

# The institutional arrangements and case study for community forestry and poverty alleviation

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## Executive Summary

Community forestry development has a long history worldwide, but community forestry development model is regarded as one of the most important forest resource management models until recent years. The characteristics of community forestry are common property right arrangement, participation of local people, satisfying their own economic, environmental and social demands by forest resource management. Community forestry development plays a key role in poverty alleviation in the areas of abundant forest resources.

Poverty still threatens the development of human being, even today of highly developed technology and economy. Large poor people still exist in the world. China is a developing country, which is under the high growth period at present. After 20-year reform of economy, great achievement has been reached, but there are millions of the poor exist in the mountain areas and forest areas. The poor lack productive investment, employment opportunities, and basic education opportunities, professional training and health care, and resources for social, economic and political supports for improving their own low social positions. How to increase incomes of the poor with economic development is a critical issue to be solved, and more researches should be done.

Institutional economics indicates that the evolution of institution will lead adjust production possibility curve, the scale of production and benefit distribution models, incentives and etc., which will affect incomes of farmers. From the points of institutional economics, the authors analyze property right arrangement, operation institutions of community forestry and relative policies of poverty alleviation and community forestry development in community areas of China, and the relationship between community forestry development and

poverty alleviation is also discussed. Jinzhai County, Anhui Province was selected as case study area.

The institutional arrangement and case study of community forestry and poverty alleviation has been analyzed as followings with above analysis framework and background. Ten chapters are presented in the book.

Basic issues of community forestry development and poverty alleviation are presented in chapter one and chapter two. The basic issues include definition of poverty, the causes of poverty, basic situation of farmers' income in China, the problems of the poverty in China rural areas, measurements for poverty alleviation, the environmental and economic contributions of community forestry development to poverty alleviation.

Institutional analyses are presented in chapter three, chapter four and chapter five. Chapter three mainly analyzes common property right arrangement for community forestry development in China. Common property right arrangement has been adopted in China and other countries for a long time, advantages of the economy of scale, risk-sharing and others effectively push community forestry development. Because of the changing situation and defects of common property right arrangement, property right attenuation and partitioning exist, which constrain community forestry development. Within the existing political and law framework, property right arrangement for community forestry development should be improved. Chapter four discusses community forestry operation institutions and their effects are also further discussed. Household responsibility system and other operation institutions have been adopted in the collective forestry areas of China, governmental interventions have played an vital role in these operation institutional arrangement. Each of these operation institutional arrangements for community forestry is suitable for different situations of different areas. In accordance with analysis results, autonomous evolution of institutional arrangement should be dominated in institutional arrangements in the south collective forestry areas of China.

Chapter five mainly discusses community forestry policy, as one of important institutional arrangement. Timber market and taxation and fee policy are discussed. The research results indicate that timber monopoly purchasing policy administrative monopoly and rent seeking, and farmers' benefits are seriously damaged, meanwhile, heavy taxation and fee burden will lead to reduce farmers' incomes. These two polices conflict with state policies for poverty alleviation and should be adjusted to push community forestry development and raise farmers' incomes.

Jinzhai County, Anhui Province, one of the state poverty counties was selected as case study area, which is abundant in forest resources and a suitable area for case study for community forestry development and poverty alleviation. In

case study section, the institutional arrangements for community forestry development and their economic efficiencies in Jinzhai County are discussed. The research results indicate the followings.

- Defects of design and implementation of community forestry development in Jinzhai County are the key factors to constrain community forestry development and poverty alleviation.
- Institutional arrangements for community forestry development in Jinzhai County have their own characteristics in comparison with institutional arrangements for community forestry development in China.
- Three catastrophes of forest resources in Jinzhai County had close relations with defects of institutional arrangements for community forestry development and macroeconomic, therefore, better institutional arrangements and environments is important for community forestry development.

