

Forest and Grassland Taskforce Report
to CCICED 2000 Annual Meeting

October 2000

A. General Background

Under the China Council for International Cooperation on Environment and Development, the Taskforce on Forest and Grasslands in the Development of the West was established in July 2000. From July 18-21, the taskforce held its first meeting in Beijing. This report is one of the products of that meeting. A proposal for funding the work of the taskforce is available for the consideration of funders.

China's forestry and grassland sectors are undergoing enormous changes. The 1998 Yangtze River flooding and 1997 Yellow River Shortening (In 1997, the flow of water in the Yellow River ceased to reach the river's lower reaches for 262 days, causing severe economic damage in downstream provinces, especially in Shandong.) have heightened public awareness of the severity of the degradation of China's natural vegetation and its potential environmental and economic consequences. In response to nation-wide concerns over trends of ecological deterioration, the central government took initiative in 1998 to implement a Natural Forest Protection Program.

The Natural Forest Protection Program (NFPP) now consists of the following: (a) termination or reduction of logging in natural forests in 17 designated provinces. They are Yunnan, Guizhou, Sichuan, Chongqing, Hubei, and Tibet in the upper reaches of the Yangtze River Basin; Qinghai, Ningxia, Gansu, Inner Mongolia (the western portion), Shaanxi, Shanxi, and Henan in mid-and-upper reaches of the Yellow River Basin, and Jilin, Heilongjiang, Inner Mongolia (eastern portion), Hainan, and Xinjiang; (b) reforestation on barren mountains and wastelands; and (c) restructuring of the forest industry and re-employment of forest workers and affected farmers. The targeted reduction in yearly timber production is 20 million cubic meters, which is about 1/3 of total national production. Employment directly affected by the logging reduction is estimated at 0.75 to 1.5 million people (These are notional figures from government statistics. The logging ban and the steep land conversion projects together will affect millions of households at the community and village levels. The magnitude and extent of impacts will be a topic of the taskforce case studies.)

It is estimated that 2/3 of the soil erosion in the Yangtze River Watershed is caused by agricultural activities on cultivated sloping land. Inefficient agriculture in the upper reaches of the Yellow River Basin adversely impacts soil conservation as well, and causes serious conflicts in water resource allocation between regions along the river and among sectors (e.g. agricultural versus industrial uses, urban versus rural uses, etc.) and is believed by many to be the cause of Yellow River water shortages.

In late 1999, Premier Zhu Rongji, in a visit to several western provinces, proposed that the cultivated steep land in the West be converted back to forests and grasslands. This proposal was later formalized into a major national program. The targeted area of

sloping land in the conversion program is about 17.8 million hectares, 52% of the total cultivated land area in the region.

More recently, the government announced the Great West Development Program (GWDP). The socioeconomic impacts of the policy are important. After more than twenty years of economic reform and economic growth, the regional gap between China's east and west has widened. Per capita GDP of most of China's western provinces is between 30 to 90 percent of the national average. Issues that characterize the disadvantages of the west include: (a) increasing difficulty in resource development and decreasing comparative advantages (The region used to be rich in raw materials and energy resources, such as minerals and coals, etc. Now these industries are declining.); (b) harsh natural conditions and a fragile environment; (c) underdeveloped economic structure and a slow pace of modernization; (d) weak scientific and technological support; (e) weak institutional capacity and human capital (relative to the national average); and (f) low ability of households to undertake risks due to extreme poverty. In recognizing the gap and the potential social and economic issues that this may cause, the central government initiated the GWDP with restoration of natural resources and their ecological function as the central theme for vitalizing the West's economy.

According to Premier Zhu Rongji's report to the People's Congress on March 5, 2000, the aims of the GWDP are: (a) accelerating development of infrastructure, with an emphasis on rational development of water resources; (b) strengthening ecological and environmental protection, including planting trees and grasses, controlling soil erosion, preventing desertification, and, in particular, enforcing the NFPP in the Yangtze and Yellow River basins and converting cultivated sloping land to forests and grasslands with measures for the latter summarized as "converting cultivated land, closing mountains for regeneration of forests, subsidizing farmers with food, and encouraging individual contracting-out"; (c) developing industry based on comparative advantages; and (d) heightening the level of scientific, technological, and educational development. The NFPP and Steep Land Conversion Project as implemented in the upper Yangtze River and mid and upper Yellow River has been incorporated into the is now a component of the GWDP.

