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China's second round of forest reforms: Observations for China and implications globally

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ABSTRACT

This paper provides an overview of recent forest tenure reform in rural China and a summary of findings from a series of surveys and research papers. The research papers cover several broad themes, including the impacts of enhanced policy stability, expanded farmer household forestland holding, and longer contract periods as well as a richer bundle of tenure rights, on farmers willingness to invest in money terms and labor inputs in forestry activities. The tenure devolution process is found to be influenced by the village political environment and by farmers' abilities as well, as outside monitoring and evaluation. This paper concludes by drawing implications from China's experience for international communities under similar trends of forest tenure devolution.

1. Introduction

The first round of China's forest reforms began shortly after the initial agricultural reforms in 1978 and largely followed the approach of the latter—focusing on the forests of the agricultural collectives and essentially disregarding, at that time, the approximately 40% of China's forests that remain state owned. The principle feature of those first round reforms was the transfer of management rights from a large share of collective forestlands to management by individual households. Subsequently, the central government also eased the controls on the price of timber sold by the new managing households.

The household gains from these reforms and the increase in forest stock were impressive in some regions. They were not so substantial in other regions and the authorities rescinded some household rights by the mid-1980s. These experiences have been reviewed elsewhere (Lin, 1992 and McMillan and Naughton, 1992 for agriculture; Yin and Newman, 1997, Yin and Hyde, 2000 and Hyde et al., 2003 for forestry).

Our interest in this paper is in the second round of forest reforms that, beginning in the late-1990s, expanded on those prior reforms, notably establishing more secure household rights, extending the duration of household contracts for collective forests and permitting some transfers of these contracts.

Peking University's College of Environmental Science and Engineering under the direction of the lead author of this paper conducted two large surveys of 2490 households managing 44,547 forest plots in 264 villages from eight of China's 31 provinces, one in each of

eight broad regions. All eight sampled provinces had formally authorized the second round of forest reforms by 2010. The surveys, conducted in 2006–07, and again with the same households in 2011, collected information on forested plots allocated under various categories of household use rights; each household's perceptions of their forest tenurial rights, contract periods, harvest and investment levels; and its allocation of household labor, consumption patterns and demographic characteristics. The same surveyors, and at the same time, collected revenue information from the village collectives and information on both forest production and stand characteristics from the local forest authorities from year 2000 as well as the survey years. (See Xu et al., 2015 for detail on the sampling procedure, the surveys themselves, and their summary data.)

Research faculty and students at Peking University, together with colleagues at the World Bank, Resources for the Future and Gothenburg University, used these data in inquiries into the effects of the second round of China's reforms. This paper is a summary of their research results and their published papers. Their essential observations fall within three themes:

- The effect of policy uncertainty on household managers or, what is the same, the household manager's confidence that policy will be consistent over the household's period of forest planning and investment.
- The devolution of forest use rights from centralized village collective management to increasing but, as yet, incomplete management

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rights for individual households—and the potential gains from further reforms. This discussion leads us to questions of effective policy design.

- An underlying assessment of who benefits.

With each of the three, there are both obvious conclusions for China and also important implications for forestry in the rest of the world.

We will begin with a summary of the fundamental components of China's second round of forest reforms and then add a few words regarding their implications beyond China for important questions of global forestry. The body of our paper summarizes each of six empirical assessments of these second round impacts. A final section draws conclusions from these empirical assessments as they relate to the three essential themes identified in the previous paragraph.

2. China's recent forest reforms

2.1. The 1990s

The central government's announcement in 1992 that it was establishing a market economy began a period of gradual, varied, economy-wide but locally opportunistic market-oriented reforms. In the forest sector, land use rights were further diversified as additional plots of collective forest were auctioned or leased to individual investors and forest product companies as well as to farm households. Timber sales and market distribution underwent their own transition with the abolition of the state procurement and pricing system. Nevertheless, the forest economy in China's south remained sluggish, contributing little to local development and well-being. Many households in forested locales continued to live below China's annual poverty line of 637 yuan per person (less than US\$70 in 1992).

China's aggregate economy had grown rapidly from the beginning of market reforms in 1978, and it continued to grow at a double digit annual rate through the 1990s. China's population grew to expect rapid growth and the central government looked for ways to maintain the growth and also extend the benefits of economic development to lesser developed regions and lagging rural areas.

