

# **China's Strategy and Financing for Forestry Sustainable Development**

Dai Guangcui

China National Forestry Economics and  
Development Research Center (FEDRC)

State Forestry Administration (SFA)

Bangkon, December 2010

# Importance of Forestry in China

- Important initiative to the national sustainable development strategy
- Principal role for constructing ecological civilization
- Strategic choice for addressing climate change
- Special approach for rural development and poverty alleviation

# Functions and Tasks of Forestry Sector



Establish & protect  
**forest ecosystem**



Manage & rehabilitation  
**wetlands ecosystem**



Improve & combat  
**desertification ecosystem**



Maintain & increase  
**biodiversity**

# Strategy and objective

- Rehabilitate and protect forestry ecosystems
- Construct advanced forest industrial system
- Developing flourish forest eco-cultural system
  - To increase forest multi-products & services
  - To meet the multi-demands of the society
  - To alleviate poverty and improve livelihood

# Actions and programs for SFM

- **Rehabilitate and protect forest ecosystem**

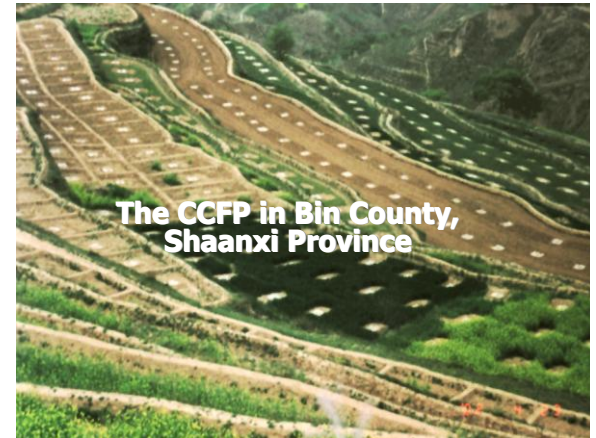
Since 1998, China initiated a series of National Key Forestry Programs, which have been all taken into the National Economic and Social Development Plan.

- Natural Forest Protection Program (NFPP/Logging ban), covering 17 provinces during 2000-2010.



# Actions and programs for SFM

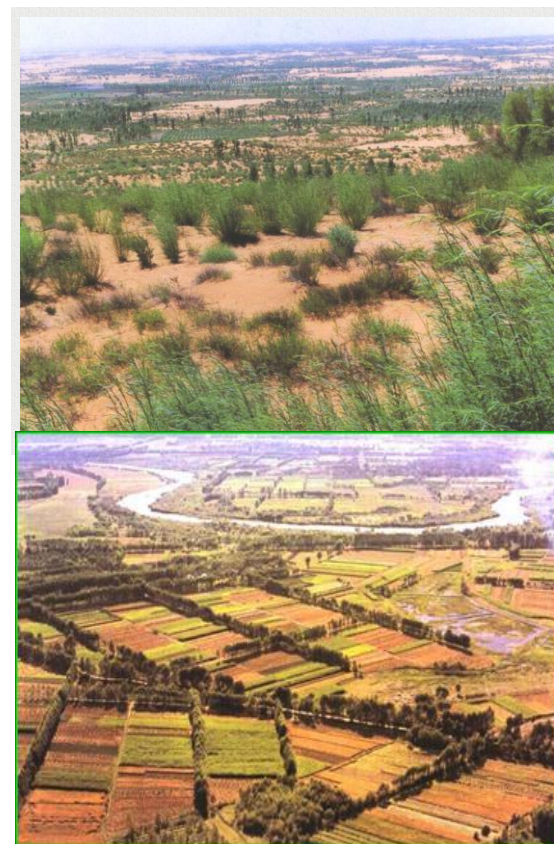
- The conversion of cropland to forest program (CCFP), covering 25 provinces during 2001-2010
- Key shelterbelt forests programs along the middle & lower reaches of the Yangtze River, covering 31 provinces (2001-2010)



- along the coastal areas.

