

Transfer of Forest Tenure Rights (2004-2010)

- rights to 2.9 million ha transferred
- over 12 million parcels of an average 0.24 ha
- total value of transactions: 2.6 billion USD – average of 907 USD per transaction



Collective Forest Tenure Reform

Fifty-eight percent of China's 195 million ha forest area is collective forests. These used to be managed by local government, with few benefits to the incomes of rural households. The government initiated tenure reform in 2003, to secure the use, management and transfer rights of rural households. The areas per household are generally small (< 1 ha at the average).

Also, many people of working age work outside the village. Therefore, rural families find it difficult to manage their forests on their own. Some of them decided to rent out their forests, to other farmers or processing companies. Others formed village management groups. The government promotes forest farmer cooperatives, as these have a legal status. All of these collaborative

arrangements involve the transfer of management rights. As the sellers (forest farmers) of forest tenure rights usually have less access to market information than the buyers (including processing and forest management enterprises) there is a risk that farmers lose out in these transactions. It is this risk that forest tenure trade centers try to address.

Forest Tenure Trade Centers

Forest tenure trade centers were initiated in 2004. In 2010, 425 of these were operational in 19 (out of total 23) provinces. They had facilitated the transfer of rights to 2.9 million ha of forests, involving 12 million forest plots, with an average size of 0.24 ha.

The total value of the transactions was 2.6 billion USD or an average 907 USD per transaction.

Most centers operate at county level, with some at township (below county

level) and provincial level. There is also a national forest tenure trade center. The centers are initiated, managed and financially supported by the forest administration.

Common functions of the trade centers are:

- facilitating the transfer of forest tenure rights (through auctions, bidding, and brokering),
- registration of tenure
- forest asset appraisal
- providing market information

- providing a platform for obtaining credit by forest owners, with the forest stock as collateral

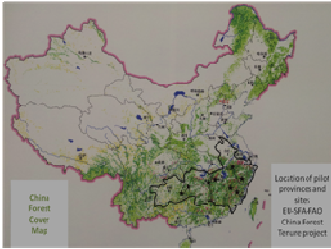
- facilitating issue of logging permits

In most centers, various additional services are provided such as brokering trade of forest products and providing technical support and extension services.

This reflects centers' ambition to become one stop service centers for collective forest farmers.



After tenure reform – consulting a forest farmer about bamboo management



Location of project provinces and sites on forest cover map

*“Once the roots take hold,
the tree will grow”*

*(forest farmer commenting on
the importance of tenure
security)*



*Are you using the services of
the trade center ?*

Trade Center Performance Assessment

In 2010, the EU-FAO-SFA Forest Tenure project commissioned case studies to assess the performance of the trade centers. Researchers from 4 regional and 1 national university, assisted by staff from provincial forest departments, selected and studied 21 forest tenure trade centers. The centers are located in the 6 provinces in which the project operates (Anhui,

Fujian, Guizhou, Hunan, Jiangxi, Zhejiang).

Most of the selected centers operate at county level. One township level center was included as well as one private broker. The latter demonstrates the potential for privatization of some of the centers' services.

The teams analyzed the structure and work processes of the centers,

and assessed their performance. They also investigated other forms of tenure transfer as a basis for comparison with the operations of the centers. The views of the main stakeholders (farmers, enterprises, and forest administration) of the centers' performance were also elicited. The evidence from the studies is the basis for the teams' commendations for the centers' development.

Patterns of forest tenure transfer

The teams uncovered a wide variety of modes of tenure transfer, involving different actors.

Transactions outside the trade centers far exceed the ones facilitated through the centers. Many forest farmers negotiate contracts on their own, to transfer the use and management rights to other villagers, large scale forest farm operators or processing companies.

These contracts are of different duration, but always less than the duration of the tenure certificate (70 years).

Most transactions through the trade centers involve state owned or collective, jointly managed forest. This is in accordance with legal requirements. Teams found that the reasons for the discrepancy include the high transaction costs of

trade through the centers. E.g., the Jiangxi team estimates that it takes a day or two to complete an informal transaction and 30 to 60 days to complete one through the trade center. Added costs include the cost of forest asset appraisal. Also, most forest farmers know little or nothing about the trade centers, many of which were only recently established.

