

The Practice and Enlightenment of Establishing "Two Mountains Cooperative Societies" in Lishui, China

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Abstract

In order to implement the opinions on establishing a sound mechanism for realizing the value of ecological products issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, Lishui City, as the first pilot city for the ecological product value realization mechanism nationwide, actively promoted the "pioneering pilot" to become a nationwide "pre-demonstration". Utilizing the "Two Mountains Cooperative Societies" as a breakthrough and important carrier, the city has consolidated, deepened, iterated, and upgraded its efforts to comprehensively promote the construction of the ecological product value realization mechanism demonstration zone. This paper, based on grassroots tracking research, summarizes the main practices of building the demonstration zone for the ecological product value realization mechanism and creating "Two Mountains Cooperative Societies". It analyzes major challenges and proposes policy support, operational management of "Two Mountains Cooperative Societies", and strategies for engaging participants.

Keywords

Green Development; Ecological Civilization; Two Mountains Cooperative Societies; Ecological Capital.

1. Introduction

Chinese President Xi Jinping emphasized, "We will resolutely protect the 'golden rice bowl' of green mountains and clear waters, striving to transform the ecological product value contained in green mountains and clear waters into wealth". The Central Committee of the Communist Party of China and the State Council's "Opinions on Supporting the Construction of a Demonstrative Zone for High-Quality Development and Common Prosperity in Zhejiang" proposed expanding the channels for transforming green mountains and clear waters into wealth, establishing a sound mechanism for realizing the value of ecological products, and exploring the improvement of the application system for Gross Ecosystem Product (GEP) accounting with Zhejiang characteristics. Zhejiang Province actively explores the construction of a platform for the transformation of ecological product values, accelerating the establishment of "Two Mountains Banks". Secretary of the Provincial Party Committee, Yuan Jiajun, emphasized the acceleration of the transformation of ecological product values and the deepening of green financial reforms during the high-quality development and mountain-sea cooperation project promotion conference for 26 counties in mountainous areas.

As the first pilot city for the ecological product value realization mechanism nationwide, Lishui City actively promotes the "pioneering pilot" to become a nationwide "pre-demonstration". Using "Two Mountains Cooperative Societies" (formerly known as "Two Mountains Bank", in August 2022, with the consent of the then Provincial Party Secretary, all "Two Mountains Banks" in the province were uniformly renamed "Two Mountains Cooperative Societies") as a breakthrough and important carrier, it further comprehensively promotes the construction of

the ecological product value realization mechanism demonstration zone, striving to create a landmark achievement in the construction of a demonstrative area for common prosperity. This article will discuss the experience of Lishui in creating "Two Mountains Cooperative Societies", summarize practices, raise issues, and provide insights into the transformation of ecological resources into ecological capital.

2. Background

In the 14th Five-Year Plan and the Vision Outline for 2035, China proposed the "establishment of a comprehensive ecological protection compensation mechanism" and identified "building a mechanism to realize the value of ecological products" as one of its significant tasks. Ecological products fundamentally refer to the material and services provided by ecosystems to enhance human and natural sustainable well-being. This includes ecological environmental resources such as fresh air, clean water sources, pleasant climates, comfortable environments, as well as industrialized products derived from ecological system functions, such as eco-tourism and forestry carbon sequestration.

Zhejiang, the birthplace of Xi Jinping's concept of "green mountains and clear waters are as valuable as mountains of gold and silver", actively explores mechanisms for realizing the value of ecological products. On July 1, 2023, the Development and Reform Commission, the Department of Natural Resources, the Department of Agriculture and Rural Affairs, and other six departments of the province jointly issued the "Guiding Opinions on the Construction and Operation of Two Mountains Cooperative Societies" (hereinafter referred to as the "Guiding Opinions"), officially implementing it, laying the foundation for the advancement of Two Mountains Cooperative Societies.

Two Mountains Cooperative Societies aim to realize the value of ecological products as their fundamental goal. They focus on transforming ecological resources into ecological assets, and then further into ecological capital. Following the management philosophy of "decentralized input and centralized output", these cooperative societies aim to establish a government-led, socially participatory, and market-oriented platform for the management of ecological products. County-level Two Mountains Cooperative Societies are established by state-owned enterprises authorized by the county government, and existing state-owned enterprises can also undertake the functions of Two Mountains Cooperative Societies. There is an exploration of introducing social capital to form mixed ownership and cooperative enterprises. As of the end of 2023, Zhejiang Province has established 39 Two Mountains Cooperative Societies, including 3 at the municipal level (Huzhou, Quzhou, and Lishui) and 36 at the county level, achieving full coverage in 26 mountainous counties and the three cities of Huzhou, Quzhou, and Lishui.

