



**FINANCING AND BANKING  
INSTRUMENTS FOR FORESTRY  
INVESTMENTS**

National Forum to strengthen Policies and Opportunities  
for Forest Investment in the Philippines

Forest Management Bureau, DENR

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# **FINANCING AND BANKING INSTRUMENTS FOR FORESTRY INVESTMENTS**



Presented By

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# PRESENTATION OUTLINE

**I. DBP: A QUICK PROFILE**

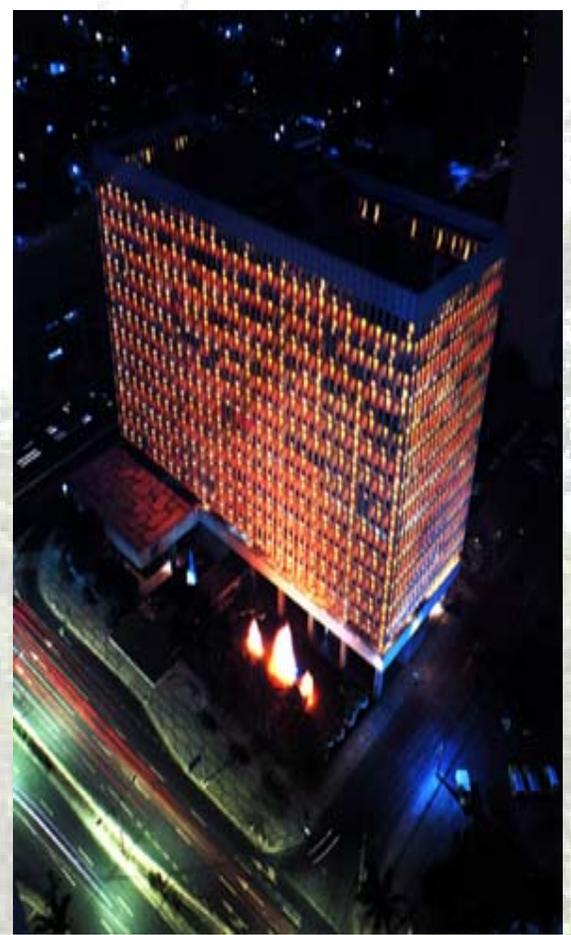
**II. THE DBP FOREST PROGRAM**

**III. FINANCING FOREST INVESTMENTS**



# DBP: A QUICK PROFILE

- ✓ 7<sup>th</sup> Largest Bank in the Philippines as of June 2009
- ✓ Top GOCC in Corporate Governance: By ICD in 2006 and ADFIAP in 2007
- ✓ Outstanding CEO of the Year Awarded by ADFIAP in 2008
- ✓ ADFIAP Award for Most Outstanding CSR Project (April 2009)
- ✓ 1<sup>st</sup> Local Bank to be ISO 14001 Certified





# DEVELOPMENT GUIDEPPOSTS

- ✓ Archipelagic Configuration: Optimize it for a Sound Development Strategy
- ✓ Pilipino People: Recognize it as the Nation's most Important Resource
- ✓ Principles of Sustainable Development: Economic, Social, Environmental
- ✓ DBP's Mandate: Pursue a Bias for MSMEs especially in the Countryside