Household analysis of the case study area is a very important part of the research. 201 households in 30 villages (five villages per town) of six towns were interviewed during field trips. Chapter seven discusses revenues and expenditures of farmers in case study areas. Basing on information and data of these 201 households, land use and revenue models are discussed, then revenues and components of farmers' incomes are analyzed. Jinzhai is a county of agriculture and forestry. The main components of farmers' incomes are generated from agriculture, forestry and husbandry productions, among which incomes generated from forestry production has increased rapidly, the weight of farmers' incomes has increased from 20.44% in 1978 to 38.68% in 1997, or 18.24 percentages. In 1997, farmers' incomes largely depended on forest resources. In the meantime, the amounts of social capitals, human resources, natural resources and man-made capitals cause differences in farmers' incomes, income difference among farmers had extended. Farmers' incomes depended largely on the structure of their incomes. Who has more human resources, social capitals, man-made capitals and natural resources, who will have more opportunities to get the use rights of forest and other natural resources? Within the common property right arrangement framework, use right opportunities of resources for the poor should be strengthened. The consume structure and preference of farmers in Jinzhai County are presented, the research results indicate that the consume structure and preference of farmers have completely changed since 1978.

Production factor inputs of farmers and operation models are discussed in chapter eight. The research conclusions have been reached as the followings.

- With the development of community forestry, investments of farmers are changed from agriculture and husbandry productions to forestry production. Investment in agriculture, husbandry has decreased 21.96

- percentages and 4.41 percentages respectively, while investment in forestry sector has increased 7.89 percentages.
- In regard to forest selections, farmers prefer to manage economic forests, because economic return of economic forests is better than that of timber forests, fuel-wood forests and protection forests, as to low economic return of forests, farmers prefer to harvest or protect forests for wages.
  - Most of farmers show great interests to extend the scale of forestlands, and household responsibility system is preferred to adopted, increasing number of farmers prefer to adopting forest joint stock partnership management model, because the management model may be better to the issue of higher marginal production of forestland and low marginal production of labor, capital and other production factors, which is confirmed with the willingness of farmers' extending forestlands.

In accordance with the research results, forestry should be selected as leading industry in Jinzhai County, community forestry development will alleviate poverty.

Behavior and philology of farmers are discussed in Chapter nine. The chapter also analyzes production purposes, awareness of property right arrangements, and altitudes of extension and consumes.

Policy designing is put forwards in Chapter ten in accordance with theoretical analyses and the case study. The basic routine for policy designing is the followings. China is transmitted from the traditional planning economy to market-oriented economy, market-based instruments will play important roles in resource allocations, governmental roles in this aspect has decreased, policy designing should consider market-based instruments and governmental interventions. The long term rotation of forest operations decides that forestry policy should be stable, policies of other sectors and policies of forestry sector should be in harmony, especially for forestry policies and poverty alleviation policies. The case study results indicate that community forestry development and poverty alleviation coexisted closely, forestry should be regarded as leading industry in case study because of comparative advantages of marginal labor, capital and land marginal production. Pareto principle should be adhered to policy designing for community development and poverty alleviation. Opening forestland market, market for environmental services, pushing forestry industry development, establishing community forestry funds, adjusting forestry taxation and fee system, breaking monopoly in timber purchasing and other policies are recommended in the chapter.

## Contents

**Executive summary**

**Acknowledge**

**Preface**

## **Chapter 1 introduction**

1.1 estimation for farmers' incomes in China

1.2 poverty and rural poverty in China

1.2.1 poverty

1.2.2 rural poverty in China

1.2.3 the causes of poverty

1.3 forest resources and community forestry development in China

1.4 methodology

1.5 indicators for community forestry development and poverty alleviation development

1.5.1 indicators for poverty

1.5.2 indicators for income differences

1.5.3 indicators for community forestry development

## **Chapter 2 community forestry development and poverty alleviation**

2.1 environmental services of community forest resources

2.1.1 biodiversity

2.1.2 reducing greenhouse effects

2.1.3 desertion -controlling

2.1.4 disaster-controlling

2.2 economic benefits of community forest resources

2.2.1 GDP

2.2.2 food security

2.2.3 employ opportunity

2.2.4 international trade

2.2.5 incomes of local people

## **Chapter 3 common property right arrangements of community forestry**

3.1 property rights and classification of property rights

3.2 advantages and category of common property right arrangements

3.2.1 advantages

3.2.2 category

3.3 property partitioning and attenuation

3.3.1 circulation of timber and NTFPs and property attenuation

3.3.2 multi-services of forest resources and property partitioning

3.3.3 unstable policy and property partitioning and attenuation

3.4 common property right arrangement analyses

3.4.1 economic analyses

3.4.2 evolution

## **Chapter 4 operation institutional arrangements for community forestry**

4.1 evolution of operation institutional arrangements for community forestry areas