Progress in reform – challenge for trade centers

Most of the transfers of tenure rights took place in the early years after the reform. After that there was a steep decline in numbers of transactions through the trade centers. E.g., in one of the centers in Fujian there were 377

transactions in 2004 (early in the tenure reform) declining to 6 in 2009.

Teams found that trade center staff and forestry bureaus are therefore not optimistic about the sustainability of the centers. Diversification of

services is one of the strategies deployed to address this issue.

Banking on the future

One of the services complementary to the tenure transfer and registration is the facilitation of credit by banks using the forest stock as a collateral. Thus future benefits are accessed for financing present forest management needs.

The results of the appraisal of forest assets as part of tenure transfer can thus also be used in determining the value of the collateral. Often, banks require additional guarantees from the forest administration in that they

take responsibility for pay back in case of default. Thus the burden of obtaining the collateral is shifted to the trade centers, thereby adding another service: management and disposal of forest assets of defaulters.

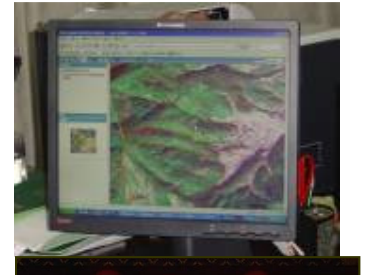
Another requirement of the banks is that the forest collateral be insured against disasters. The trade centers act as insurance brokers and manage the subsidies from central government that assist forest farmers to pay the premium.

Teams found that all stakeholders (including forest farmers familiar with these services) expressed their appreciation for them.

However, center staff and local foresters explained that the high interest charged by banks for the loans made most farmers wary of using this service.

The perceived high premium for the forest insurance is being addressed through provision of subsidies from the central government.

This is expected to provide an incentive for more farmers to insure their assets in and for the future.



Digital information and registration system in a trade center

Market information and forest products trade

Enhancing the transparency of markets for tenure rights and forest product is an important objective of most of the trade centers.

The teams found that centers do indeed have much to offer in this respect. Many centers have solid information about supply, demand and prices both for tenure rights and for products. Many also have developed sophisticated systems to manage the information.

Entrepreneurs highly appreciate and make much use of the information made available by the trade centers.

The challenge for all centers is to devise effective ways to get the information to those who need it most, i.e., the new forest owners. Farmers did indicate that they see better access to forestry information as one of the main functions of the centers.

The teams advised to

make more effective use of township forestry stations and village councils to inform farmers of the services available. Others pointed at the use of the village public information wall boards.

The market information activities have also contributed to some of the centers becoming active in brokering the trade of forest products. E.g., in Guizhou, centers assist farmers to sell their timber jointly, through periodic sales at township level.



Producing bamboo chopsticks in a rural enterprise



She gets the information she needs.....,how about him ?

Other services

Amongst the range of other services provided, technical forestry services appear to have some promise for the future. There is considerable demand from forest farmers for technical support, particularly for the management of bamboo, economic forests and timber plantations at

present. During project activities in participatory management many farmers expressed great interest in management of natural forest. Management of these is presently severely restricted and in practice banned in many places. Forestry extension services could also

contribute to replacing bans on harvesting of certain NTFPs (such as pine resin and bamboo shoots) by managed harvesting. Another related service for which demand may grow is supporting forest farmers in the preparation of simple forest management plans.

The way forward

Recommendations for future development of the centers, focus on the need to improve centers' relevance for forest farmers. The sustainability of the centers could be enhanced by marketing some of the services for which there is demand from commercial

enterprises and for which the centers have a comparative advantage. . Some of the brokerage services could possibly be privatized, as the case study of a private broker demonstrates.

Teams also recommend to secure the legal status of the centers, once their

relevance and sustainability has been demonstrated.

Other recommendations refer to the sophisticated information systems and expertise in some of the centers and their value as assets for future development.

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Project information on other topics

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

Training materials have also been produced for participatory forest



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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/