# PRIORITY THRUSTS



## 1. INFRASTRUCTURE & LOGISTICS

SLDP, Power Resources, Water Resources



## 2. ENVIRONMENT

Waste Management, Pollution Prevention



## 3. SOCIAL DEVELOPMENT

Livelihood, Housing, Health, Education

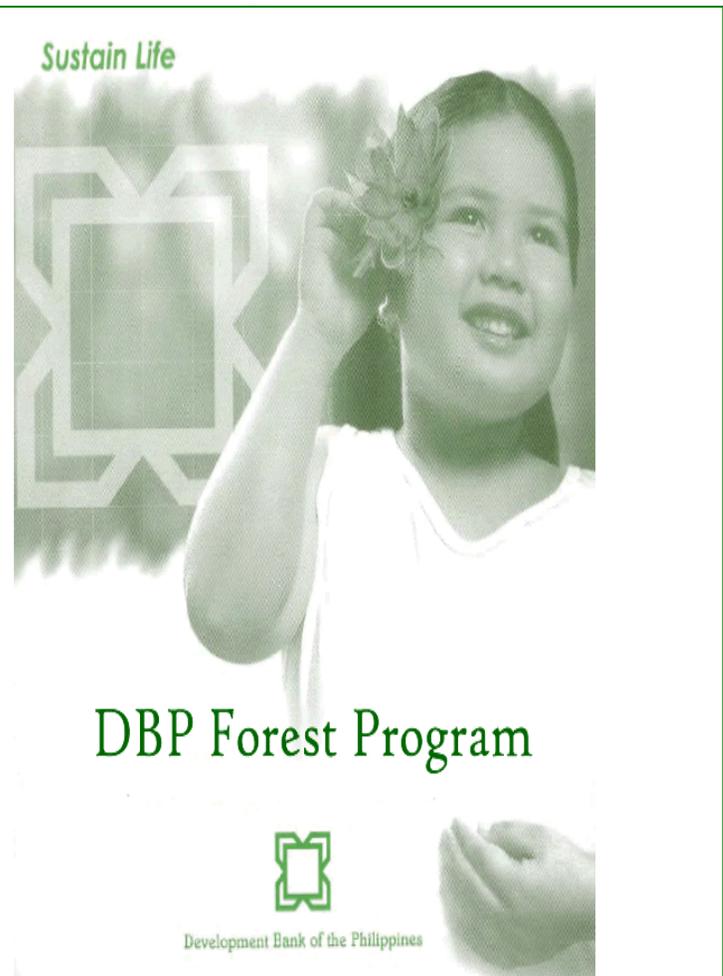
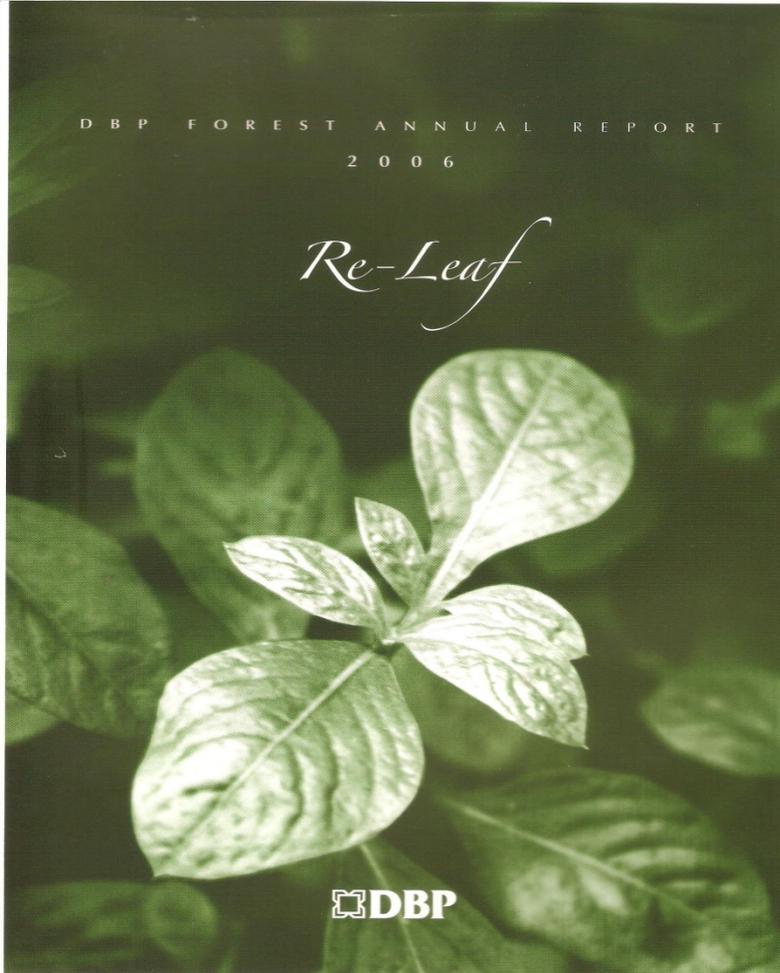


