



China's Strategy and Financing for Forestry Sustainable Development

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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**

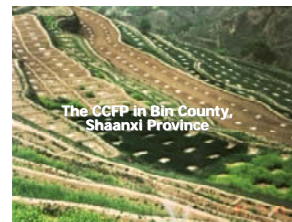
Since 1998, China initiated a series of National Key Forestry Programs, which have been all taken into the National Economic and Social Development Plan.

- 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



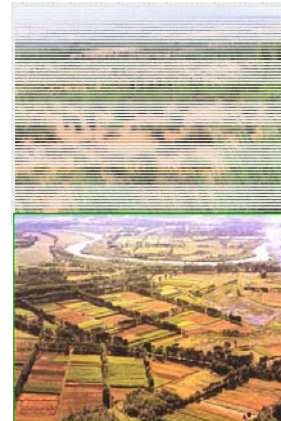
- Key shelterbelt forests programs along the middle & lower reaches of the Yangtze River, covering 31 provinces (2001-2010)



- 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, compensation 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

Policies and mechanisms for SFM

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

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

6. Improve the people's livelihood in forest regions by house building and repairing, road construction and water supply facilitating.

Policies and mechanisms for SFM

7. Initiate National Compulsory Tree-planting Campaign

Since 1981, initiated by the People's Congress

8. 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.

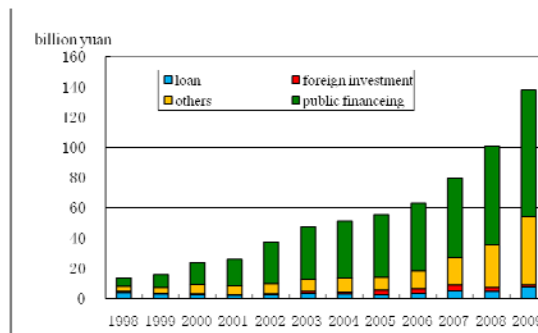
9. Provide preferential taxation and fees

for forest and product processing, to attract private sector & individuals to forestry.

Forest financing in China

- 1998-2009, total financing increase from 13.53 billion yuan to 137.79 billion yuan
- Annual average increase is about 23.48%.

Total Investment for Forestry(1998-2009)



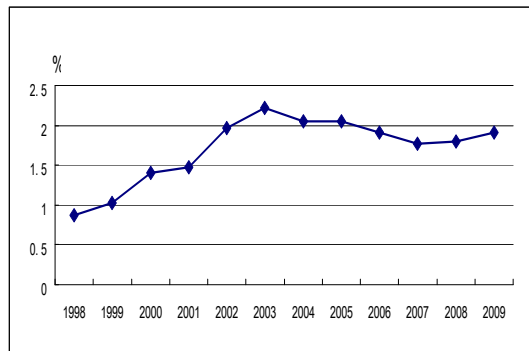
Source of forest financing in China

- **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

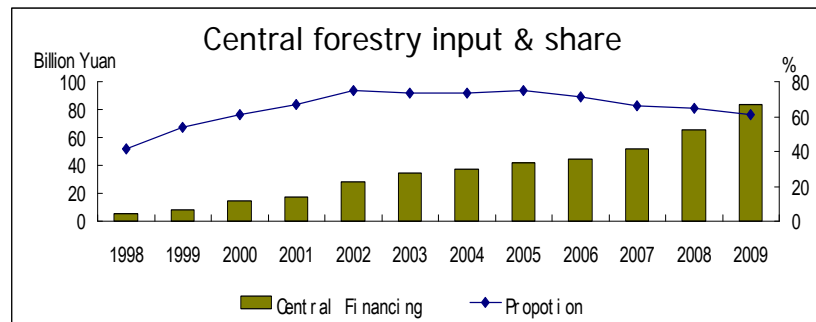
- **Central fiscal forest financing** taking up about 2% of total central fiscal expenditure annually
- **Financing for forestry** 83.82 billion yuan in 2009, annual increase 27.78% since 1998

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



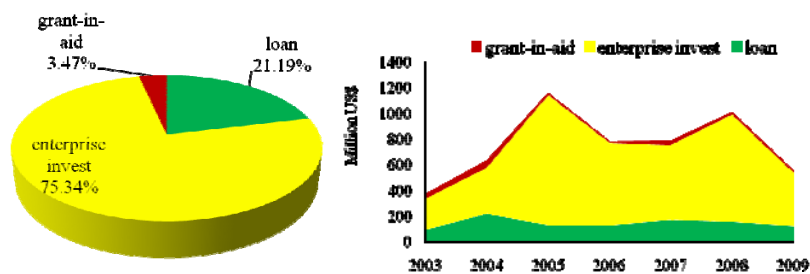
Non-public forest financing

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.

