

**National Forum to Strengthen Policies and Opportunities for Forest  
Investment in the Philippines  
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**ASIA-PACIFIC PERSPECTIVES  
ON TROPICAL FORESTRY INVESTMENT**

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# Presentation outline

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## 1. Investment issues in forestry



## 2. Perspectives from Asia-Pacific

# 1. Investment issues

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- **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

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### **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:

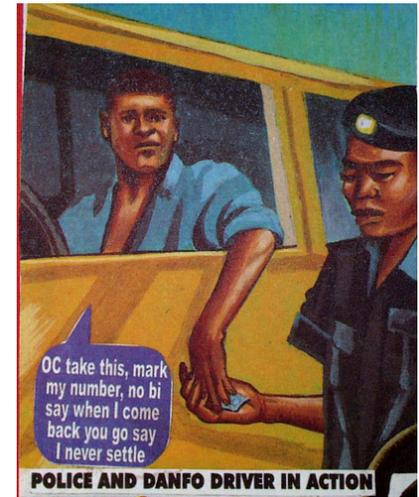
Rank	Country	Index
1	New Zealand	9.3
9	Australia	8.7
18	United States	7.3
72	China	3.6
80	Thailand	3.5
85	India	3.4
121	Vietnam	2.7
126	Indonesia	2.6
<b>141</b>	<b>Philippines</b>	<b>2.3</b>
166	Cambodia	1.8

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

## World Bank “Ease of Doing Business” Rankings

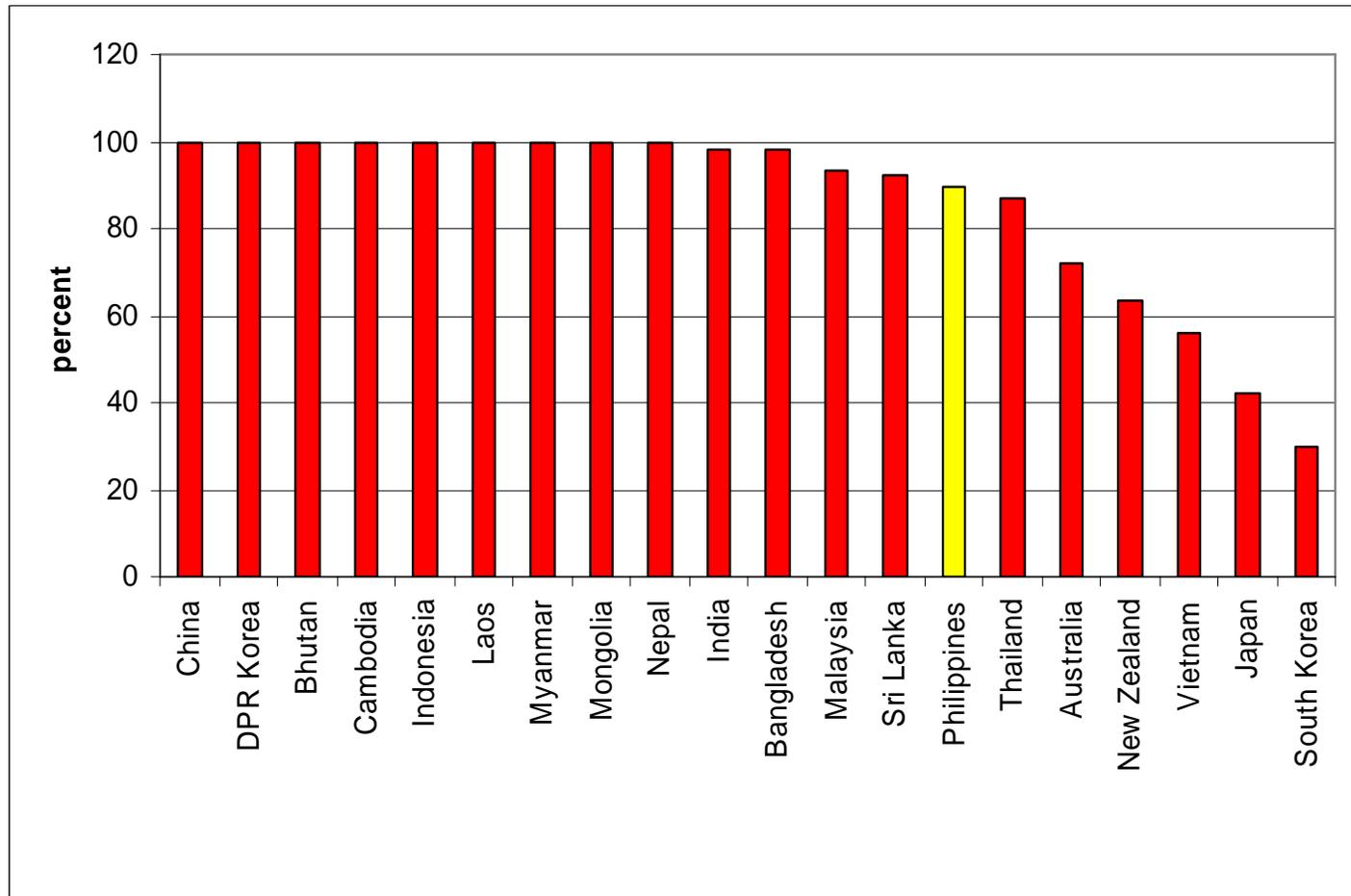
Country	Ease of Doing Business Rank
New Zealand	2
United States	3
Australia	9
Thailand	13
China	83
Vietnam	92
India	122
Indonesia	129
Cambodia	135
<b>Philippines</b>	<b>140</b>