The sheer magnitude of the program is unprecedented and its impact on China's forest landscape, natural environment, economic development, and domestic and international forest and pasture products market could be tremendous. The central government has set aside hundreds of billions of RMB to support the program. A major government bond has been issued to raise funds. The opportunity is great, but so is the challenge. The most important challenge has been how to turn the emergency call due to the flooding and drought into an environmentally-sustainable development scheme.

The rationale for the Taskforce on Forest and Grasslands in the Development of the West stems from the importance of forestry and grassland activities in the GWDP and the need to develop a well thought-through policy framework in order to achieve the goals of environmentally and socially sustainable development. There is consensus that the deterioration of the natural environment in China's West is closely related to the

region's poverty and poses a serious threat of damage to the whole nation's economy. Blunt measures are justified due to the severity of the problems in the West. Nevertheless, while the economy may be vitalized in the long run, the short and medium run socioeconomic costs appear, from evidence presented to the taskforce, to be substantial. Therefore, the correct sequencing and phasing of activities is important to ensure that these costs are minimized. This is an important policy challenge. yet, it is also widely accepted that examination of the social, economic, and, ultimately, environmental impacts of the proposed activities is lacking and that planning of the program is not yet well grounded. For example, the cost and sustainability of the food subsidy program is becoming a major concern as is the short and medium term impacts on households, counties, and townships in the areas affected by "closing the mountain". An important set of questions therefore is: In which areas does the policy need to be implemented as is; in which areas should policy implementation be modified to improve impacts; and in which areas should the policy not be applied (In a recent State Council document guidelines were made to improve the implementation of the policies related to the logging reduction and land conversion programs.)?

B. The Organization of the Forest and Grassland Taskforce

The taskforce on forests and grasslands consists of six Chinese experts (including Chinese co-chair) and six international experts (including international co-chair). These experts represent academics, government, and the private sector. Their expertise includes policy analysis, economics, forest and grassland ecology, and land use and rural development, with emphasis on forest and grassland policy and international experience. Many of the taskforce members are leading scientists in their field and leaders of academic and international institution. The taskforce is so-chaired by Professor Shen Guofang, academician and Vice President of the Chinese Academy of Engineering, and Dr. Uma Lele, Advisor of the World Bank.

The taskforce secretariat office has been established and is located at the Centre for Chinese Agricultural Policy of the Chinese Academy of Sciences. An international member of the secretariat, with strong experience in China and relevant expertise, has also been recruited to assist with the taskforce's work.

C. Objectives and Proposed Outputs of the Taskforce

Through international cooperation and independent scientific analysis, the taskforce has the objective of helping China to address its environment and development challenges in a synergetic way. It will provide options and make recommendations to the Chinese government and civil society on the formulation and implementation of long term comprehensive strategies and policies to achieve sustainable development of forests and grasslands and of the people dependent on them.

The taskforce will cover a period of two years:

- a) identify key policy and implementation issues in the areas of forest and grasslands management in light of the recent government policies and early implementation experience;
- b) identify data, information and analytic, and policy and institutional gaps in knowledge; and design and conduct reviews to fill the gaps to the extent that the taskforce's two year span will permit;
- c) provide policy and operational options for consideration of government, including identification of implementation and monitoring and evaluation options for developing a continuous learning approach,
- d) identify areas needing further multidisciplinary research and investigations which may need to be established so as to ensure refinement of policies based on an increased knowledge base and learning by doing via feedback mechanisms into the policy refinement and implementation process on a long term sustainable basis.

