

Governmental Investment and Forestry Development

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Content

1. China's forestry is an important area supported by government under the framework of public finance
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1. Forestry is the key domain of government support under the framework of the public finance in China.

- 1.1 The establishment of the public finance framework provides historical opportunities and policy platform for forestry investment by government.
 - 1.2 The significant roles of forestry in economic and social development, especially in ecological construction, determine the inevitability of government investment in forestry.
 - 1.3 The rapid economic development and overall social progress in China make it possible to invest in forestry by government.
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2. History of Government Investment in Forestry and Its Exemplary Effects

2.1 Various patterns of economic system in China determine the forestry investment system.

- ★ Under planned economy, highly centralized decision-making and management system of investment
 - ★ At the stage of planned commodity economy, the ways of local departments and enterprises to raise and govern funds had been broadened largely.
 - ★ The establishment of socialist market economy system has changed the mode of resource allocation fundamentally.
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Stages of Forestry Investment Corresponding to the Reform of China's Economic System

(Unit: 10,000 yuan)

| Stage | Overall Investment in Capital Construction of Forestry | Proportion % | Annual Growth Rate % | Among which: Government investment | Proportion % | Annual Growth Rate % |
|---------------------------|--|--------------|----------------------|------------------------------------|--------------|----------------------|
| Planned Economy | 1646986 | 9.05 | 8.20 | 1253667 | 10.02 | 7.49 |
| Planned Commodity Economy | 1800394 | 9.89 | 3.61 | 1035279 | 8.27 | 6.35 |
| Market Economy | 14750909 | 81.06 | 44.45 | 7104048 | 81.71 | 32.73 |

Analysis on the above data leads to the following conclusions:

- First, the reforms in economic system affect investment in capital construction of all industries all over the country.
 - Secondly, market economy has been brought into full play.
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2. History of Government Investment in Forestry and Its Exemplary Effects

2.2 With successive startups of Six Key Forestry Programs, government's investment in forestry has changed a lot.

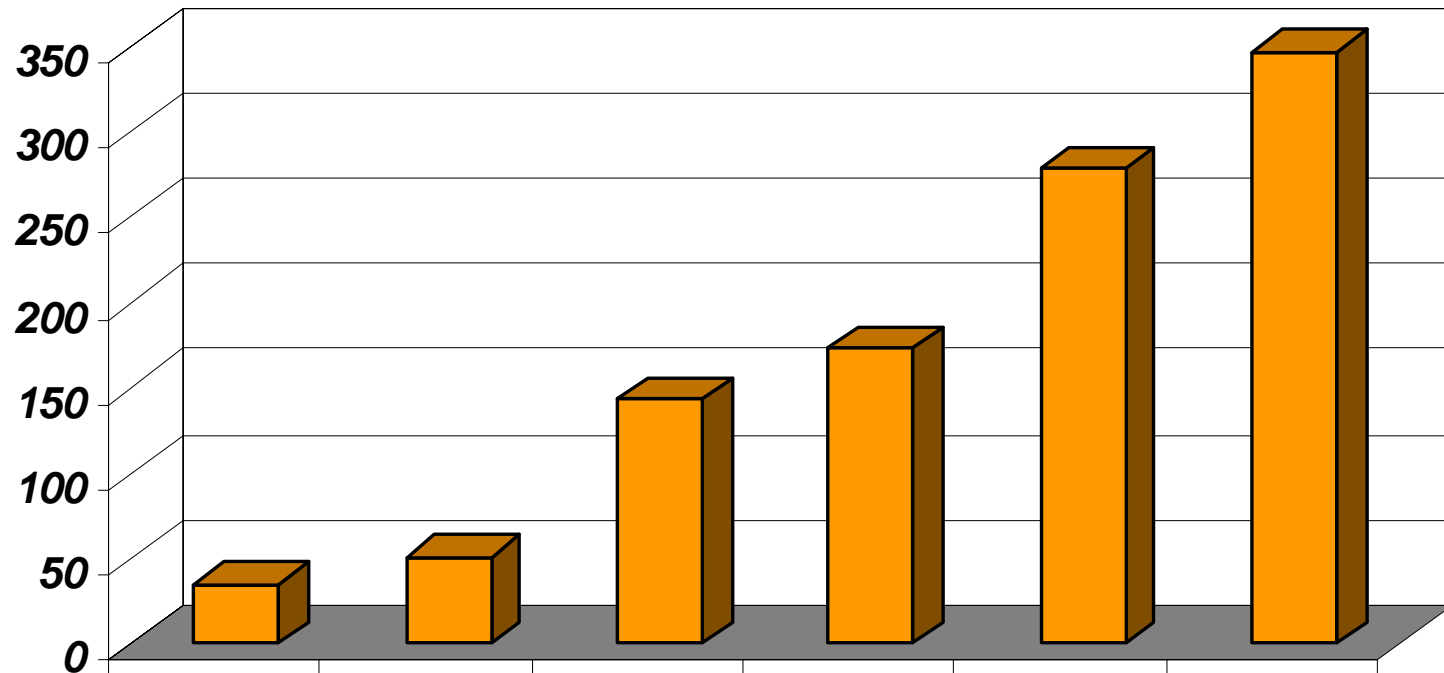
- ★ Firstly, the amount has increased greatly.
- ★ Secondly, it particularly focuses on ecological construction.
- ★ Thirdly, it applies the form of programs.
- ★ Fourthly, it is in favor of West China.