## 4. MICRO + SMEs

MSME, OTOP, Guarantees, Eco-Tourism



# DBP FOREST PROGRAM



**Conceived in December 2004 after the Infanta tragedy. Launched in 2005.**



# DBP FOREST PROGRAM



## Upland Forest

- ✓ Prevents soil erosion
- ✓ Conserves water
- ✓ Provides habitat for wildlife
- ✓ Creates rural livelihood opportunities



# DBP FOREST PROGRAM



## Mangrove Forest

- ✓ Provides spawning ground for fishes and crustaceans
- ✓ Protects coastlines from erosion
- ✓ Serves as natural buffer vs strong wind and waves
- ✓ Creates rural livelihood opportunities



# DBP FOREST PROGRAM

## BASIC PRINCIPLES



1.

**NO CUTTING  
OF TREES**

**TO PLANT  
TREES**



# DBP FOREST PROGRAM

## BASIC PRINCIPLES



2.

**NOT A LOAN**

**AN ASSISTANCE;  
A PARTNERSHIP**



# DBP FOREST PROGRAM

## PRIORITY AREAS

- ✓ **Disaster Prone Areas:** cover 4 watersheds and river basins
- ✓ **Restoration Areas:** include 21 watersheds
- ✓ **Critical Watershed Areas:** 140 supporting the national irrigation systems

Source of Basic Data: DENR-FMB



# DBP FOREST PROGRAM

## CHOICE OF PROJECT SITES

- ✓ Compatibility with Certain Orchard types
- ✓ Accessibility to Transportation
- ✓ Incidence of Soil Erosion
- ✓ Qualities of Partner Organization
- ✓ Poverty Incidence in the Area





# DBP FOREST PROGRAM

## ID OF FOREST PARTNERS

- **SUC, PO, LGU, OGA:**
  - Tenurial control over vast track of public land
  - Legality & relevance of partner entity
  - Activeness & capability of organization and members
  - Basic skills and resources for venturing into a forest project
  - Planting and maintenance plan



# DBP FOREST PROGRAM

## ID OF FOREST PARTNERS

- **JV with PRIVATE COMPANY:**
  - Loan borrowing capacity
  - Willingness and capability to share equity for upstream linkages
  - Feasibility study/Business plan
  - Other regular credit requirements



# DBP FOREST PROGRAM

## DBP ASSISTANCE TO PARTNERS

- ✓ Cost of Planting Stocks: 100%
- ✓ Allowance for Mortality: 10%
- ✓ Cost Support: 40% (of cost of stocks) for planning, pre-planting & OPEX





