

# *Study on Financing Mode of Forest Park in Underdeveloped Areas of Western China*

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**Abstract:** By analyzing the current situation and issues of forest park funding management both domestically and internationally, this article explores the reasons behind them. It aims to apply advanced concepts and fundraising methods to the construction of forest parks in underdeveloped areas of western China, thereby transforming perceptions, expanding investment and financing channels, and extensively developing forest tourism products in the region. The ultimate goal is to promote the high-quality construction and development of forest parks in the area. The economic development in western China is relatively slow, and the way of raising funds for forest parks in underdeveloped areas is relatively simple. By analyzing the advanced experience at home and abroad, the high-quality construction and development of forest parks in this area can be further promoted.

## **1. Introduction**

China's national park system pilot work started in 2015. At present, there are 12 pilot provinces and cities, namely Qinghai, Fujian, Hubei, Zhejiang, Beijing, Hunan, Yunnan, Shaanxi, Gansu, Sichuan, Jilin and Heilongjiang. The selected pilot areas include Shennongjia, Wuyishan, Sanjiangyuan, Qianjiangyuan, Nanshan, Great Wall, Pudacuo, Northeast Tiger and Leopard, Giant Panda, and Qilian Mountains. The overall plan for establishing the national park system, issued in 2017, defines national parks as "specific land or sea areas, approved by the state, under unified leadership and management, with clear boundaries. The main purpose is to protect large-scale, nationally representative natural ecosystems and accumulates, and to achieve the scientific conservation and rational utilization of natural resources." [1]. Since the establishment of the first forest park in 1982, the development of forest parks in China has generally experienced several stages: "slow (1982-1990)-fast (1991-1993)-stable (1994-present)". With the rise of forest tourism, the wood-based production mode of forest industry in China has ended for a long time. Especially with the vigorous development of global tourism, forest tourism has become an important part of modern forestry industry system and sustainable development framework with its special industrial connotation and management mode. It can be said that the development of forest tourism has not only become an important measure for forestry departments all over the country to rationally utilize superior resources to provide high-quality tourism services to the society, but also a systematic project to give full play to ecological benefits, and it is also a realistic requirement for building an ecological and civilized society [2]. The economic development in western China is relatively slow,

and the way of raising funds for forest parks in underdeveloped areas is relatively simple. By analyzing the advanced experience at home and abroad, the high-quality construction and development of forest parks in this area can be further promoted.

## 2. Foreign forest park construction fund raising mode

As of 2014, more than 3,800 national forest parks have been established in more than 100 countries and regions in the world. According to the research, although the management mode of national forest parks in different countries is different, and their financial guarantee mechanism is also different, they are basically multi-party participation and diversified capital investment (as shown in Table 1).

Table 1: Comparison of fund raising modes of forest park construction abroad

On behalf of the country	Management mode	Fund guarantee mode	Business model
United States	Centralized type	It is mainly funded by the central government and is also supported by non-governmental organizations, social organizations, charities and volunteers.	Franchising is widely practiced. For example, in
Australia, Germany	Local autonomy type	The main source is the state government, and the staff salaries and office expenses are included in the state government budget. In addition, the income generated by public donations and rational use of forest park assets is also the source of funds for the national forest park.	Finland, the National Forest Park Authority is responsible for providing infrastructure and public construction, while related services such as tourism, hotels and entertainment are provided by private enterprises.
Canada, Finland	Comprehensive management type	There are both the participation of central government departments, local governments have some autonomy, and private and non-governmental institutions are also very active.	Franchising is widely practiced. For example, in Finland, the National Forest Park Authority is responsible for providing infrastructure and public construction, while related services such as tourism, hotels and entertainment are provided by private enterprises.