2.3 Government's investment in forestry has played a good exemplary role.

The Amount of Government Investment has increased greatly.

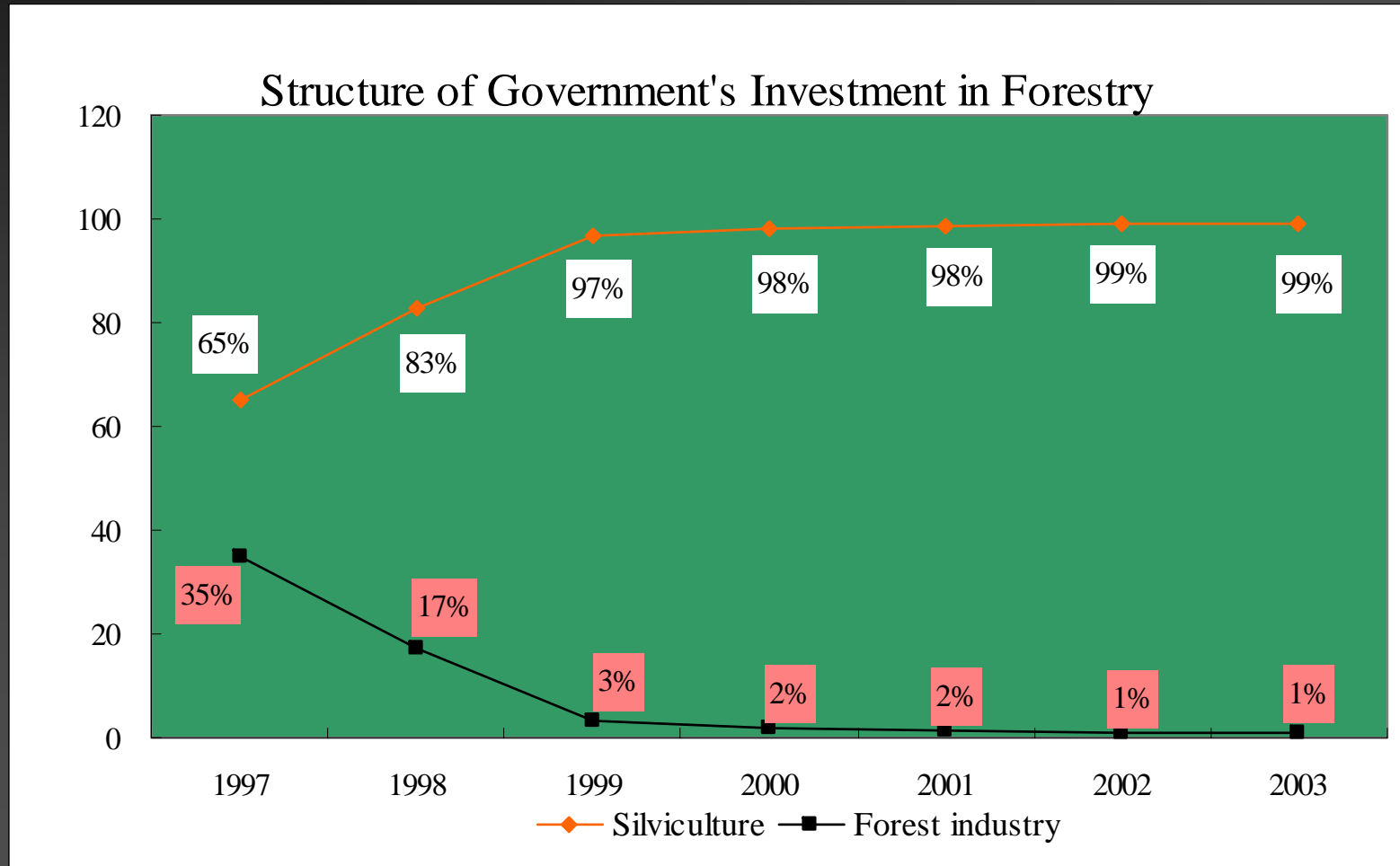
The Condition of Government's Investment in Forestry
1998 - 2003