Foreign funds

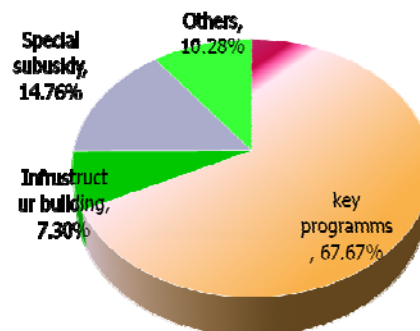
- Foreign funds include: loan from international organizations and governments, grant-in-aid and investment by enterprises.
- In 2009, loan accounting for 21.19%; enterprises investing for 75.34%; grant-in-aid for 3.47%



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

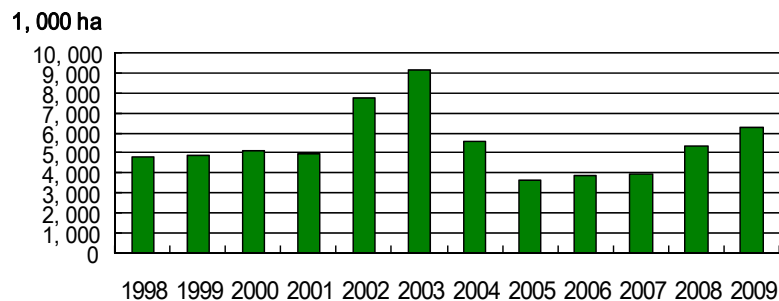


Expenditure of forest financing

- **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.

Impacts of China forestry development

- **Forest resource increase (2004-2008)**
 - Annual average planting 5.44 million ha. 1998 -2009
 - Forest coverage: 20.36%
 - Forest area: 195 million ha.
 - Standing stock volume: 13.72 billion cubic meter



Impacts of China forestry development

- **Natural forests increase compared to (1999-2003)**
 - Net area increment of 3.93 million ha, 676 million cubic meters
- **Plantations reserved growth**
 - 61.69 million ha, net increment 8.43 million ha.
 - 1.96 billion cubic meters, net increment 447 million cubic meters
- **Quality of forests improved & function enhance**
 - Standing stock increase 1.15 cubic meter per ha.
 - Average annual increment increase 0.30 cubic meter per ha.
 - Mixture forests increase 9.17%

Impacts of China forestry development

- **Biodiversity protected effectively**
 - Create 2538 natural reserves, cover 15% of total terrestrial lands
- **Combat Desertification**
 - Desertification lands declined with 7585 km² annually
- **Forestry industry develop fast**
 - Annual average increase of 18.56% during 1999 to 2009
- **Environmental consciousness of civil society enhanced**
 - 12.11 billion person-time, 56.33 billion trees planted since 1978

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

Challenges

1. Poor basic condition or low efficient of forest resources

- Lower standing stock (mean 85.88 cubic meters/ha.) and annual increment (3.85 cubic meter/ha per year)
- 67% of young and middle aged stands lacking management

2. High pressure for wood demand

- Wood demand keeping increase
- 40% of wood supply depended on import

3. Obstacles in institutions and mechanism for SFM

- Collective forest tenure reform has not finished
- State-owned forest reform is still in pilot

Challenges

4. More difficulties for forestation and management

- Well unforested lands take up 13%, others are marginal lands
- 60% unforested lands are dry and desertification area
- High cost for afforestation and management

5. Big needs for poverty alleviation

- 70% of 250 million poor people's livelihoods rely on forests
- 3774 (4570 in total) state-owned forest farms lacking power and drinking water, poor roads

Recommendations

1. Improving forest financing mechanism for SFM
2. Extending financing sources
3. Improving investment environment
4. Enhancing foreign investment and cooperation

谢谢！
Thanks for
your
attention!

