



Incentive Measures in China

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2001 reporting¹

Incentive measures could be in various forms. There are economic ones, such as loans, financial subsidies, tax exemption, interests subsidies, and bonus. There are also social ones, such as praises in the media, awards to the excellent institutions and individuals, promotion of posts or titles, and acting as the public social posts with certain fame. China has carried out incentive measures in various forms for the conservation and sustainable utilization of biodiversity, and achieved great progress.

In accordance to problems existed in biodiversity conservation, Chinese government focuses on the causes of biodiversity loss, reviews some laws and economic policies, and formulates incentive measures favorable to the conservation and sustainable utilization of biodiversity based on the review. The major incentive measures include:

1. Amendment of relevant laws

On April 29, 1998, the Standing Committee of National People's Congress (NPC) passed the decision to amend the Forest Law. The amended Forest Law sets up the supplementary funds for forest ecological benefits for the first time, which is used for the afforestation, maintenance, conservation and management of forests for ecological benefits and the forests for special purposes.

On December 25, 1999, the Standing Committee of NPC passed the revised Marine Environmental Protection Law. The amended Marine Environmental Protection Law makes more specific stipulations on the conservation of marine biodiversity and adds in the chapter on marine ecological conservation. In 1995, the Air Pollution Prevention Law was amended; in 1996, the Water Pollution Prevention Law was amended, and in 2000 the Law on Seeds was passed.

These laws put forth the technical policies and incentive and penalty measures favorable to biodiversity conservation. As to the institutions and individuals that make great contribution to the conservation and sustainable utilization of biodiversity as well as scientific researches, governments at various levels shall give awards.

2. Economic policies favorable to the conservation and sustainable utilization of biodiversity

China has implemented the project on restoration of forests and grasslands from cultivated farms. The basic policy of the project is to restore forests and grasslands from cultivated lands, close hillsides to facilitate afforestation, provide grain instead of subsidies, and to allow individuals to sign contracts of afforestation. The central government provides gratuitous grain to farmers for re-afforestation. The standard for annual grain subsidy per hectare is 2250 kg at the upper reaches of the Yangtze River, and 1500 kg at the middle and upper reaches of the Yellow River. In the meantime, certain cash subsidies will be provided to farmers and the standard is 300 RMB yuan per hectare. The duration of subsidy depends on actual situation. The necessary seedling for the re-afforestation, re-vegetation and the

¹ China (2001). China's Second National Report on Implementation of the Convention on Biological Diversity, State Environmental Protection Administration, China Environmental Science Press, Beijing, September 2001, 154 pp.

artificial afforestation in the barren mountains suitable for afforestation shall be arranged by the forestry departments and the seedling institutions should provide gratuitous seedling to farmers. The subsidy of the seedling is 750 RMB yuan according to the standards of establishing ecological forests which shall be provided to the seedling production institutions by government. By the end of 2000, the investment made by central government had exceeded 1.9 billion RMB yuan. The total area of re-afforestation and re-vegetation was 1.363 million hectares in 193 counties of 17 provinces or autonomous regions.

In 1999, the specific investment to natural forest resource conservation engineering was totalled up to 4.54 billion RMB yuan across the country, among which the central government provided 2.59 billion RMB yuan, accounting for 57%; the local financial departments provided 500 million RMB yuan, accounting for 11%; enterprises raised 1.4 billion RMB yuan by themselves, accounting for 31%; and the other investment was 50 million RMB yuan, accounting for 1%.

In recent years, some provinces and autonomous regions have formulated policies on levying ecological supplementary fee. The levying scope includes: (1) development of mines; (2) land development; (3) tourism development; (4) resources development, such as water, forest and grassland; (5) development of pharmaceutical plant resources; (6) development of power resources; (7) marine area utilization; and so on. The levied funds are mainly used for the rehabilitation of ecological environment and biodiversity conservation.

3. Conducting commending activities of various forms

China pays high attention to the publicity of the advanced performances and individuals concerning biodiversity conservation and conducts routine appraisal activities through comparison. For example, every year, there are the activities of competing for the titles of advanced workers and institutions, including the advanced individuals and institutions for nature conservation and biodiversity conservation. On December 9, 1999, State Environmental Protection Administration, State Forestry Administration, Ministry of Agriculture, Ministry of Territory and Resources issued the Decision of Commending the National Advanced Institutions and Advanced Individuals for the Management of Nature Reserves. 50 institutions across the country were awarded the title of National Advanced Institutions on Nature Reserves, and 100 individuals awarded the title of National Advanced Workers on Nature Reserve Management or the title of National Advanced Scientific and Technical Researchers on Nature Reserves.