100 million yuan

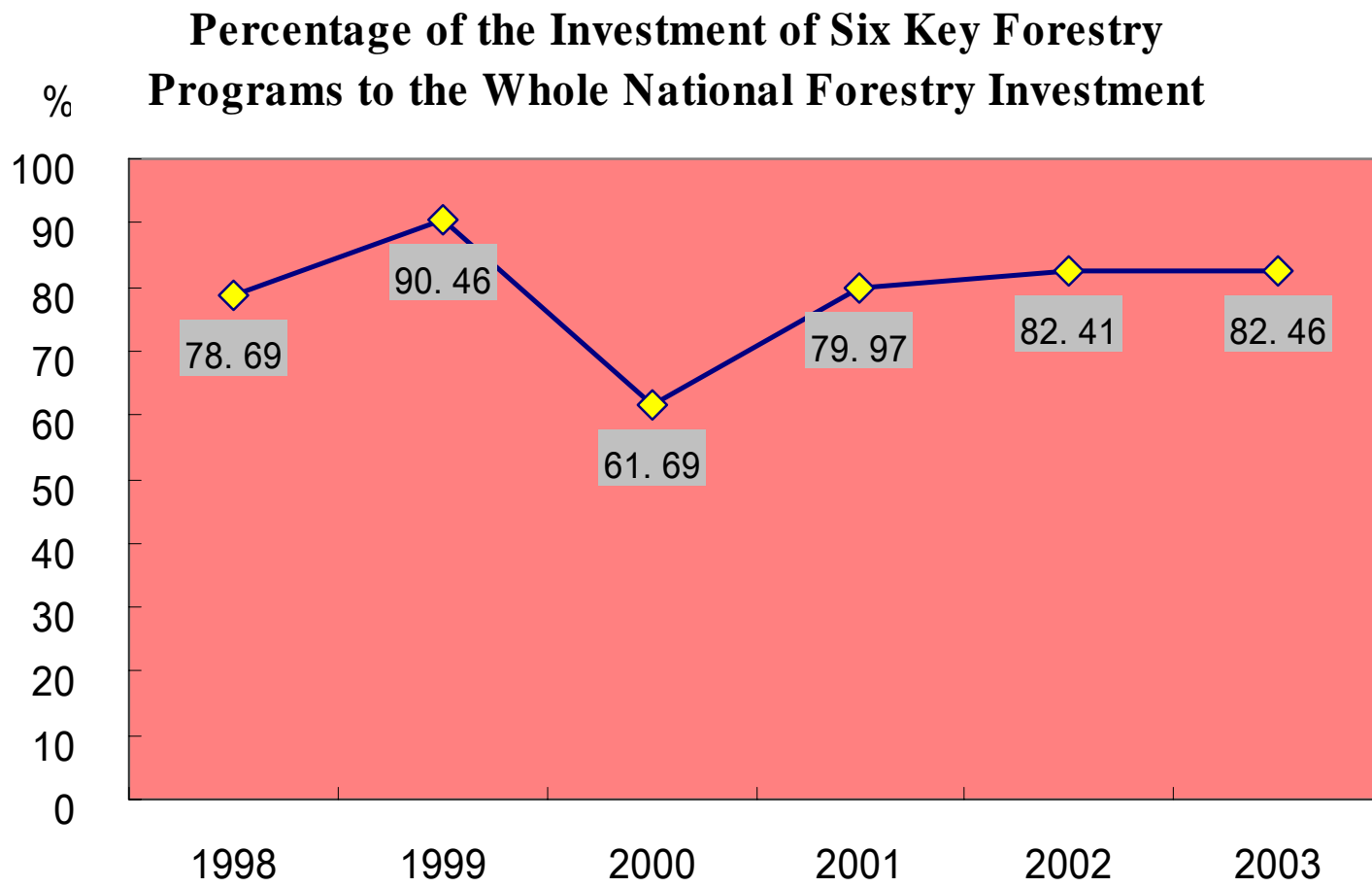


| | | | | | | |
|------------|-------|-------|--------|--------|--------|--------|
| Investment | 34.33 | 50.82 | 142.92 | 173.21 | 278.52 | 346.82 |