4.2 economic efficiencies of operation institutional arrangements for community forestry

4.2.1 forest resources

4.2.2 afforestation and forest resource management

4.2.3 timber production

4.2.4 NTFPs

4.3 household responsibility system and other operation models

4.3.1 social welfare and economic welfare of household responsibility

4.3.2 professional household management

4.4 operation institutional arrangement and income distribution

## **Chapter 5 main policy analyses of community forestry**

5.1 policy trends of Chinese forestry policy

5.2 timber market structure and circulation policy

5.2.1 free market stage

5.2.2 timber unitary selling and purchasing stage

5.2.3 free market under governmental control

5.3 forest taxation and fee policy

5.3.1 forest taxation and fees

5.3.2 the causes of heavy taxation and fee burden

5.4 the state poverty alleviation and integrated mountain development policies

## **Chapter 6 institutional arrangement evolution and economic efficiencies of community forestry development in Jinzhai County**

6.1 natural and socioeconomic situations

6.2 evolution of common property right and operation institutional arrangement

6.2.1 private property right arrangement

6.2.2 producers' cooperatives

6.2.3 collectives

6.2.4 household responsibility system

6.3 timber circulation institutional arrangement

6.3.1 free market before 1949

6.3.2 free market in transition

6.3.3 monopoly in purchasing and selling

6.3.4 trade station system

6.3.5 free market with governmental control

6.4 closing of the mountains and deforestation

6.5 forest resource management

6.5.1 forest resource management before 1949

- 6.5.2 forest resource management after 1949
- 6.6 institutional arrangement for community forestry and forest resources
  - 6.6.1 deforestation around 1949
  - 6.6.2 the calamities after 1950s
  - 6.6.3 increasing forest resources after the reform of economy
- 6.7 institutional arrangement and afforestation
- 6.8 institutional arrangement and timber production
- 6.9 forestry sector monopoly selling and purchasing

## **Chapter 7 the analyses of revenues and living expenditures of sample farmers**

- 7.1 basic situations of sample farmers
  - 7.1.1 land use
  - 7.1.2 revenues
  - 7.1.3 expenditures
  - 7.1.4 poverty
- 7.2 revenue structure
  - 7.2.1 revenue structure of farmer of different towns
  - 7.2.2 revenue structure of farmer by the poor levels
  - 7.2.3 forest revenue structure
  - 7.2.4 income differences
- 7.3 living expenditure structure of sample farmers
  - 7.3.1 consume preference
  - 7.3.2 living expenditure structure

## **Chapter 8 Production factors and operation models of sample farmers**

- 8.1 production investment
  - 8.1.1 farmers' marginal production investment
  - 8.1.2 production investment
  - 8.1.3 production investment of different towns
  - 8.1.4 production investment by the poor levels
  - 8.1.5 forestry production investment
- 8.2 production function analyses
  - 8.2.1 agriculture
  - 8.2.2 forestry
- 8.3 market analyses
  - 8.3.1 commercialization
  - 8.3.2 market channels
- 8.4 forest operation models
  - 8.4.1 current land scale and operation models
  - 8.4.2 land scale and operation models of farmers' willingness
  - 8.4.3 operation selection
- 8.5 labor inputs
  - 8.5.1 labor input structure

- 8.5.2 gender analyses
- 8.6 taxation and fee analyses
- 8.7 leading industry selection

## **Chapter 9 behavior and awareness analyses**

- 9.1 introduction
- 9.2 production purposes of farmers
  - 9.2.1 the importance of the research of production purposes
  - 9.2.2 production purposes
- 9.3 property right awareness of farmers
  - 9.3.1 property awareness of farmers and forestry
  - 9.3.2 comments on forestland property right arrangement
- 9.4 farmers' attitudes toward science and technology
  - 9.4.1 roles of science and technology
  - 9.4.2 extension demands of farmers
  - 9.4.3 comments
- 9.5 career awareness of farmers
  - 9.5.1 initiates of career awareness of farmers
  - 9.5.2 diversity of farmers' careers
  - 9.5.3 career satisfaction of farmers
  - 9.5.4 career development trends
  - 9.5.5 comments
- 9.6 consume behaviors of farmers
  - 9.6.1 traditional consume behaviors of farmers
  - 9.6.2 consume behaviors of farmers in transit period
  - 9.6.3 guidance to consume behaviors of farmers