By June/July 2002, the taskforce will produce a report and supporting background studies detailing the work of the taskforce for the consideration of the Chinese government and civil society. The preliminary paper outlines the scope and timetable of the taskforce's work and some key issues it has identified based on its first meeting held during the week of July 16, 2000, which involved briefings from and consultations with several government agencies and independent researchers.

D. Summary of the First Taskforce Meeting

The first meeting of the Taskforce on Forest and Grasslands was held from July 18-21, 2000 in Beijing. The purpose of the meeting was to discuss ongoing government policy and programs in the West and to design a corresponding two-year work plan for the taskforce. The meeting was chaired by Professor Shen Guofang and Dr. Uma Lele. Professor Zhang Kunmin, Secretary-General of CCICED, attended the meeting and gave open remarks. Representatives from government agencies, such as the State Forestry Administration (SFA), State Environmental Protection Administration (SEPA), Ministry of Agriculture (MOA), State Council Western Development Office (SCWDO), and Ministry of Water Resources (MWR) attended the meeting. Representatives from CCICED, the Sustainable Agriculture Working Group and the Biodiversity Working Group, the Chinese Academy of Social Sciences, WWF, and the World Bank were also present. The presentations to the taskforce consisted of government views on the scope and implementation of the program and three independent case studies assessing implementation experience and impacts to date of the initiatives. These two sets of presentations together have had a critical impact on the way the taskforce has proposed to conduct its work. A summary of these presentations and the key issues emerging from them are presented below.

Presentations:

1) National Forest Protection Program, by Mr. Zhang Zhoumang, State Forestry Administration -- Mr. Zhang's discussion focused on the Natural Forest Protection Program (NFPP) and, in particular, the logging ban. The NFPP covers 17 provinces. In the Yangtze and Yellow river basins, where soil erosion and water balance are major

concerns, the NFPP calls for a complete ban on logging in natural forests (covering 30.38 million ha) and a policy of “closing the mountain” in areas or potential areas of planted forest. The policy also encourages planting of trees and grasses on barren lands and mountains in the region. For the state forests in the Northeast and Inner Mongolia, the NFPP calls for a reduction of logging in natural forests. The government plans to allocate 10 billion RMB per year, provide subsidies to local governments fiscally affected by the ban, suspend the debts of insolvent forest enterprises, and provide living allowances to laid off workers.

Achievements of the policy include a marked reduction in timber produced (from 26.7 million cubic meters in 1997 to 16.92 million cubic meters in 1999), reassignment of laid-off workers (281,900 workers reassigned), and the issuing of government bonds to raise funds (6.4 billion RMB raised in 1998 and 1999 together) for implementation. Problems include planning and management, fiscal impacts on local governments, heavy debt burdens of forest enterprises, and technology.

2) China's Grasslands, by Mr. Li Changping, Ministry of Agriculture -- China has 400 million ha of grasslands, occupying 40% of the nation's area and second only to Australia. The majority of grassland area is located in the West. Most of the grasslands are natural (as opposed to planted), with a high proportion of mountainous grassland and low proportion of high quality grassland.

The Chinese government has been emphasizing the establishment of grasslands since 1978; and there are now a cumulative total of 200 million mu of planted grasslands. By the end of the year, the Ministry of Agriculture, supported by the State Planning and Development Commission and the Ministry of Finance, will carry out new forage building and grassland protection projects. The nation has also been encouraging the modernization of grassland animal husbandry. The government is now contracting out grassland areas to households, thus resolving the problem of privately owned animals on publicly owned lands (55% of pastoral areas now contracted out).

Problems include reduced grassland area (due to agricultural reclamation), reduced quality (due, in part, to overgrazing), low productivity (as compared to other countries), frequent natural disasters (fire and pests), and degradation. One third of total grassland area (9130 million ha) is now considered degraded; and desertification, salinization, and dust/stand storms are serious problems.

3) Steep Cropland Conversion Program, by Zhang Hongwen, State Forestry Administration -- Nation-wide, 91 million mu of agricultural land is on slopes of greater than 25 degrees. Of this, over 70% is located in the West. Conversion of large areas of grasslands and forests in the region to agriculture over the years has resulted in the West being the part of the nation with the most serious erosion problems. Of the 2 billion tons of silt entering the Yangtze River and the Yellow River annually, 2/3 is from sloping croplands, especially those in the upper reaches of the Yangtze and upper and middle reaches of the Yellow River. The high level of erosion leads to water-related natural disasters in the two rivers.