Growth in the rest of the country created increasing demands for forest products and for the full range of forest ecosystem services. Aggregate growth, along with a decline in government revenues from forests, meant that the government's own opportunity cost for forest reform was small. (That is, as revenues from the collective forest sector were a small and decreasing share of all government revenues, policymakers confronted less resistance to recommended change in the sector.) Furthermore, progress in the agricultural sector meant that the more stringent policies for the forest sector were very much apparent to the rural population. Finally, many anticipated that a more vital forest sector might be a crucial consumer of surplus rural labor. This combination of factors placed the central government and the local authorities in a position to address the challenges of the forest sector. It is from this background of experience that the forests of China's collectives attracted renewed attention over the last years of the 20th and into the first decade of the 21st century.

As often the case in China, the new reforms began as local ventures in various locations. The more successful of them were observed in neighboring counties and, as these successes became recognized more broadly, the Central Committee of the Communist Party (CCCP) and the State Council eventually formalized them as national policy.

- In 1993 CCCP Document No. 11 approved the extension of household use rights for forest land to 30 years, eventually extended, in 2008, and then to 50 and even 70 years. The Land Management Law of 1998 provided for the renewal of these rights upon maturity.
- Households began transferring use rights for private plots to others within the same village in the early 1990s. The Revised Forest Law (RFL) legalized these transactions in 1998 with the stipulation that

written contracts accompany the transfers.

- The province of Fujian had declined to participate in the early reforms. Fujian's alternative approach, giving villagers paper shares in their collective forests, altered little—maintaining most collective forests under the continued control of the Village Councils. Forest management and productivity remained low. However, in 1998, one village in Fujian began transferring the rights from the collective to its households. Other villages followed. The revenues that were generated provided significant rents to these villages and helped eliminate village debt.

3. The second round of forest tenure reform

These local actions were preface to a sequence of formal policy decisions known together as China's second round of forest tenure reform. They authorized the steady devolution of collectively-held rights and improvement in household forest tenures.

- The Rural Land Contract Law (RLCL) in 2002 extended household rights to include transferring, inheriting, and mortgaging the rights to agricultural land use. It permitted transfers to other villagers and to non-villagers with permission from the village collective. As a result, those more restrictive forest policies that remained stood out all-the-more clearly—and were all-the-more more susceptible to criticism.
- CCCP Document No. 9 in 2003 extended the RLCL, reiterating the intention to devolve collective forests to individual villagers. This was an attempt to make forest sector policy consistent with that for agriculture. It authorized villages to reallocate as much as 90% of their collective forests to households.
- By 2006 the central government had become convinced of the merit of tenure reform for the forests of the collectives and it recognized the need for coherent national guidance. The Minister of the State Forestry Administration announced that tenure reform was his first priority, an announcement that coincided with the central government's New Countryside Development Initiative (NCDI) which called for more assistance to rural areas, stronger property rights, and a more favorable policy environment for the rural poor. The NCDI was a clear reflection of growing concern with rural unrest.
- The CCCP and State Council announced its "Guidelines" in 2008. The Guidelines drew from the RLCL and Document No. 9 but placed specific emphasis on forest reform. The Guidelines clarified user rights and repeated the authorization for villages themselves to reassess and reallocate use rights. The village collectives were instructed to implement these reforms within five years.
- The Guidelines also assured that land could not be taken for commercial or public purposes without compensation to the holder of the use rights. In addition, they stated that the government would reorganize forest administration, reform tax policy and harvest regulations, restructure the financial system to permit the use of land and timber as collateral for loans, and arrange local centers to facilitate timber and land transactions.

The principles under which land use rights devolved, first to households and, eventually, to other agents had been established during the first round of forest reforms in the early 1980s. The second round, through 2008, had more to do with following through with these principles: with completing the registration of contracts, with titling and demarking the boundaries associated with the devolution to individual tenure, and with transferring the decision making authority for the reallocation to local communities. The magnitude of land reallocation from this second round of reforms was less than in the first round. Nevertheless, over 62 million hectares transferred from collective to household management and over 72 million households held certificates for forest land use by 2008. Twenty provinces had announced their participation in the new round of reforms by 2010.¹

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