The management mode of Yellowstone Forest Park in the United States is centralized, which implements a three-level vertical management system of "National Forest Park Administration-Local Administration-Yellowstone National Forest Park Administration". Local governments do not intervene in the management of national forest parks, and corresponding to it is a fund guarantee mechanism with central financial allocation as the mainstay and multi-channel capital investment [3]. Kakadu National Forest Park in Australia implements the management mode of local autonomy. The federal government is only responsible for the unified planning, legislation and policy release of the National Forest Park in the whole country. The local government where the National Forest Park is located is responsible for the management of specific affairs, and the management authority lies with the local government. At the same time, the ownership and management rights of the National Forest Park are separated. Corresponding to the management mode is the financial guarantee mechanism based on local government financial input and multi-participation. Every year, local governments invest a large amount of money to build and maintain the facilities in the national forest park, enterprises or individuals contract the operation and management of the park, and the government is responsible for supervision and management.

In the management of funds, revenue and expenditure are separated. The main task of National Forest Park is to protect the ecological environment in the park and carry out various scientific research work.

### 3. Domestic Forest Park Construction Fund Raising Mode

Table 2: Main financing modes adopted by various parks in China

Financing mode	Typical pattern	Advantage	Disadvantage	Typical representative
Public capital This dominant type	Financial investment	The source of funds is stable and the cost is low	Over-reliance on the government and limited resources	Forbidden City
	Trust investment	Market-oriented operation can effectively spread risks	The cost is high and the income is difficult to guarantee	Tanhe ancient city
	Asset Securitization (ABS)	Low cost, large scale and long cycle	High requirements, high professionalism and complicated operation	OCT Forest Park
	Ecological compensation funds	The policy has stable source of funds, low cost and public welfare	Strict conditions and high difficulty in approval	Chang'an City of Han Dynasty
Market Dominant type	Bank loan (policy type)	Low cost, large capital scale, and no decentralization of management rights	The requirements for conditions are high, and the financial resources of the government are high	National Daming Palace Ruins Park
	Bank loan (commercial type)	Market-oriented operation, simple operation	Applicable to commercial projects only	Guangxi Gaofeng Forest Park
	Direct financing (bond stock type)	Large capital scale and low cost, Long term	Higher requirements for enterprises, higher requirements for project return rate and strict examination and approval	Luoyang City Ruins Park in Sui and Tang Dynasties (Local Debt)
Common Participatory type	Urban investment fund, tourism development fund	Give full play to the leverage effect of government funds and improve the efficiency of capital use	The application and approval process is strict, and the use of funds is supervised	National Daming Palace Ruins Park
	PPP Mode (BOT, BT Mode)	Management scale, efficient operation, low cost and long term	Asymmetric information, imperfect policies and low market acceptance	Baimahu Forest Park

PPP (Public Private Partnership) mode refers to a financing mode in which the government and private enterprises cooperate to provide public goods and services, which can reduce the leverage ratio of the government and reduce the financial burden of the government [4]. In recent years, PPP mode has developed rapidly in China, involving various aspects of public services such as transportation, environmental protection, medical care and old-age care. With the popularization and application and the introduction of relevant national policies, this mode has become increasingly mature and perfect. Table 2 shows the main financing modes adopted by forest parks in China and their comparison.

Combined with the above, advanced experience at home and abroad and the specific situation of national forest parks, the fund raising of forest parks in underdeveloped areas in western China can be considered from the following aspects: first, the central government should give priority to raising funds through multiple channels; The second is to increase publicity and fully mobilize the participation of all sectors of society; The third is to implement the franchise system to help the establishment of play facilities in the park; Fourth, we need to pay attention to the interests of

aborigines in the park and coordinate the relationship between aborigines and the development of the park; Fifth, we need to apply PPP mode to the development of some large-scale projects, introduce large enterprises with strong strength and abundant funds, and attract social and international funds to participate in the construction of national parks. We should analyze different financing modes, actively build a green financial system, continuously increase green credit supply, and develop financing participation mode based on PPP financing [5]. Encouraging social capital to initiate the establishment of green industry fund and inciting social capital to increase investment in green industry will certainly promote the rapid development of forest park construction in underdeveloped areas of western China.