Lishui, as the first pilot city in China to implement the ecological product value realization mechanism, introduced the Gross Ecosystem Product (GEP) accounting system relatively early, boldly exploring GEP accounting and its applications. As of the end of 2023, Lishui has fostered the development of 10 "Two Mountains Cooperative Societies" and 173 "Ecological Strong Village Companies". Serving as both the supplier and market-oriented trading entity for public ecological products, these initiatives effectively addressed the challenge of "transaction difficulty". Simultaneously, various ecological loan products were introduced, including "Ecological Collateral Loans" based on GEP accounting, "Ecological Credit Loans" based on ecological credit, and "Tea Business E-Loans" based on ecological blockchain. These products facilitated the transformation of resources into assets, assets into capital, and further expanded the channels for mountain residents in utilizing ecological finance for realization. As of the end of 2022, the total amount disbursed for "Ecological Collateral Loans" and "Ecological Credit Loans" in the entire city amounted to RMB 261.39 billion and RMB 29.26 billion, respectively.

3. Relevant Theory and Practical Basis

Robert Costanza introduced the notion of "Ecological Economics", highlighting the intricate connections that exist between ecosystems and economic systems. He developed the idea of natural capital in environmental economics and concentrated on the economic worth of ecosystem services. In addition to introducing techniques for integrating natural resources into economic research, Costanza emphasized the connection of ecological and economic systems. His research calculated the economic worth of natural capital and global ecosystem services, highlighting the vital role that the environment plays in ensuring human well-being. The groundwork for later research in ecological economics and sustainable development was established by this study (Robert Costanza, 1997). Furthermore, Robert Costanza (1998) presented an environmental valuation method that takes time into account and emphasizes the long-term worth of ecosystem services and resources. This emphasizes the significance of time in environmental economics.

Various mechanisms for realizing the value of ecological products have been explored since the late 20th century in many Western countries, including the US and Europe. These mechanisms include paid use, service purchase, and ecological compensation, with a focus on forests, wetlands, biodiversity, and nature reserves. For example, Finland uses 18 ecological indicators to assess the biodiversity worth of private and public forest landowners' holdings. Experts are invited to evaluate these forests' values. Differentiated purchasing prices are determined based on this evaluation.

Deep research on the realization of ecological product value has been done in the US, and as a result, tools like Wetland Mitigation Banks have been established. Restoration, establishment, or improvement of wetlands within a designated geographic area are all part of Wetland Mitigation Banks. The functions of these wetlands are then offered at a fair market price to developers who have harmed wetlands through a "credit" system. The U.S. government has approved and is in charge of regulating this system. Environmental Protection Agency and Army Corps of Engineers. Buyers are usually developers that harm wetlands; they might be individuals, companies, or different branches of government (including military agencies). Sellers can include local government agencies, private organizations, investment funds, individual landowners, ecological restoration firms, and businesses that incorporate wetland mitigation banking in their portfolios.

France sets up a national park franchise scheme. The National Park Alliance has created a unique market access list for franchise operations, taking into account the traits of various businesses. There are precise specifications for the qualifications and operational management style of applicants. By utilizing the national park products' brand value appreciation method, the alliance encourages voluntary participation from community businesses and individuals, thereby realizing the regional worth of ecological products.

It is evident that market exchanges have a significant role in helping people recognize the worth of ecological products. Direct transactions involving ecological material products (different forest products, etc.), ecological cultural service products (ecotourism, eco-healthcare, etc.), and ownership of natural resource assets (carbon emission rights, water rights, etc.) can all be fully utilized to realize the value of ecological products for commercially viable ecological products that can be traded on the market.