Since 1997, China has conducted activities of setting up Civilized Forest Parks across the country. From 1999, China has commended 505 forest maintenance personnel in villages for their outstanding contribution to forest resources conservation and awarded them with the glorious title of National Advanced Forest Maintenance Personnel in Rural Areas.

4. Problems existed

In the formulation of the incentive measures favorable to the conservation and sustainable utilization of biodiversity, China has its own characteristics and has made certain achievements and experiences.

However, there are still lots of fields to be improved. We have reviewed and amended some laws and policies, but have not yet conducted overall review on existing laws, regulations and policies. The legal and policy framework for incentive measures has not yet been established, and comprehensive incentive measures for promoting biodiversity conservation and sustainable utilization have not yet been formulated. Although demonstration studies have been conducted on the evaluation of biodiversity, there are still lots of work to be done in order to integrate the economic value of biodiversity into national audit system. Programs of training and capacity building on relevant incentive measures have not yet been formulated, and capacity building and expertise are still rather weak. We hope that through cooperation and information exchange with other Parties, we could further promote the conservation and sustainable utilization of China's biodiversity.

2005 reporting²

Incentives may push forward and facilitate the conservation and sustainable use of biodiversity, especially for China as a developing country, with limited national finance resources, the active factors of various sectors may be mobilized to effectively conserve biodiversity through working out economic, social, cultural and ethical incentives.

With regard to issues existing in the conservation of biodiversity and from the root causes of biodiversity loss, China evaluates existing policies, laws and regulations, identifies the major human factors threatening biodiversity, establishes or adjusts the laws, policies and action plans in favor of the conservation and sustainable use of biodiversity, and mobilizes the enthusiasm of various departments, regions and the public, which have achieved good effects.

1 Putting forward the concept of scientific development and changing the mode of economic growth

After summarizing the successful experience of over 20 years of reform, opening up and modernization construction, and absorbing the experiences and lessons of other countries during their development, China puts forward the concept of scientific development, i.e. “the overall, harmonious and sustainable development concept with people being first”, promotes the harmony between human and nature to achieve the harmony between economic development, population, resources and environment.

2 Enacting or revising laws and creating sound legal foundation

In 2002, Standing Committee of National People’s Congress revised Criminal Law, and the newly revised Criminal Law provides for more severe punishment measures for illegal logging, destructing, illegal purchase, transportation, processing and selling of rare trees or other plants under national key protection.

The revised Forest Law set up compensation fund for forest ecological benefits, which will be used for the afforestation, fostering, protection and management of ecological shelter forests and forests of special purpose.

Grassland Law revised in 2002 prescribes that, the nation shall implement the guideline of scientific planning, all-around protection, priority construction and reasonable utilization, to facilitate the sustainable utilization of grasslands and the harmonious development of ecology, economy and society.

Agriculture Law revised in the same year prescribes that, the nation shall implement logging ban or limited logging system in protected areas of natural forests; strengthen the afforestation and forest protection; strengthen the protection, construction and management of grasslands; forbid enclosing lakes to build field and enclosing and reclaiming wetlands forbidden by the nation; for the farmers within the planning area approved by the State Council where returning lands for farming to forests,

² China (2005). China’s Third National Report on Implementation of the Convention on Biological Diversity, State Environmental Protection Administration, 15 September 2005, 232 pp.

wetlands or grasslands are implemented, they should be granted subsidy according to the national provisions; implement the system of fishing by quota and prohibited fishing area and prohibited fishing seasons, and the farmers (fishermen) changed their occupation should be granted subsidy according to the national provisions.

The Law on Contracting of Rural Land enacted in 2002 grants the farmers the long-term and guaranteed tenure of rural lands. The contracting party shall enjoy the entitlements to use, benefit and change of right of management of land contracting of the contracted land as per the law, is entitled to organize the production, operation and disposal of products, and is entitled to gain the corresponding compensation as per the law.

Law on Environmental Impact Assessment enacted in 2002 prescribes that analysis, forecast and assessment should be performed for the environmental impacts, including impacts upon biodiversity, that may arise out of the planning and construction projects, and countermeasures and measures to prevent or ease the negative environmental impacts.

