting, and unfair distribution of profits and other benefits; FFC rules are just beginning to evolve, so requirements on paper may be only partly followed in practice; their affairs may be dominated by a few key members; low member participation reflects lack of experience by farmers in exercising their rights and responsibilities in a democratic organization; members rarely have good working models to

guide them; often, the goals of the FFC are not very clear.

- The participation of women is particularly limited in many cases.
- They need to improve management capacity with strong and clear democratic decision making and become a platform for innovation, and avoid being nothing more than a new look to the old system of collective forest farms.
- There is a temptation for FFC's to rely on government-funded projects and to ensure support of their members by their success in obtaining more projects, at the expense of developing a strong internal management system and marketing capacity.
- In some cases, there may be excessive intervention by government agencies in the affairs of the FFC



*National workshop on FFC*

## Recommendations

### Policy

Policy is an essential tool for the development of self-sustaining FFC's, appropriate support is especially critical in the early stages of their development. A number of policy areas can be strengthened to favour the development of FFC's:

- FFC's should receive special treatment for harvest quotas: controls on harvesting in commercial forests should be relaxed, some logging should be allowed in natural forests, and in general, the system should be changed from a quota to an approval system.



- Training is needed in the organization, functioning, management, and regulation of cooperatives, including increasing the democratic awareness of farmers, and their ability to participate in the supervision of an FFC; a complete extension, information and training program is needed, with a budget that is adequate to meet the demand.
- Funding for reforestation and roads, technical innovation, and training should be increased; special FFC-program and project budgets should be established at the provincial level; more support is also needed from the financial sector with clear application, approval and evaluation procedures and less restrictive conditions (especially for operating capital) as a record of good performance is established.
- Taxes should be further reduced, with particular attention to forestry fees; in general, farm forestry should receive the same tax treatment as agriculture; FFC's should be exempt from income and business taxes.
- Market development support is needed to assist with improving market information, meeting food

- safety standards, and establishing labels and certification.
- Government should encourage a diversity of approaches to the challenges of large-scale forest management and cooperative organization that are site-and case-appropriate; farmers must be able to choose the type of organization they feel will best meet their needs.
- County and township forestry agencies should encourage FFC's to adopt a step-by-step approach, starting with smaller challenges and gradually progressing to more difficult ones; in marketing of forest products, for example, an FFC can take on a number of responsibilities from simple market information, to storage, transportation and processing; an FFC should start with one or two functions and then add others as it gains experience.
- Coordination with non-forestry agencies of government should be strengthened.
- Active support from government is needed during the early years of development of an FFC, government intervention should be reduced after the FFC has a solid foundation.



### Legislation, Governance and Institutions

- Detailed implementation guidelines are needed in each Province, including detailed regulations for the management of FFC's.
- A specialized administrative agency is needed to support the development of FFC's and to safeguard members' rights and benefits.
- Mechanisms for democratic functioning with genuine involvement of members, and for distribution of profits must be improved; the Law should be clear that profits

- are to be distributed according to a member's volume of transactions with the FFC, and not according to number of shares owned.
- Stronger supervision of internal management is required to ensure democratic procedures are followed; annual evaluations should be undertaken.
- Registration requirements for FFC's are too low and need to be strengthened.
- Discrepancies exist



For more information, please contact:

**Qiang Ma**

Forestry Officer  
Forest Economics, Policy and  
Products Division  
FAO  
Viale delle Terme di Caracalla  
00153 Rome, Italy

Tel: +39 06 570 55011  
Fax: +39 06 570 55137  
Email: [qiang.ma@fao.org](mailto:qiang.ma@fao.org)

**Chunqian Jiang**

National Project Coordinator  
Project Management Office  
Building 25, Hepingli 7 Qu,  
Dongcheng District.  
100013 Beijing, China  
Tel: +86 10 842 55730  
Fax: +86 10 842 58259  
Email : [jiangchq@caf.ac.cn](mailto:jiangchq@caf.ac.cn)

**Hong Qi**

National Project Director  
Project Management Office  
Building 25, Hepingli 7 Qu,  
Dongcheng District.  
100013 Beijing, China  
  
Tel: +86 10 842 57630  
Fax: +86 10 842 58259  
Email: [sfa8608@126.com](mailto:sfa8608@126.com)

between the Law and the Guidelines on a number of points that should be clarified: The Law appears to focus on specialized cooperatives and to see the FFC's as providing support services for households who carry out production activities themselves.; it does not refer to broad purpose family forest farm cooperatives with forest management responsibilities or to joint stock/shareholder cooperatives; the full range of types of cooperatives should be identified;the Guidelines extend an FFC member's financial liability beyond their own shares to the FFC's debts;the Law and the Guidelines have different requirement for the number of

general assemblies of its members an FFC should hold each year, on the amount of surplus that should be distributed each year, and on the role of Boards of Directors and Boards of Supervisors.  
- The number of Directors and of Supervisors required in the Guidelines is excessive.  
- A formal structure is needed at the County level to provide FFC's with a regular opportunity to share experience with other FFC's and with farmers/villages that have not established FFC's.



**Project information on other topics**

In addition to the work on forest farmer cooperatives, the project has also assessed the performance of forest tenure trade centers. In addition training materials for strengthening cooperatives have been produced.

Training materials have also been produced for participatory forest management. As part of the testing of these materials, the regulatory constraints for forest management

by farmers and farmer groups have been investigated.

For more information about the project and its activities, please visit the project website. Also, please feel free to contact us. See the left margin for our addresses.

**We're on the Web!**

*See us at:*

[www.fao.org/forestry/tenure/china-reform/en/](http://www.fao.org/forestry/tenure/china-reform/en/)