# DBP FOREST PROGRAM

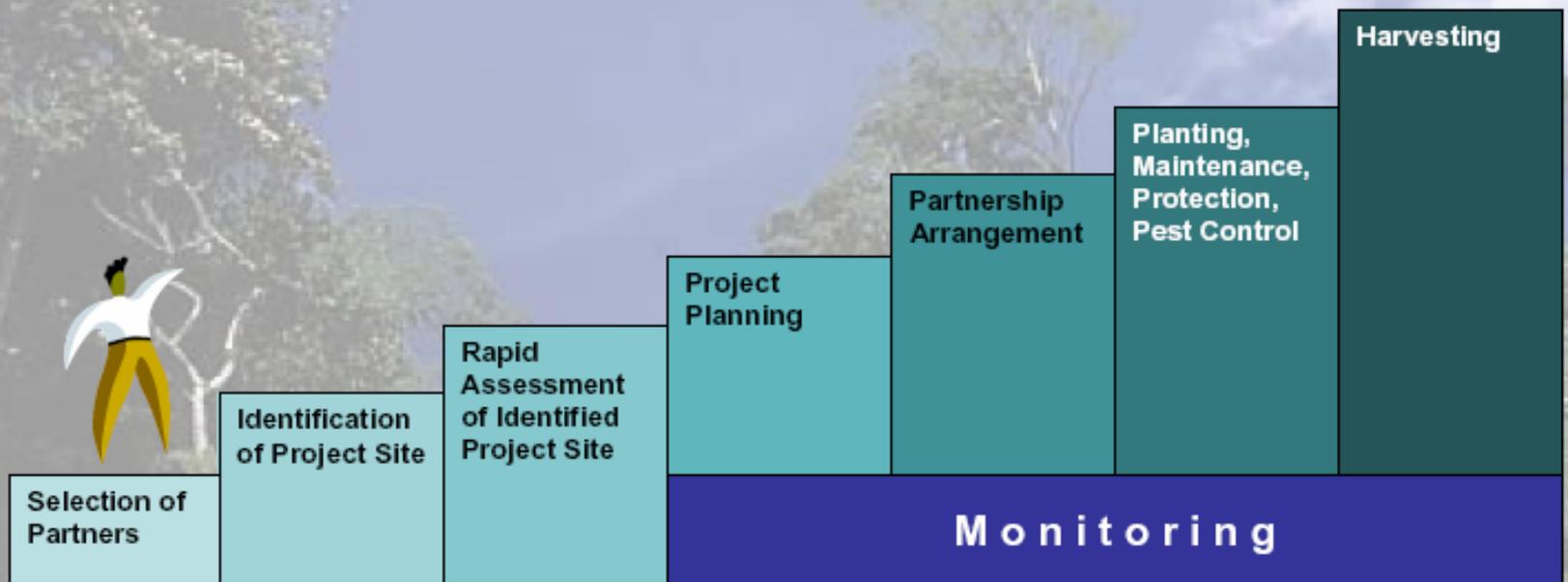
## SALIENT FEATURES & CONCEPTS

- ✓ **Plant Species:**
  - **High value fruit or forest trees**
  - **Compatibility with soil, climate & terrain conditions**
  - **Market/economic potential**
- ✓ **Revenue-Sharing:** 70:30 for income generation forests
- ✓ **Project Size:** 50-500 has. Upland; 10-100 has. Coastal
- ✓ **Planting Scheme:** spacing, mix planting, intercropping
- ✓ **Accreditations:** nurseries and plant suppliers
- ✓ **PEER:** for approval & Review Process