The policy to address this situation calls for the return of croplands on slopes of over 25 degrees to forest or grasslands and the simultaneous afforestation/ greening of barren mountains and lands. The main policy measures include:

- a) Grain subsidy for farmers: 150 kg grain annually per mu converted in upper reaches of Yangtze; 100 kg grain annually per mu converted in upper / middle reaches of Yellow River; duration set at five years, but to be adjusted by the situation.
- b) Cash subsidy for farmers' health, education and other needs: 20 RMB per mu annually for same duration as grain subsidy.
- c) Free seeds and saplings for farmers to carryout reforestation/ greening.
- d) System of individual contracting out: contracts of 30-year duration to be given to farmers for planting and caring for trees and grasslands.
- e) Encouragement of greening of barren lands along with conversion: where conditions are good, farmers receiving subsidies will also be responsible for planting grass/ trees on two or more mu of barren land.
- f) Inspection system: an inspection system will be instituted whereby farmers will receive special cards with which to retrieve subsidies if they have fulfilled their obligations under the policy.

Trial implementation of the policy began in March 2000 in a total of 174 pilot counties spread over 13 provinces in the upper reaches of the Yangtze and upper and middle reaches of the Yellow rivers. The target for the year 2000 is conversion of 5.15 million mu and planting of 6.48 million mu of barren lands. Already (as of end of June 2000), over 70% of the targets have been met. In June 2000, policy implementation was also begun in Hunan, Hebei, Jilin, and Heilongjiang provinces. Problems encountered in implementation include inappropriateness of seeds and saplings provided and inappropriate mixes of forest types chosen.

4) Strategy to Develop the Great West, by Mr. Ning Jizhe, State Council Western Development Office -- The rationale for developing a strategy to develop the Great West is that, while China has now made good progress in economic development, a large gap remains between the East and West. Development of the Great West is a long-term goal (50-year time scale). In the mid-term (10-15 years), infrastructure will be built, the eco-environment improved, and education developed. In the short-term, there is a need to research policy options and carry out planting work.

Priority areas for work are listed and described below:

- a) Infrastructure
- b) Protection of eco-environment, including:
 - Natural forest protection: targeted results should be achieved in 10 years in the Yangtze basin and preliminary results in 10 to 20 years in the Yellow River basin.
 - Conversion of cropland on slopes of over 25 degrees to forests and grassland.
 - Control of desertification.
- c) Readjustment of industrial structure.
- d) Improved science and education: training in the region and attracting of talent to the region

Policies to implement the Western Development Strategy are still being researched and considered. WTO accession will be an important factor; and work is also being done on how to build on existing preferential policies to attract foreign investment. Other areas being researched include increasing infrastructure investment and instituting guarantees to motivate farmers and enterprises.

5) Eco-construction in the Great West, by Professor Shen Guofang, Chinese Academy of Engineering -- The Chinese Academy of Engineering has conducted four studies related to eco-environmental engineering in the West, the results of which are the basis of this presentation. It has been observed that, while the government's overall policy direction on eco-construction is correct, it is difficult to determine the necessary details, particularly for local level implementation.

Problems with implementation of forest and grassland construction and restoration projects include the issue of which species should be planted at which locations. Though forests are usually envisioned, grasslands are the main choice for the Northwest, because the Northwest is too water poor to provide the substantial amounts of water resources required by forests. More work also needs to be done in combining forest protection with the needs of local people. The push to implement quickly has resulted in problems such as a lack of seedlings of sufficient quality. Finally, more work needs to be done on hydrological issues, such as those encountered in the arid Northwest.