# Actions and programs for SFM

- **Combat desertification**
  - Key shelterbelt development program in the Three-north
  - The Sandification Control Program in Vicinity of Beijing and Tianjin City
  - The shelterbelts around farmlands and pastures
  - The program on integrated combating land desertification in karst regions





# Actions and programs for SFM

- Protect and restore wetlands ecosystem
  - The wetlands conservation and rehabilitation program



- Conserve biodiversity
  - Wildlife Conservation and Nature Reserve Development Program



# Policies and mechanisms for SFM

## **1. Establish the compensation system for forest environmental services (PES)**

Since 2004, Central Compensation Fund was established, it has reached to RMB7.58 billion yuan, in 2010

## **2. Subsidy to support SFM**

Since 2009, subsidy to the middle and young stands tending, pilot implemented in 27 provinces, RMB 2 billion yuan (1.33 million ha.) in 2010.

## **3. Subsidize interest of loan** for rescue the forest disasters and forestry development projects post- tenure reform

## **4. Subsidize forest insurance** with national (30%) and provincial (25%) fee subsidy, pilot in 6 provinces

# Policies and mechanisms for SFM

**5. Support loan mortgaged forest property and micro credit** for forestry development used by farmer households.

**6. Initiate National Compulsory Tree-planting Campaign**

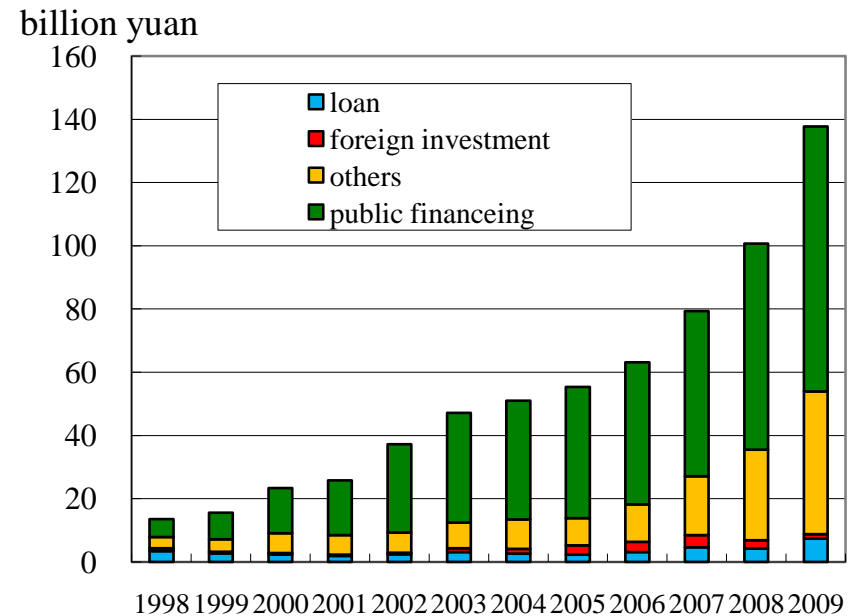
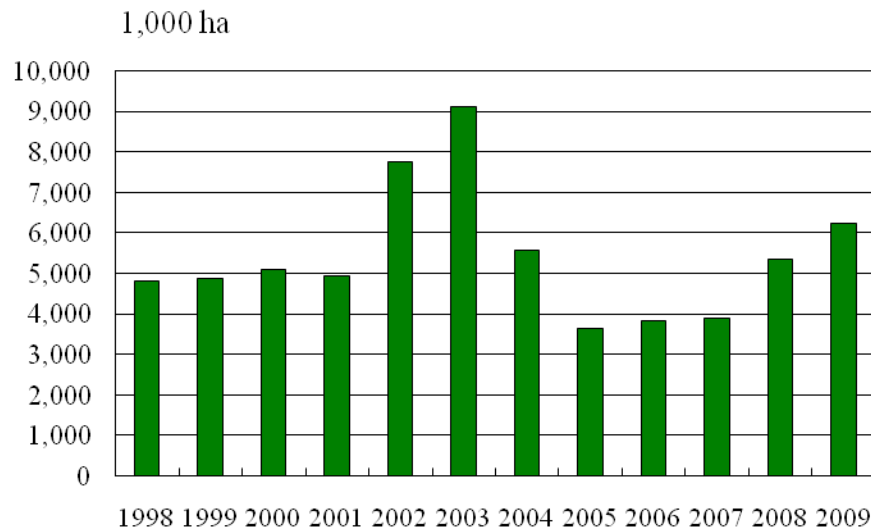
**7. Promote forest tenure reform**