4. Main Practices in Lishui of Zhejiang

4.1. Focus on the Challenge of "Difficulty in Measurement", Pioneering the Establishment of an Evaluation System

When it came to creating a national application system for accounting and evaluating ecological product value, Lishui took the lead. The city compiled a catalog of ecological products and carried out GEP (Genuine Progress Indicator) accounting at the city, county, township, and village levels. It also issued the first local standard for the "Guidelines for Ecological Product Value Accounting in Mountainous Areas" and introduced the "Technical Methods for Ecological Product Value Accounting in Lishui." The first GEP accounting reports at these four levels were released by Lishui. The first "14th Five-Year Plan for Ecological Product Value Realization" for a Chinese prefecture-level city was also created and distributed by the city.

4.2. Addressing the Challenge of "Difficulty in Mortgage", Leading the Introduction of Ecological Credit Products

With a constant curiosity about how "ecological products" become "ecological capital" and how ecological "credit scores" become "ecological wealth", Lishui creatively unveiled a range of ecological loan products. These comprise "Two Mountains Loans" based on ecological credit, "ecological loans" based on GEP accounting, and "Tea Merchant E-Loans" based on ecological blockchain. By the end of July 2022, there were more than 253.63 billion yuan in outstanding balances for loans in categories such as public benefit forest compensation income pledge loans, forest rights mortgage loans, and GEP income rights pledge loans. With a balance of 22.41 billion yuan, the "Two Mountains" credit loans have opened up more avenues for people living in mountainous regions to access ecological finance.

4.3. Focusing on the Challenge of "Difficulty in Transactions", Pioneering the Establishment of Ecological Strong Village Companies

Lishui spearheaded the push to establish "Ecological Strong Village Companies" in 19 pilot towns, with the township's administrative area (street) serving as the unit of service. Through market-oriented operations and the integration, correction, and enhancement of dispersed and fragmented natural resources, these enterprises have successfully stimulated idle rural resources, scientifically fostered rural industries, and reinforced collective village economies. The city created a trade system for ecological goods, experimenting with various approaches like Songyang County Ecological Strong Village Company's mixed-ownership structure and Qingtian County Zhenbu Town Ecological Strong Village Company's fully collective approach.

4.4. Focusing on the Challenge of "Difficulty in Monetization", Pioneering the Exploration and Promotion of Implementation Paths

Lishui completed the nationwide pilot duties with success, and during the 18th meeting of the Central Committee for Comprehensive Deepening of Reform, its experiences and accomplishments were duly acknowledged. Additionally, the General Office of the State Council and the General Office of the Central Committee included them in their "Opinions on Establishing and Improving the Mechanism for Realizing the Value of Ecological Products". At a national pilot demonstration site meeting that was held in Lishui, the National Development and Reform Commission summarized and shared common practices, promoted the "Lishui experience", and specifically assisted Lishui in creating a demonstration area for the ecological product value realization mechanism. Lishui spearheaded the nation's first national climate-adaptive city pilot program, created the first forest management carbon sink methodology, and carried out the nation's first carbon-neutral transaction for major conferences and events hosted by political parties and government organizations. Lishui also carried out the first study

in the province on urban forestry's capacity to sequester carbon, which produced the "Lishui City Forest Management Carbon Sink Potential Investigation Report".

5. Insights

5.1. Encourage Breakthrough Innovations and Enhance Precision in Policy Support

In order to resolve the challenge associated with land tenure registration, investigate changes to the ecological product property rights framework. Create mechanisms for information gathering, mortgage registration, and ecological product tenure registration. Create plans to hasten, starting with the simpler cases, the transfer of ecological resource assets' property rights based on policy permits, classified and organized. Use "certification to households (individuals)" to specify ownership entities and rights and obligations according to the features of various ecological products. To facilitate trade and transfer, investigate, for example, models for verifying the right to use, operate, and benefit from ecological products, relying upon the basis of ownership rights.

Examine distinctive and region-specific collection techniques in order to address issues with storage and collection. In order to guarantee targeted collection and diversity in ecological goods during the first phase of "Two Mountains Cooperative Societies", expedite region-specific collecting. Create a varied collection of "Two Mountains" projects to get ready for market trade. Based on initial study, for instance, a unified resource pool including nine counties (cities, districts) and eighteen categories was established in Lishui City, improving the capital sufficiency and functioning ability of "Two Mountains Cooperative Societies".

Investigate the creation of a risk-sharing system for ecological asset loans in order to address challenges with risk prevention and control. Create systems for risk guarantee funds and risk compensation funds, and devise financing strategies for loans secured by ecological assets.

