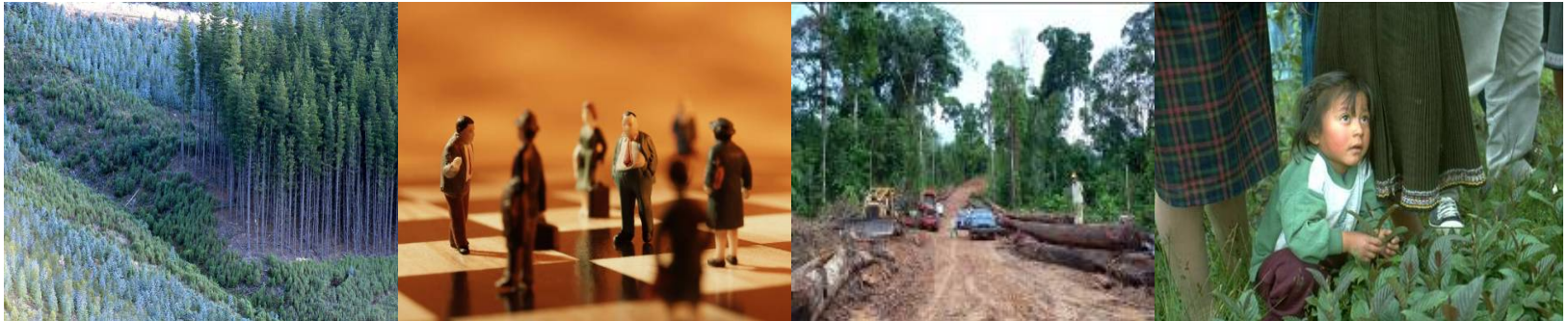


**National Forum to Strengthen Policies and Opportunities for Forest  
Investment in the Philippines  
12-14 August 2009, Makati City, Philippines**



**ASIA-PACIFIC PERSPECTIVES  
ON TROPICAL FORESTRY INVESTMENT**

**Patrick B. Durst, Senior Forestry Officer  
FAO Regional Office for Asia and the Pacific**

# Presentation outline

---



## 1. Investment issues in forestry



## 2. Perspectives from Asia-Pacific

# 1. Investment issues

---

- **Proposition:**

If forest management does not generate sufficient value or revenues for the forest manager, the forest will disappear or degrade.



- **Challenge:**

How to make forest management competitive with other land uses and attractive for investment?



# Three fundamental investment questions

- What does the forestry sector have to “sell”?
- Who are the potential investors?
- Can they earn a sufficient “return” on their investment (bearing in mind overall levels of risk)?



## 2. Perspectives from Asia and the Pacific

---

### **Policy study:**

“Identifying constraints to private sector investment in forestry”

(Workshop: Khon Kaen, August 2009)



### **Inter-regional workshop:**

“Financing mechanisms for Sustainable Forest Management: sharing experiences from Latin America and Asia-Pacific  
(Chiang Mai, November 2006)



# Common constraints to investment in forestry

- High (perceived) risk of forestry
- Poor reputation of the forest sector (corruption, illegal activities)
- Unstable and poorly functioning political, legal and institutional frameworks affecting forest governance
- Inconsistent, unstable and shifting policies
- Lack of secure land and/or resource tenure
- Inefficient forest practices resulting in low productivity
- Undervaluation of the multiple functions of forests
- Poor accessibility to financial mechanisms
- Long rotation for many forest species



# Private sector perspective

## Timberland investment attractiveness - #34 China

| Parameter                    | Score | Parameter                     | Score      |
|------------------------------|-------|-------------------------------|------------|
| Policy consistency           | 5     | Land tenure                   | 4          |
| Inflation                    | 7     | Land availability             | 3          |
| Economic climate             | 2     | Market accessibility          | 7          |
| Deviation from PPP           | 6     | Biological and physical risks | 4          |
| Strength of judicial system  | 2     |                               |            |
| Corruption                   | 3     | Total score in 2006           | 4.10       |
| Foreign ownership provisions | 3     |                               |            |
| Transport infrastructure     | 5     | <b>2006 ranking</b>           | <b>34=</b> |
| Local labor costs            | 6     | <b>2002 ranking</b>           | <b>28=</b> |
|                              |       | <b>1997 ranking</b>           | <b>29</b>  |

Source: DANA Timberland Review  
in FAO (2009): "The Future of Forests"

# How does the Philippines stack up?

## Transparency International Corruption Perceptions Index:

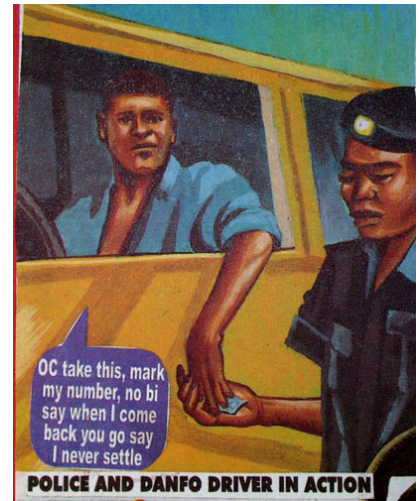
| Rank | Country       | Index |
|------|---------------|-------|
| 1    | New Zealand   | 9.3   |
| 9    | Australia     | 8.7   |
| 18   | United States | 7.3   |
| 72   | China         | 3.6   |
| 80   | Thailand      | 3.5   |
| 85   | India         | 3.4   |
| 121  | Vietnam       | 2.7   |
| 126  | Indonesia     | 2.6   |
| 141  | Philippines   | 2.3   |
| 166  | Cambodia      | 1.8   |