Standing Committee of National People's Congress also enacted Law on Sand Prevention and Control in 2001, revised Law on Regional Nationality Autonomy; in 2002 revised Water Law, enacted Law on Population of Science and Technology, Law on Promotion of Cleaner Production; revised in 2004 Wild Animal Conservation Law, Seed Law, Land Management Law, Law on Prevention and Control of Solid Wastes Environment Pollution, enacted Management Regulation on Microbes Safety of Pathogenic Microbe Laboratory; in 2005 enacted Renewable Energy Law. The State Council enacted in 2001 Regulation on Safety Management of Agricultural Transgenic Organism and Management Regulation on Prevention and Control of Pollution of Livestock and Poultry Breeding.

After china signed Kyoto Protocol in 1998, China approved the Protocol in 2002, the encouraging measures advocated in Kyoto Protocol were examined and implemented into various laws and regulations related to biodiversity.

The above-mentioned laws create a sound legal basis for the conservation and sustainable use of biodiversity.

3 Establishing and implementing economic incentives

Through public investment, transfer payment and taxation preferences, more people and production elements are organized to make the major industries and public participate in the conservation and sustainable use of biodiversity.

Chinese Government increased public investment for the conservation and sustainable use of biodiversity. After the overall implementation of the engineering of natural forest resources conservation, the state invested totally nearly USD 6.05 million in the first stage of the engineer.

Since 2001, the national financed USD 0.12 billion annually to set up compensation fund for ecological benefits of forests, for 11 pilot provinces or regions like Hebei, Heilongjiang, Fujian and Sichuan. The

management and protection personnel and forestry workers in the 200 million Mu of key ecological forests in these regions were compensated USD 0.61 per Mu, so that the ecological service function of forests may be acknowledged by the society, making it possible for the value of biodiversity entering the market and providing a stable fund channel for the conservation of forest biodiversity. Since 2004, the forest areas gaining compensation increased to 400 million Mu and the fund total also increased to USD 0.242 billion.

Regulation on Restoration of Forests from Farmlands stipulates that, the standards and time limits of grain and financial subsidy for restoration of forests from farmlands are: for Yangtze River drainage area and its south regions, 150 kilograms of grain (raw grain) shall be compensated for per Mu of lands for farming returned to forests; for Yellow River drainage area and its north regions, 100 kilograms of grain (raw grain) shall be compensated for per Mu of lands for farming returned to forests. 2.42 RMB in cash every year shall be subsidized for per Mu of lands for farming returned to forests. The time limits of grain and cash subsidy and subsidy for returning land for farming to grasslands shall be calculated as 2 years; the subsidy for returning to economic forests shall be calculated as 5 years; and the subsidy for returning to ecological forests shall be calculated as 8 years temporarily. The subsidy standards for seedling and afforestation expenses shall be: totally 6.05 RMB per Mu for land of returning to forest and afforestation in the suitable barren mountain lands. Since 2004, the grain subsidy for the farmers returning lands for farming to forests shall be changed as cash subsidy, and which is calculated according to USD 0.169 per kilogram of grain (raw grain). The fund for cash and grain (raw grain) shall be borne by national finance. By the end of 2004, the nation has invested USD 9.087 billion in terms of returning lands for farming to forests, among it, grain subsidy capital is USD 6.546 billion , seedling subsidy is USD 1.779 billion and subsidy for cost of living 6.3 billion RMB.

The state implemented sealing the mountain pass against grazing, feeding in a pen, grazing moratorium for growing grass, rotational grazing, construction of returning land for grazing to grassland project for the grasslands degenerated severely, and the accumulated investment within 5 years reached USD 0.847 billion . Since 2003, the state shall treat for the first stage 1 billion Mu of western desert grasslands in Inner Mongolia, Gansu and Ningxia, degenerated grasslands in eastern Inner Mongolia, degenerated grasslands in northern Xinjiang, and grasslands of river sources in eastern Qinghai-Tibet Plateau, in five years, which account for around 40% of grasslands seriously degenerated in western region. Through returning land for grazing to grassland, the grasslands that are seriously degenerated shall be basically restored.