## **Chapter 10 policy designing**

- 10.1 bases for policy designing
- 10.2 behavior analyses of policy sectors
- 10.3 opening forestland market
- 10.4 market for environmental services
- 10.5 promoting forestry industry development
- 10.6 establishing community forestry fund
- 10.7 forest taxation and fee policy
- 10.8 timber and NTFP market policy
- 10.9 extension services
- 10.10 industry transference
- 10.11 poverty alleviation

## **Tables**

- 1-1 income differences of farmers in China
- 1-2 Gini coefficients of farmers in China

- 1-3 Average Gini coefficients of income groups in 56 countries
- 1-4 the net incomes and income structures of rural households from 1990 to 1995
- 1-5 productive incomes of farmers and structures
- 1-6 poverty line and rural poverty from 1978 to 1992
- 1-7 the socioeconomic situation of the south community forestry areas in China
- 1-8 forest resources of the south community forestry areas in China in 1993
- 3-1 the policies of compensations for environment benefits of forests
- 4-1 the situation from private rights to collectives from 1950 to 1958 in China
- 4-2 deforestation of the south community forestry areas
- 4-3 afforestation areas and preserved areas of the south community forestry areas
- 4-4 young forest tender areas of the south community forestry areas
- 4-5 mutual forest tender areas of the south community forestry areas
- 5-1 taxation and fee burdens of the state forestry farms of Quanjiao County in Anhui Province in 1993 and 1994
- 6-1 the shares of Mr. Chen Huanyou's trees and timbers of Chapeng Producers' Cooperatives in Dawan Town
- 6-2 household contracts standard of Longjing Producers' Cooperation in Guantian Town
- 6-3 some of households renting barren forestlands
- 6-4 forest resource trends of Jinzhai County, Anhui Province
- 6-5 afforestation areas of Jinzhai County, Anhui Province
- 6-6 timber production of Jinzhai County, Anhui province
- 6-7 the situations of Jinzhai Timber Company from 1980 to 1997
- 7-1 the productive land use models of Sample farmers in 1993
- 7-2 net incomes of sample farmers from 1978 to 1997
- 7-3 agricultural product purchasing price indexes from 1978 to 1997
- 7-4 incomes and expenditures of sample farmers from 1978 to 1997
- 7-5 poverty levels of sample farmers from 1978 to 1997
- 7-7 poverty levels of sample farmers of different towns from 1978 to 1997
- 7-8 incomes of sample farmers of different towns in 1978
- 7-9 incomes of sample farmers of different towns in 1980
- 7-10 income structures of sample farmers of different towns in 1980
- 7-11 incomes of sample farmers of different towns in 1985
- 7-12 income structures of sample farmers of different towns in 1985
- 7-13 incomes of sample farmers of different towns in 1990
- 7-14 income structures of sample farmers of different towns in 1990
- 7-15 incomes of sample farmers of different towns in 1995
- 7-16 income structures of sample farmers of different towns in 1995
- 7-17 incomes of sample farmers of different towns in 1996
- 7-18 income structures of sample farmers of different towns in 1996

- 7-19 incomes of sample farmers of different towns in 1997
- 7-20 income structures of sample farmers of different towns in 1997
- 7-21 income growth rates of different sectors of sample farmers from 1978 to 1997
- 7-22 income structures of sample farmers by the poor levels in 1978
- 7-23 income structures of sample farmers by the poor levels in 1980
- 7-24 income structures of sample farmers by the poor levels in 1985
- 7-25 income structures of sample farmers by the poor levels in 1990
- 7-26 income structures of sample farmers by the poor levels in 1995
- 7-27 income structures of sample farmers by the poor levels in 1996
- 7-28 income structures of sample farmers by the poor levels in 1997
- 7-29 incomes of sample farmers of different towns
- 7-30 income structures of sample farmers by the poor levels
- 7-31 Gini coefficients of sample farmers in accordance with Engel coefficients from 1978 to 1997
- 7-32 ranges and degrees of variation of sample farmers from 1978 to 1997
- 7-33 regress results of living expenditures of sample farmers from 1978 to 1997
- 7-34 living expenditure structures of sample farmers from 1978 to 1997
- 7-35 living expenditure structures of sample farmers of different towns in 1978
- 7-36 living expenditure structures of sample farmers of different towns in 1997
- 8-1 marginal productive investment functions of sample farmers from 1978 to 1997
- 8-2 productive investment structures of sample farmers from 1978 to 1997
- 8-3 productive investment structures of different towns from 1978 to 1997
- 8-4 productive investment structures in accordance with the poverty levels from 1978 to 1997
- 8-5 forestry productive investment structures in accordance with the poverty levels from 1978 to 1997
- 8-6 regress results of agricultural production functions of sample farmers in 1997
- 8-7 regress results of forestry production functions of sample farmers in 1995
- 8-8 regress results of forestry production functions of sample farmers in 1996
- 8-9 regress results of forestry production functions of sample farmers in 1997
- 8-10 commercialization levels of different products of sample farmers from 1978 to 1997
- 8-11 market channels of different products of sample farmers from 1978 to 1997