To effectively participate in creative finance for ecological asset mortgage, participants should take advantage of the risk-sharing roles that guarantee institutions, insurance firms, and "Two Mountains Cooperative Societies" play. Government finance guarantee businesses, for example, ought to collaborate with banks on creative risk-sharing schemes. "Two Mountains Cooperative Societies" can guarantee mortgages for ecological products and pledge to take care of delinquent payments. Regarding innovation in mechanisms and products, investigate the creative integration and application of financial resources for ecological product incentives, like creating "risk compensation funds" and "guarantee funds".

5.2. Uphold a Systemic Perspective to Overcome Operational Management Barriers

Enhance the operational system with three levels. Develop cross-county (city, district) projects, major projects, and demonstration projects. Create a unified platform to coordinate municipal resources. Establish a comprehensive public service platform integrating "cloud storage, cloud transactions, cloud investment promotion, and cloud services". Form a group of "Two Mountains Cooperative Societies", expand the county's infrastructure, business climate, and ecological product development and market-oriented operations as quickly as possible. After resource harvesting, make resource trade easier on the single platform. Utilize village economic cooperatives and town "Ecological Strong Village Companies" to gather ecological resources that are dispersed, decentralized, and already owned in a methodical manner.

bolster the management of ecological products. In order to lay the groundwork for online transactions, ecological product regulatory bodies should, on the one hand, speed the development of management strategies for a range of ecological products and make clear who has the ability to approve applications and how to trade ecological rights. On the other hand, in

order to remove significant institutional transaction bottlenecks, relevant departments should innovate in system design. For instance, think about endorsing pertinent systems from places such as Yiwu and Shaoxing. Utilize your creativity to solve problems like the duration of the transaction for the use rights of vacant rural homes and the extent of the transfer of land use rights, making the most of legislative incentives to develop the most alluring features for your product.

Remove departmental data restrictions. Provide both vertical and horizontal data connectivity mechanisms among departments as well as between counties, cities, and provinces (cities, districts). Through digitization and clever solutions, break through both horizontal and vertical data barriers to achieve unified management and real-time sharing of ecological product tenure registration information. Encourage transactional full-process online approval even more.

5.3. Propel the "Strong Community Project" to Boost the Enthusiasm of Participants

Implementing specific support policies will help address issues like a lack of high-quality resources, a lack of funding, and policy constraints during the initial operation phase of "Two Mountains Cooperative Societies". Propose the introduction of supporting policies to help "Two Mountains Cooperative Societies" develop more quickly. First, "Two Mountains Cooperative Societies" should be infused with first-rate natural resources in order to quickly draw in social resources. While providing financial incentives for ecological product collection and development projects, establish and improve funds like the "Two Mountains Fund", industry funds, risk compensation funds, etc., to help "Two Mountains Cooperative Societies" enter the field with agility and improve their capacities for realizing the value of ecological products. Use ecological resources as a foundation, operational development as a driving force, and financial leveraging as auxiliary support to solidify the foundation of "Two Mountains Cooperative Societies".

Increase public relations efforts and rally all resources to accelerate the development of market supply and demand entities. To enable the conversion of additional ecological resources into economic benefits, it is necessary to consistently enhance policy promotion and spread ecological financial policies to communities, homes, and businesses. Establish a basis for ecological product transactions by addressing both the supply and demand sides in order to progressively create predictable entities for the supply and demand of ecological products. To make forestry carbon sinks suitable for collateral, for example, they must be developed into project development businesses and market demand entities. This is a critical innovation in the process of making carbon sinks tradable.

6. Conclusion

In the construction of "Two Mountains Cooperative Societies", Lishui City combines policy innovation with practical implementation. Through proactive pilot programs and active exploration, it has provided practical experience for the construction of a national demonstration area for the ecological product value realization mechanism. This paper discusses various innovations in "Two Mountains Cooperative Societies" in Lishui City, including rights registration, collection and storage, risk prevention, etc.

In the next steps, there is a need to place greater emphasis on a systemic perspective and inter-departmental collaboration. It is essential to enhance the dissemination of policies, further address key challenges in the circulation of ecological products, and provide support for the marketization of ecological products. The experiences gained, particularly in policy innovation, ecological finance, and management system construction, are worthy of in-depth research and broader application.

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