|------------|-------|-------|--------|--------|--------|--------|

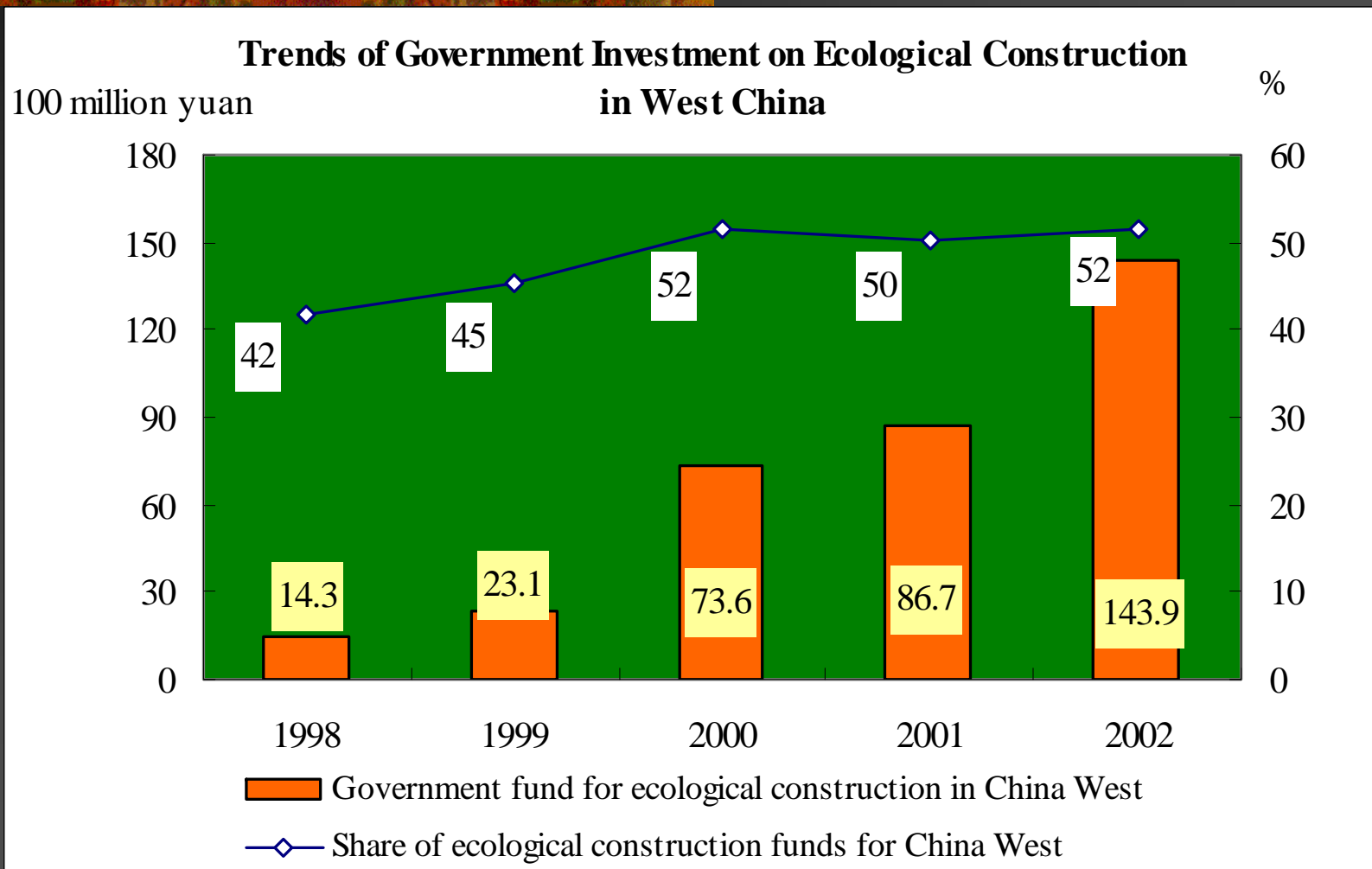
Government investment focuses on ecological construction.