- 8-12 forestland scales of sample farmers in 1997
- 8-13 willingness of forestland scales and operation models of sample farmers in 1997
- 8-14 willingness of forestlands of different forest kinds of sample farmers in 1997
- 8-15 labor input structures in accordance with the poverty levels
- 8-16 labor input structures of different towns
- 8-17 gender issues of labor input structures in accordance with the poverty levels in 1996
- 8-18 gender issues of labor input structures in accordance with the poverty levels in 1997
- 8-19 regress results of taxation and fees and farmers' incomes
- 8-20 comparative advantages of different industries of sample farmers from 1978 to 1997
- 8-21 comparative investment efficiencies of sample farmers from 1978 to 1997
- 9-1 main factors of forestry production for farmers; consideration
- 9-2 attitudes of farmers towards forestland household responsibility system
- 9-3 the reasons of farmers' unwillingness for forestland transference
- 9-4 learning demands and opinions of farmers
- 9-5 opinions of poverty alleviation of farmers
- 9-6 awareness of rural development of farmers
- 9-7 willingness of selecting learning ways
- 9-8 satisfaction levels of careers of farmers
- 9-9 ideal careers of farmers
- 9-10 the attitude of field jobs of farmers
- 9-11 saving purpose of farmers
- 9-12 the attitude of consumption of farmers
- 9-13 the attitude of food of farmers
- 9-14 the attitude of addressing of farmers
- 9-15 the purpose of house building of farmers

## Charts

- 1-1 the saving weights of town and rural residents from 1952 to 1996
- 1-2 national distribution of the poor in 1992
- 1-3 paradox of poverty and socioeconomic development
- 1-4 timber production weights of forest areas of different times
- 2-1 indexes of agricultural gross production values from 1952 to 1995
- 3-1 policy analysis for timber monopoly purchasing
- 3-2 property right arrangements and economic rent
- 3-3 evolution of forest common property right arrangement
- 3-4 social welfare and benefit adjustments of introducing household responsibility system

- 4-1 young forest tender areas of the south community forestry areas from 1952 to 1997
- 4-2 the increasing rates of forest tender areas of the south community forestry areas from 1952 to 1997
- 4-3 mutual forest tender areas of the south community forestry areas from 1977 to 1998
- 4-4 the increasing rates of mutual forest tender areas of the south community forestry areas from 1977 to 1998
- 4-5 timber production of the south community forestry areas from 1949 to 1998
- 4-6 the increasing rates of timber production of the south community forestry areas from 1949 to 1998
- 4-7 NTFP productions of the south community forestry areas from 1953 to 1998
- 7-1 Engel coefficient distributions of sample farmers from 1978 to 1997
- 7-2 the weights of forestry revenues to the total revenues of farmers from 1978 to 1997
- 7-3 the weights of forestry revenues to the total revenues of farmers in accordance with the poor levels from 1978 to 1997
- 7-4 the weights of forestry revenues to the total revenues of farmers of different towns from 1978 to 1997
- 8-1 productive investment structures of sample farmers from 1978 to 1997
- 8-2 productive investment structures of sample farmers of different towns in 1978
- 8-3 productive investment structures of sample farmers of different towns in 1980
- 8-4 productive investment structures of sample farmers of different towns in 1985
- 8-5 productive investment structures of sample farmers of different towns in 1990
- 8-6 productive investment structures of sample farmers of different towns in 1995
- 8-7 productive investment structures of sample farmers of different towns in 1996
- 10-1 marginal costs of governmental intervention and market-based instruments

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