

Creating and Sustaining a Market for Environmental Services from China's Tropical Forests

Final report

PD 295/04 Rev.2 (M)

I. Introduction

The development objective of the project was to secure, sustain and advance the contribution to the economy of China made by the environmental services of tropical forests, using a market system to facilitate exchange of these services and ensuring their valuation in commercial and national accounts is sound. The specific objective of this project was to start the marketing process of China's tropical forest environmental services. The project was co-financed by Japan, Switzerland, Korea and Norway, with China's own contribution. It was planned for a duration of 30 months (starting date: January 2006), but the actual duration was 36 months.

II. Implementation of the project

In the completion report, the Executing Agency reported that this was a difficult project to implement due to inadequate environmental awareness of the people, low capacity and willingness of beneficiaries to pay for environmental services, uncertainties of forest services, absence of market supporting systems and complexities of the trade in environmental services. The difficulty was compounded by the challenges of defining and quantifying forest services, pricing these services, reducing the cost of trading and developing supporting platforms as well as the risks of overexploiting forest services and developing a viable and sustainable forest environmental services market. In spite of these constraints, challenges and risks, coupled with the limited project budget, the implementing agency was able to implement the project satisfactorily, although its duration was extended by six months without additional ITTO funding. Following the implementation of project activities, all of the project's planned outputs have been achieved as follows:

Output 1.1: Report on international experiences of marketing of forest environmental services.

Output 1.2: Report on policy and case studies of market for forest environmental services in China.

Output 1.3: Report on the consultation meeting of national and international specialists in the marketing of environmental services of China's tropical forests.

Output 1.4: Report on marketing of environmental services of tropical forests in China

Output 1.5: Establishment and maintenance of website.

Output 2.1: Establishment of an experimental agency in China for market trading of tropical forest environmental services.

Output 2.2: Facilitation of one deal on forest carbon trade, summarizing a deal on watershed service, and reports on the case studies of the two deals.

In addition, a number of case studies on forest environment services were carried out. The achievement of outputs 1.1 to 1.5 has contributed towards the marketing of tropical forest environmental services in China as envisioned in Specific Objective 1, in the context of the market for forest environmental services which has expanded steadily in the country during project implementation. However, the contribution of Outputs 2.1 and 2.2 towards initiating a marketing process of China's tropical forest environmental services under Specific Objective 2 has been less pronounced due to the complexities, uncertainties and constraints associated with the actual establishment and operations of the market for tropical forest environmental services. In particular, the setting up of a forest environmental trade agent under Output 2.1 was the main cause of delay in project completion since being new, the relevant Chinese authorities were uncertain of the applicable laws and policies for its registration. Nevertheless, the achievement of these outputs will place China on a stronger footing in her continuing effort to nurture and promote the marketing of tropical forest environmental services.

III. Completion of the project

The implementing agency has submitted the tangible outputs, the completion report and the financial audit report of the project to the ITTO Secretariat in accordance with the project agreement. In its 43rd Session of November 2009, the Committee on Economic Information and Market Intelligence declared the project complete.