Government investment applies the form of programs.



Government investment tilts in favor of West China



3. Major Experiences, Problems and Countermeasures of Government Investment in Forestry in China

3.1 Experiences

- ★ To review forestry under the background of national economic and social development.
 - ★ To promote the frog-leap development of forestry by key forestry programs.
 - ★ To systematically integrate and adjust investment in key forestry programs.
 - ★ To implement institutionalized management on forestry funds.
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3. Major Experiences, Problems and Countermeasures of Government Investment in Forestry in China

3.2 Problems

- I. Compared with the heavy task of ecological construction task, it is still in urgent need of government investment.
 - ★ Real input of key forestry programs is much less than planned one.
 - ★ Forest protection and forestry infrastructure construction are short of steady financial sources.
- II. Government investment does not keep up with functions of public finance and it is still short of stable sources.
 - ★ The input for forestry capital construction is unstable.
 - ★ Government investment lacks legal foundations.

3. Major Experiences, Problems and Countermeasures of Government Investment in Forestry in China

III. Contrary to social equality, different forestry management bodies can get different and unequal support to forestry development from the government.

IV. Financing channels of forestry industry development are very narrow, which does not fit the market economy.

- ★ Cooperation between different institutions does not go smoothly and coordinately. Financing of forestry industry is considerably difficult.
- ★ Most forestry management units are in a small scale and hard to meet the requirements of bank loan.

V. Forestry investment standards do not meet the status quo, and the development process does not quite reason.

3. Major Experiences, Problems and Countermeasures of Government Investment in Forestry in China

3.3 Countermeasures

- I. Government investment in forestry should be included in the system of public finance budget.
 - II. To further enhance the degree of investment in forestry by governments at all levels.
 - III. To broaden ways of investment and financing in forestry ecological improvement.
 - IV. To coordinate related departments and put into effect the policies of supporting forestry by credits.
 - V. To hold discussion on schemes of redeeming non-state-owned forests, and to mobilize enthusiasm of all types of forest management bodies to develop forestry.
 - VI. To adjust measures to local conditions, and to itemize the standards of forestry investment for different areas.
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