World Bank 2009



# Who owns the forests?

Proportion of government ownership



Source: Global Forest Resources Assessment 2005

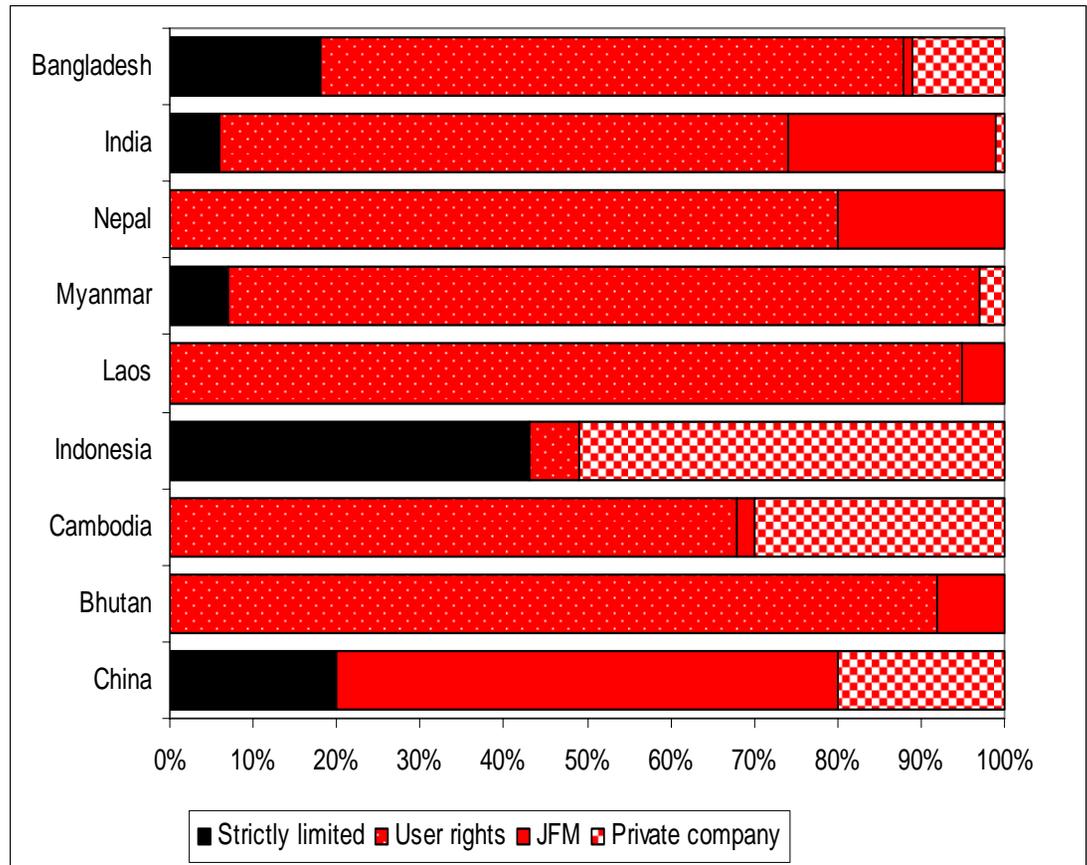
# But....who manages the forests?

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

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**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

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- **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

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- 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!!**