Since 2008, collective forest tenure reform in countrywide in order to encourage farmer households to input to forestry.

Meanwhile, pilot reform in state-owned forests.

**8. Provide preferential taxation and fees** for afforestation and product processing, to attract private sector & individuals to forestry.

# Annual Afforestation and Investment in China (1998-2009)



# Achievements forestry development in China's

By the end of 2008,

- ◆ Forest area 195 million ha , coverage of 20.36%, with net annual average increment of 365,100 ha in 10 years
- ◆ Forest stock volume of 13.72 billion cubic meters, with net annual average increment of 20.93 million cubic meters
- ◆ Plantation forests cover 62 million ha and ranks the top in the world.

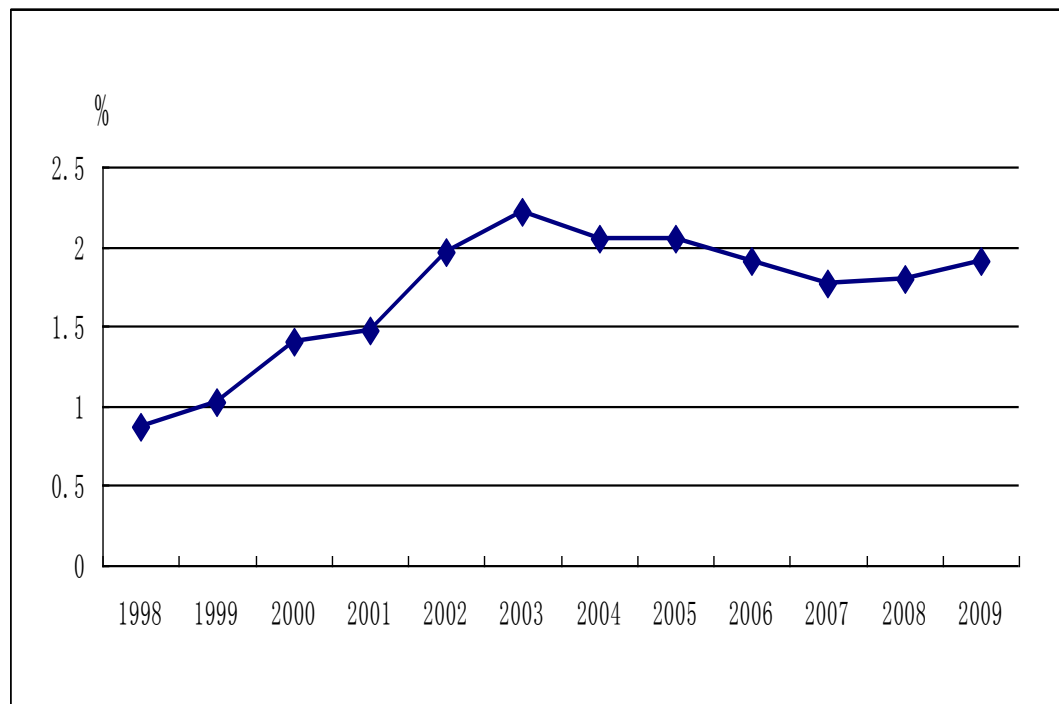
# Source of forest financing in China

- **Public sector**, central and local public fiscal sectors
- **Private sector**, banks, enterprises, individuals
- **Foreign funds**, the international financial organizations, foreign governments, foreign directly investment, grant-in-aid.
- **Others**, including NGO's