#### **4. I give financing measures to forest parks in underdeveloped areas of western China**

Common financing channels include bank credit funds, capital market funds, national financial funds, overseas funds and so on. Bank credit funds are mainly obtained from policy banks and commercial banks; Capital market funds mainly refer to private equity funds and securities company investments. Government financial funds mainly include government subsidy funds and other channels [6]. To analyze the financing scheme of forest park construction in underdeveloped areas of western China, we should strive for funds from the following common paths.

##### **(1) Bank credit funds**

Bank credit funds are a kind of indirect financing. The main source of bank credit funds is the deposit funds of banks, so the security of these funds is the most important thing for banks when lending funds, and risk control is the focus of banks. Forest Park should have good credit qualification, strong profitability and reasonable asset structure when using this financing channel, so as to ensure the ability to repay funds in time. Compared with other channels, the speed of obtaining funds from banks is relatively slow, and the financing cost of this channel is relatively low.

##### **(2) Capital market funds**

Capital market funds come from investors, which are divided into individual investors, insurance companies, securities companies and other investment institutions. Forest parks with financing needs can get funds by issuing securities by securities companies, which is an indirect financing channel. The capital market is a multi-level structure. Different financing needs can be invested by investors at different levels, and a large amount of funds can be collected. The speed of obtaining funds is faster and the risk is higher.

##### **(3) Government financial funds**

Government financial funds mainly refers to government subsidy funds, which are mainly aimed at the construction of some large-scale forest park projects. This kind of financing channel mainly supports large-scale projects that conform to the national policy orientation and promote the development of related industries. National forest parks can often apply for government subsidies from special development funds for cultural industries. For such projects that need to be protected urgently, they can get key support from the government for the protection of forest parks. These funds mainly come from the fiscal revenue of governments at all levels [7]. For example, the industrial structure in Gansu forest area is too single, and planting, forestry and fruit industry and animal husbandry have always been traditional pillar industries. The secondary and tertiary industries are restricted by various factors, and the pressure to improve ecology and protect the environment is still great. The local municipal government has limited financial resources and is unable to invest in the construction of national forest parks. Secondly, Gansu Province is a big province of central transfer payment, which needs a large amount of central subsidy funds every year. The growth of local public budget revenue in Gansu Province is limited. The central transfer

payment to Gansu Province is steadily increasing, while the budget expenditure is increasing every year. Therefore, in the investment in national forest parks, the central financial investment is the main one, and Gansu Province invests certain funds according to its own financial situation [8].

## 5. Terminology

Based on the actual situation of forest park construction in underdeveloped areas in western China, it is necessary to establish a fund scheme with financial funds as the main factor, multi-participation and multi-channel investment and financing, and at the same time determine its source according to the nature of construction projects. The funds for the operation of management institutions, people's livelihood projects, community construction, feasibility study investment and talent introduction and training mainly come from financial investment; Ecological protection and restoration projects, ecological protection facilities construction and other funds are mainly invested in financial funds and public welfare funds; The construction of profitable projects such as public service facilities and tourism service facilities can adopt PPP mode and franchise mode. The effective implementation of the fund scheme cannot be separated from its matching safeguard measures. First of all, it is necessary to establish an efficient and transparent fund operation mechanism; Secondly, the National Forest Park Law should be promulgated as soon as possible, and it should be guaranteed by legislation from the national level; Finally, we should establish an all-round supervision mechanism, from government departments' supervision, third-party independent institutions' supervision to public opinion supervision and national supervision, so as to achieve full coverage.<sup>[9-18]</sup>

## 6. Conclusion

In conclusion, the study on the financing models of forest parks in underdeveloped areas of western China provides important insights and directions for promoting sustainable development in the region. By understanding the advantages and limitations of different financing models, we can provide more scientific and feasible strategies for the construction and management of forest parks. At the same time, this research also reminds us to prioritize ecological conservation and environmental sustainability while promoting economic development. Only through proper financing models and effective management can we truly achieve sustainable development of forest parks in western regions, providing people with beautiful natural environments while protecting precious ecological resources. In the future, further research and practical efforts are needed to continuously improve financing models and advance the construction of forest parks in western regions to a higher level, making greater contributions to local economic development and the well-being of the people.

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