0 = highly corrupt 10 = very clean;  
TI ranking of 180 countries; 2008

## World Bank “Ease of Doing Business” Rankings

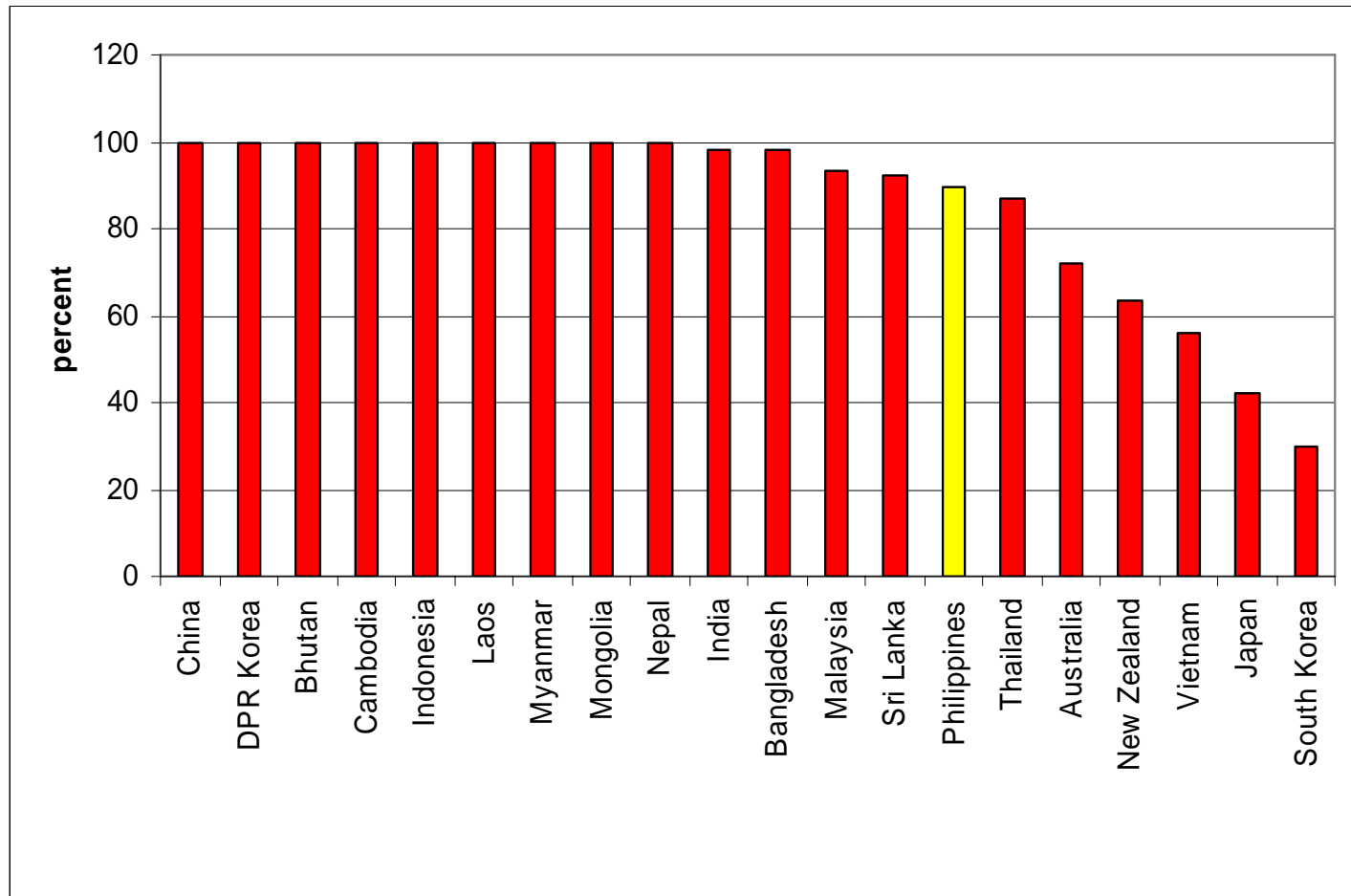
| Country       | Ease of Doing<br>Business Rank |
|---------------|--------------------------------|
| New Zealand   | 2                              |
| United States | 3                              |
| Australia     | 9                              |
| Thailand      | 13                             |
| China         | 83                             |
| Vietnam       | 92                             |
| India         | 122                            |
| Indonesia     | 129                            |
| Cambodia      | 135                            |
| Philippines   | 140                            |