# Public fiscal forest financing

- **Central fiscal forest financing** taking up about 2% of total central fiscal expenditure annually
- **Financing for forestry** 83.82 billion yuan in 2009, annual increase 27.78% since 1998

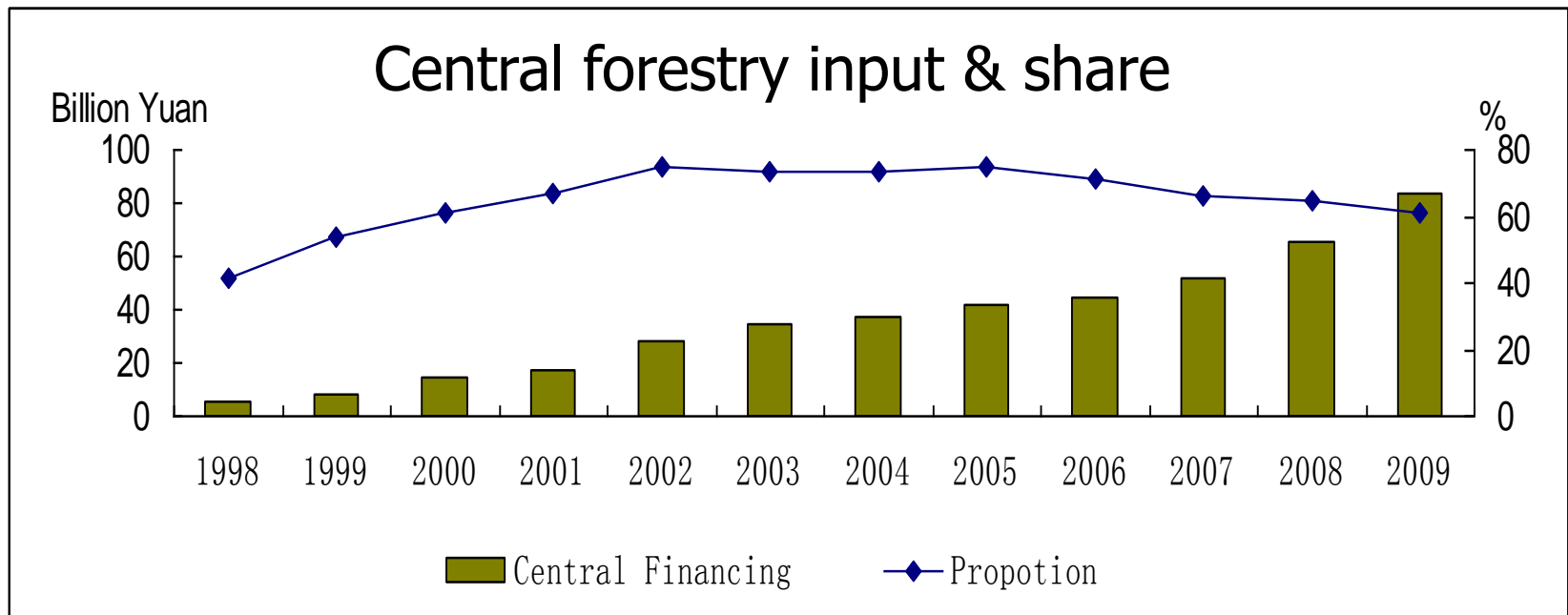
**Central Forestry Investment Accounts for Proportion of Central Government Expenditure**





# Public fiscal forest financing

- **Share of the central public financing** in total forestry investment keeping in 70% 2002-2006, dropped to 60.84% in 2009