China implements tax preferences for the operating income gained from the conservation and sustainable use of biodiversity. For example, in August 2001, the State Council promulgated Implementation Guideline for Policies and Measures of Development of Western Region” which prescribes that” for the income of special local agricultural products produced in the process of the protection of environment, returning lands for farming to forests (ecological forests should account for over 80%) and returning lands for grazing to forests, the tax of special local agricultural products shall be exempted within 10 years from the year gaining the income”.

In 2001, Ministry of Finance and State Administration of Taxation prescribes that, the tax of special local agricultural products for sub-processed timber, timber of small caliber and fuel wood (hereinafter referred to as sub caliber and fuel wood) which are produced during forest conservation, transformation of low productive forests, and logging, may be exempted or reduced after approval by provincial government; corporate income tax shall be exempted temporarily for the income obtained for the planning of trees, tree seeds and seedling tree crops and the preliminary processing of limber products by all enterprises including state-owned-enterprises.

In 2003, five ministries or commissions including Ministry of Finance and State Administration of Taxation jointly issued Circular on Taxation Policy Issues of Encouraging the Development of Science Popularization Cause, which prescribes that, the sales tax for admission ticket income of science and technology museums, natural museums and science population bases of universities and research institutes opened to public, and the admission ticket income of science popularization activities carried out by party or governmental departments and association of science and technology above county levels (including municipality, district and flag of county level), are exempted.

In 2004, Ministry of Finance and State Administration of Taxation prescribed that, for the real estates, land, vehicle and boats used for the project of natural forest conservation by enterprises and units implementing the project of natural forest conservation in state owned forest areas in upper stream of Yangtze River, middle and upper stream of Yellow River, northeast and Inner Mongolia, house duty, tax for using rural and town land and tax for using vehicle and boat shall be exempted; if the real estate or land of forest engineering enterprises are left unused for over one year because of the implementation of engineering of natural forest resource conservation by the nation, the house duty and tax for using rural and town land shall be exempted temporarily.

In addition, the competent authorities of environmental protection, agriculture, forestry, ocean, city construction and traditional Chinese medicine also worked out series of policies encouraging the conservation of biological diversity, e.g. importance should be attached to the economical utilization of natural resources and protection of agricultural environment during the production and construction, the actions of blind development, abuse of resources and damaging agricultural ecosystem shall be prevented and controlled, and corresponding preferential policies should be granted in terms of investment, credit, project approval and technological assistance.

China also worked out other encouraging economic measures, abolished any discriminating policies, encouraged the local and non-governmental organization to participate in the conservation and sustainable used of biodiversity.

4 Working out and establishing social, cultural and ethical incentives in favor of conservation of biological diversity

China attaches great importance to the social, cultural and ethical incentives in favor of conservation of biological diversity. Target responsibility system for environmental protection is implemented for various levels of governments, and which shall be audited every year, and some auditing indicators of

conservation of biological diversity are also included. Local governments or departments who have well achieved the targets prescribed in target responsibility system shall be awarded and shall be basis for the performance assessment of the leaders. The individual or collective who have made special contribution in terms of the protection, education, scientific research and management shall be praised in the media, or awarded with the title of advance collective or advanced individual, or be promoted in position or professional title or assume honoring public post, the initiatives and enthusiasm of public to conserve biodiversity is enhanced greatly.

In order to encourage those collectives and individuals who have made remarkable contribution for the cause of environmental protection, China established in 2004 “Chinese Environmental Award”, which is a sociality big award in terms of environmental protection of China and aims at commending and encouraging the collectives or individuals who have made remarkable contribution for the cause of environmental protection. During the competition through public appraisal of Chinese Environmental Award in last two times (2002 and 2003), altogether five groups and individuals were granted with Chinese Environmental Award, and 23 groups and individuals won nomination awards.

“Earth Award” was established in 1997 by Chinese Association of Environmental Pressmen and “Friends of Earth”- a nongovernmental environmental protection organization in Hong Kong, which mainly recommends the prominent contributions in terms of environmental protection by press, education and social circles and the youth collectives, which had been held for 7 times up to now, and for 7 years, 211 environmental protection activists and 28 youth collectives being actively engaged in environmental protection were granted with the honor.

5 Supervising and inspecting the implementation of incentives

The central government and various departments strengthens the supervision and inspection over the public investment, tax preferences, economic and material subsidy for conservation of biological diversity, be strict with the financial disciplines to achieve the timely and full amount distribution of outlay and materials, check firmly the actions of false reporting or not reporting those should be reported, and the enthusiasm of mass is effectively protected.