World Bank 2009



# Who owns the forests?

Proportion of government ownership



Source: Global Forest Resources Assessment 2005

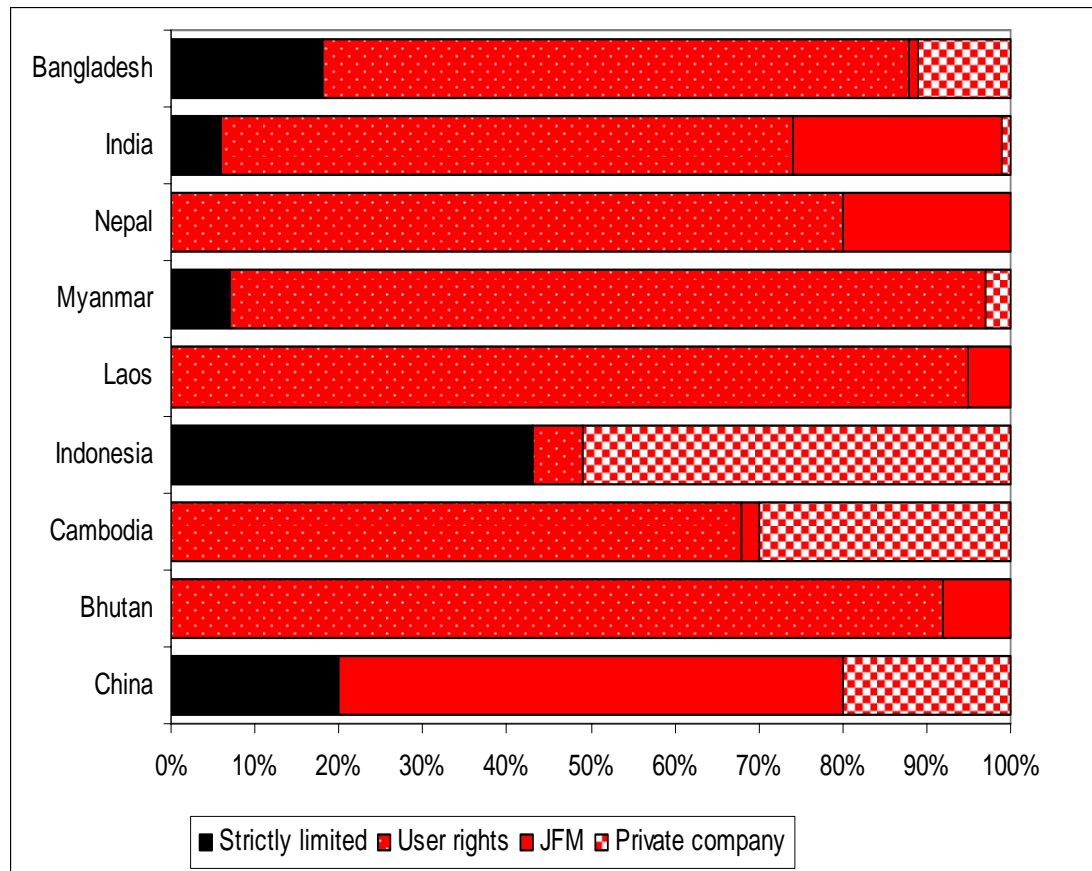
# But....who manages the forests?

Countries with approx. 100% government ownership

Black = exclusively  
managed by the state

Large areas of state-  
owned forests allow  
local/community use

OR are actually  
managed by others



# Ownership versus management

---

**Regardless of ownership, in almost all countries in the Asia-Pacific region, forests are managed by a patchwork of players:**

Federal government

State governments

Local body governments

Collectives

Communities

Local users

Indigenous groups

Private sector

Individuals

Centralist systems

Democratic socialist  
systems

Capitalist systems



# Investment / financing alternatives

---

- **Credit lines and project financing** - Bank loans, microfinance, targeted grants
- **Bilateral & multilateral aid** - Loans, grants, debt for nature swaps
- **Public budget funding** - Subsidies, tax credits, PES
- **Funds** - Forestry Funds, Conservation Trust Funds, SWFs
- **Partnerships** - Community- Public-Private partnerships
- **Private revenue instruments** - Revenues from sale of wood & NWFPs, PES, User concession payments & fees
- **Private investment instruments** - Investment capital, Venture capital, Capital market instruments (securities, forward contracts, etc), Portfolio investors (green funds)
- **Philanthropic donations & grants**



# Conceptual framework for strategic action

---

- Forest Financing Strategy as an integrated part of national forest programs (and based on the same principles)
- **Five key elements:**
  - SFM (forests and actors) as the central focus
  - Strengthening investment mechanisms
  - Establishing payment mechanisms for services and goods
  - Developing an enabling environment
  - Strategic approach



# Making forestry attractive for investors

*“Investors consider a number of macroeconomic, political, commercial and biological risk factors when assessing investment opportunities.”*

Dennis Neilson,  
DANA Ltd.

High risks require high returns.

The challenge for countries in the region is to mitigate risks to make forestry more attractive to investors.





**Thank you!!**