# Non-public forest financing

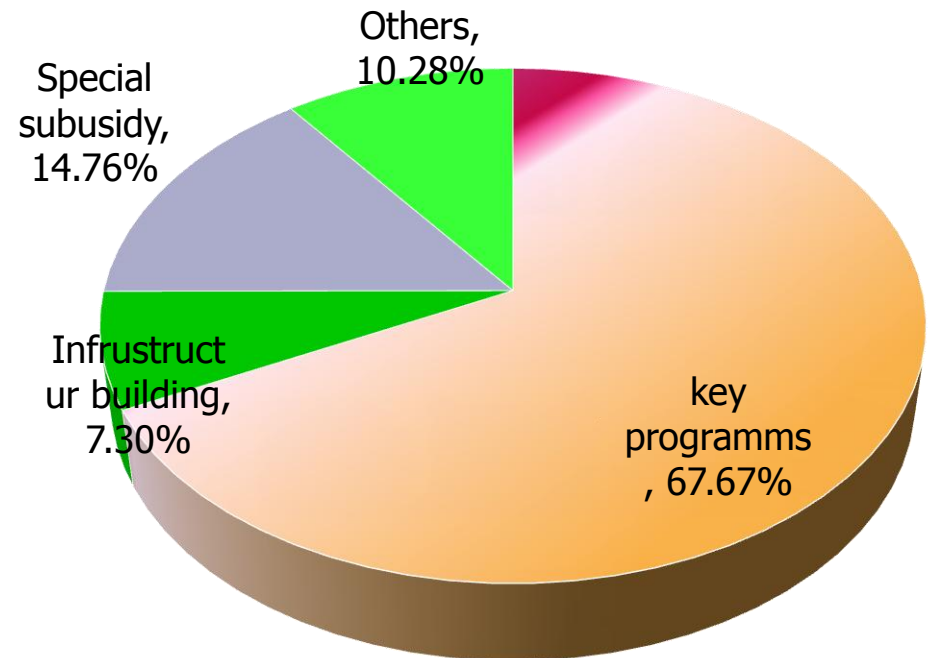
Non-public financing includes domestic funds and foreign funds

- ✓ **Domestic funds:** annual average increase by 29.29% during 2003 to 2009, especially over 50% in 2008 and 2009.
- ✓ **Foreign funds:** annual average increase by 6.87% during 2003 to 2009.

# Expenditure of forest financing

- **Central governmental input** mainly use for forest rehabilitation and protection by key programs, infrastructure and special subsidy

Expenditure of central financing in 2009



# Expenditure of forest financing

- **Local governmental input** mainly use for matching the quota of central financing, compensation for environmental services of local ecological-oriented forests and local forestry construction.
- **Non-governmental financing** mainly use for commercial forests (fast growing & high-yield plantation and non-timber forest products), biodiversity conservation and desertification combat, etc.

# Opportunities

## 1. Special role for forestry to addressing climate change

China has promised to increase carbon sequestration and decrease carbon release by forests, with 40 million ha. and 1.3 billion cubic meters increased by 2020 base on 2005

## 2. Important function of forestry in national sustainable development strategy

## 3. Establishing and improving mechanism and policies for **SFM** including financing supportive system, timber harvesting and management system; forest property transferring system, and social service system

# Problems and challenges

- Aggregate forest resources are not adequate.
  - Possesses 4.7% of world forest resource, but shared by 23% of world population
- Forest quality is poor and forest management workload is heavy
  - Forest stock volume only 85.88 m<sup>3</sup> /ha, 2/3 are young-middle aged plantation forests.
- Afforestation/reforestation and forest management is increasingly difficult
  - 52% of barren lands could for afforestation are poor quality (or marginal lands)
  - 60% of the barren lands distributed on arid and desert region



# Problems and challenges

- Enormous pressure for poverty alleviation and increasing timber supply
  - More than 150 million population below in UN poverty line, in which, 70% live on forests
  - More than 80% of the total 4570 state-owned forest farms haven't got rid of poverty.
- Barriers on institution and mechanism for SFM
  - Collective forest tenure reform is ongoing
  - State-owned forests reform is still on pilot phase

# Perspective for SFM in China

1. The Twelfth Five-year Forestry Development Plan (2011-2015)
2. Deepen collective forest tenure reform and initiate state-owned forest reform
3. Continue to implement key forest programs
4. Improving forest financing mechanism for SFM
3. Broaden and diversify financing
4. Improving investment environment

谢谢！  
**Thanks for  
your  
attention!**