6) Land Use in Western China, by Mr. Zheng Zhenyuan, Ministry of Land Resources -- Population density in the West is less than that in the East, but is nevertheless near the region's carrying capacity. Per capita economic productivity in the West is low; and industry accounts for less than 60% of output in each of the provinces in the region. Agriculture in the region is characterized by low capital intensity; and the total area of land under cultivation rose greatly from 1953 to 1984. From 1984 to 1996, however, the total area of land under cultivation was reduced.

Reclamation of sloping lands in the region has resulted in destruction of vegetation and related problems, such as soil erosion, salinization, and rangeland degradation. The policy of conversion of sloping cultivated lands, however, will not be successful through administrative order and subsidies alone. A change is needed in land use types. Suggestions include: (a) improvement of prime farmland; (b) an increase in inputs to prime farmland; (c) improvement in agricultural extension; (d) revegetation of marginal land to increase productivity of prime land; (e) encouragement of surplus labour to flow to nonagricultural activities; and (f) facilitation of infrastructure construction and market access for farmers. Finally, sustainable livelihoods must be emphasized. Where sloping cultivated land cannot be shifted entirely to forests/grasslands, other conservation measures (including engineering, agronomic, and pastoral measures) should be taken.

Case Study Presentations:

1) Study on Natural Forest Protection Program, by Dr. Sun Changjin, China Academy of Social Sciences -- The purpose of this study is to identify and fill the information gap with regard to the Natural Forest Protection Program (NFPP), to recommend changes in policy and implementation arrangements, and to suggest where international assistance could be most useful. The focus is on national level policy making and on impacts in Southwest China, which has probably suffered the most from the policy.

The program has had positive environmental impacts and negative economic and social impacts. In the state sector, negative economic impacts include unemployment, business difficulties of timber companies, and loss of fiscal revenues for local governments. The non-state sector has been largely ignored, but farmer livelihoods, community economies, and availability of timber for local use have all been negatively impacted. A problem with the compensation principle used is that those more closely linked with stakeholders at the central government level have more access to compensation, while farmers tend to be ignored. Lack of a system of checks and public participation and supervision is also a problem. Finally, the fiscal system is inadequate for purchasing the environmental service desired.

Suggestions include (1) encouraging participation by non-state forces, such as NGO's, the private sector, and rural households) in project development and (2) supplementing fiscal investments with subsidies or commercial capital.

2) Case Study on Returning Steep Cultivated Land to Forests, by Dr. Zhu Chunquan, World Wildlife Fund -- WWF is conducting a pilot study in three counties, looking at the status of implementation, policy recommendations, and promotion of sustainable development. Findings indicate that the policy is now being implemented at the sub-county level in 174 selected pilot counties. The policy has shown to be high priority, mandatory/top-down, and rushed in implementation. Problems with implementation include lack of implementation plans at the sub-county level, lack of investment funds at the local level, a tendency to plant economic trees rather than ecological trees, and insufficient availability of seedlings. Impacts on farmers including those on income, lifestyle, and sustainability (i.e. issue of sustenance of livelihoods after subsidies are stopped). Impacts on local governments include increased financial burdens and workload burdens on staff, as well as decreased government income. Finally, no clear system of indicators and criteria for ecological impacts has been set up; and it may be hard to achieve ecological goals with the predominantly economic trees that are being planted.

3) Impacts of the Logging Ban on the Community in Simao Prefecture, Yunnan Province, by Dr. Zhao Yaqiao, Yunnan Academy of Social Sciences -- This study focuses on the impact of the logging ban in Simao prefecture of Yunnan province. The logging ban has been implemented since October 1998 in Yunnan. Initially, all logging in the province was stopped and farmers were not even allowed to collect fuelwood. Later, the policy was relaxed some, with fuel wood collection allowed. Eventually, the policy was expanded into the NFPP, which includes the logging ban, the closing of enterprises that use timber as a raw material, reforestation, and conversion of agricultural lands on

steep slopes t forests and grasslands. Simao prefecture has a large proportion of rural poor and is thought to have good potential for developing forest sector industries.