# DBP FOREST PROGRAM

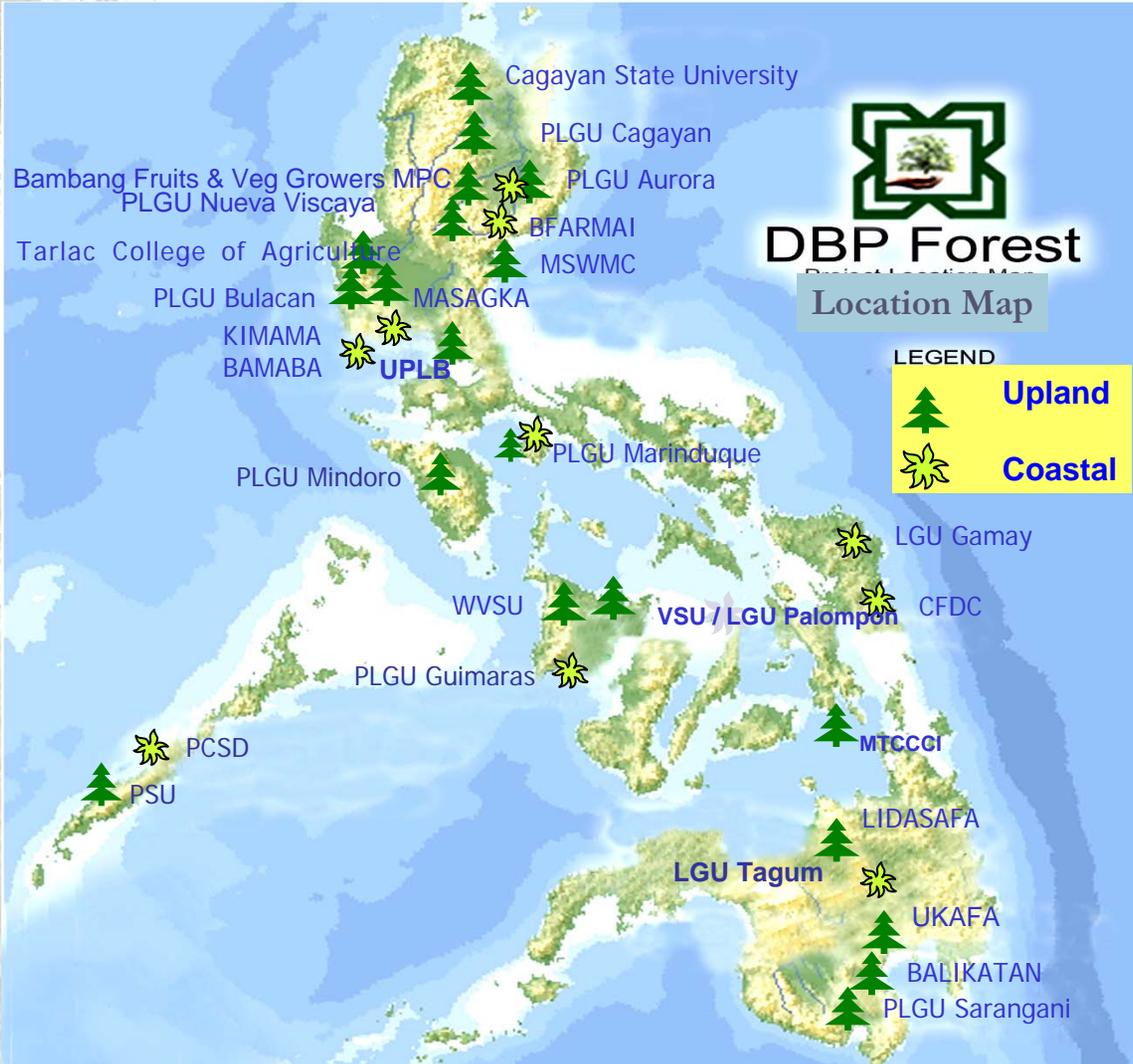
## Work / Process Flow of DBP Forest





# DBP FOREST PROGRAM

**P 108.36 Million**



<b>PO</b>	<b>11</b>
<b>LGU</b>	<b>10</b>
<b>SUC</b>	<b>6</b>
<b>OGA</b>	<b><u>1</u></b>
	<b><u>28</u></b>

<b>Luzon</b>	<b>17</b>
<b>Visayas</b>	<b>5</b>
<b>Mindanao</b>	<b>6</b>

**5,722 Hectares**

<b>20 Upland</b>	<b>5,324</b>
<b>10 Coastal</b>	<b>398</b>

**Has. Planted 2,843**

**Fruit Trees**  
**Forest Trees**  
**Mangroves**

# FOREST INVESTMENTS

## RISK FACTORS

- ✓ **Long Gestation:** need to address sustenance req'ts of farming families
- ✓ **Economies of Scale:** difficulty in monitoring large tracks of forest projects
- ✓ **Accessibility:** availability of forest inputs and markets for forest products
- ✓ **Susceptibility to Damage:** exposure to natural calamities and pest infestation

# FOREST INVESTMENTS

## LOAN PACKAGING DIMENSIONS

### ✓ Management:

- Farmer groups instead of individual farmer
- Legal entity with tenurial rights over public land
- Capacity building on group dynamics

### ✓ Technical:

- Soil suitability & tree species requirements
- Asexual propagation to ensure inherent traits of products
- Spacing, mix-planting, forest farm inputs & pest control



# FOREST INVESTMENTS

## LOAN PACKAGING DIMENSIONS

### ✓ Market:

- “Big Brother” approach – contract growing
- Post-harvest & other infrastructure support
- Processing options for community value-adding

### ✓ Financial:

- Cash flow basis for the term of the loan
- Intercropping for sustainability needs of families
- Community (internal) provision of forestry input req'ts



# FOREST INVESTMENTS

## LOAN PACKAGING DIMENSIONS

- ✓ **Repayment/Security:**
  - **Setting up of cash-capture mechanisms**
  - **Security cover: crop insurance, collateral arrangements**
- ✓ **Other Aspects:**
  - **Vetting of sources of seedlings and forestry inputs**
  - **Integrated community development approaches**
  - **Joint venture arrangements with private enterprise**

**THANK YOU**

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