Problems identified by the study include the suddenness of implementation of the policy, the top-down nature of the policy, and issues of unclear ownership. Suddenness of implementation has left all parties unprepared, with farmers and local governments suffering reduced income and enterprises being left with a lack of raw materials. Some communities in the region depended on timber for 70 to 80% of their cash incomes; and these have experienced particularly sharp drops in income. The top-down nature of policy has resulted in confusion (implementation designs keeps changing) and problems with timing (plans tend to arrive at the local level too late for the planting season). Finally, the policy has added to the instability of the forest tenure system, so that some farmers who have grown trees do not have the rights to them, thus encouraging a short-term view on the part of farmers.

Suggestions include participatory land use planning (as the community is most clear as to which land is best for agriculture), increased stability of policy (to encourage a long term view), allocation of forest land to each household in poor areas, and recognition of communities where traditional practices are already achieving sustainable forestry without the need for intervention.

E. Proposed Work Plan for the Coming Two Years

The substance of the presentations reviewed above had considerable impact on the content and the sequencing and phasing of the taskforce's work program. The timetable and field visits of the taskforce are designed so as to ensure maximum interaction between the work of the taskforce and learning from the evidence of implementation of the policy on the ground. The timetable is very tight and the realization of the rather ambitious goals the taskforce has set out depends on the timely availability of funds to conduct the work of the taskforce including particularly the case studies and the need for the subsequent policy, institutional and technical analysis that will emerging from findings of the case studies in Phase II.

The following items were discussed and agreed upon with regard to the taskforce's two year work program:

(a) Geographical scope: Due to the time restriction of two years, the taskforce will limit its scope of activities to the 12 provinces designated by the Great Western Development Strategy. The focus will be on policies concerning sustainable natural resource management. Priority will be placed on forestry issues, as well as grassland issues and related socioeconomic issues linked to the land conversion project.

(b) Preparation of proposal for funding to be presented to donors at the October 2000 CCICED meeting.

(c) Conducting case studies on impacts of policy implementation from the level of households and communities to that of different levels of the government and the socioeconomic in affected areas:

- Framework guidelines for the case studies is to be prepared by a special advisory committee by the end of September 2000. Coordination of this work is to be handled by the Centre for Chinese Agricultural Policy at the Chinese Academy of Sciences with input from the taskforce members.
- Case study location to be chosen to create a purposive stratified sample based on agro-ecological and socio-economic considerations which will test the hypotheses emanating from the presentations made to the taskforce. State forest study sites will be included to cover the logging ban; and other sites will be chosen from 174 counties designated pilots for the sloping agricultural land conversion policy.
- Selection of experienced Chinese institutions located in the provinces and in Beijing to conduct the case studies, thereby both benefiting from local knowledge and expertise as well undertaking capacity building of Chinese institutions so as to ensure long term impact of the taskforce's work beyond its own life.
- Case studies to be launched by end of January 2001 and completed by April 2001.
- Visit of two taskforce members each (one Chinese and one international) to the various field sites to be followed by the meeting of the taskforce to discuss lessons learnt in May. This will coincide with the end of the case studies and benefit from taskforce members' learning from the field experience.
- Analysis of case studies to be undertaken and synthesis report prepared. (Synthesis work to be undertaken between July-August 2001 with a workshop to discuss findings and recommendations in early September 2001.)

(d) Coordination with various domestic and international efforts underway in related areas; preparation of matrix of current activities in the areas related to the work of the taskforce to facilitate coordination and identification of gaps.

(e) Coordination with key international forestry workshops in China currently being planned.

(f) Development and implementation of a communications and dissemination strategy, including:

- Meetings with provincial level officials and central level ministries
- Website and newsletter

(g) Coordination with CCICED working groups whenever possible

- Through joint meetings, joint field work and joint research

(h) Identification of missing areas/priority issues that need further attention/analysis and launching of the second phase studies, mainly focusing on policy, institutional and specific technical issues emerging from the case studies, to be completed between October/November 2001 to April 2002.

(I) Draft of final report for Government and CCICED by June/July 2002 and policy forum sponsored by the taskforce (during the third taskforce meeting) to help disseminate findings and recommendations from the taskforce studies.