

A photograph of a forest landscape. In the foreground, there are several tall, slender trees with light-colored bark. The background is filled with a dense canopy of green trees. The sky is overcast with grey clouds. The text "FINANCING AND BANKING INSTRUMENTS FOR FORESTRY INVESTMENTS" is overlaid in the center in a bold, red, sans-serif font.

FINANCING AND BANKING INSTRUMENTS FOR FORESTRY INVESTMENTS

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

Forest Management Bureau, DENR

August 12-14, 2009 AIM Conference Center, Makati

FINANCING AND BANKING INSTRUMENTS FOR FORESTRY INVESTMENTS



Presented By
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Senior Vice President



PRESENTATION OUTLINE

I. DBP: A QUICK PROFILE

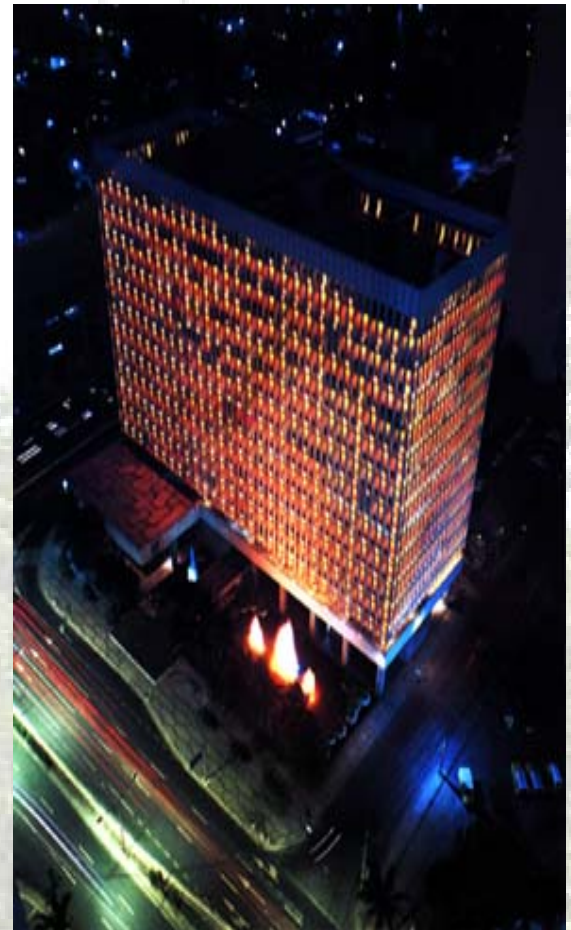
II. THE DBP FOREST PROGRAM

III. FINANCING FOREST INVESTMENTS



DBP: A QUICK PROFILE

- ✓ 7th 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)
- ✓ 1st Local Bank to be ISO 14001 Certified



DEVELOPMENT GUIDEPOSTS

- ✓ 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

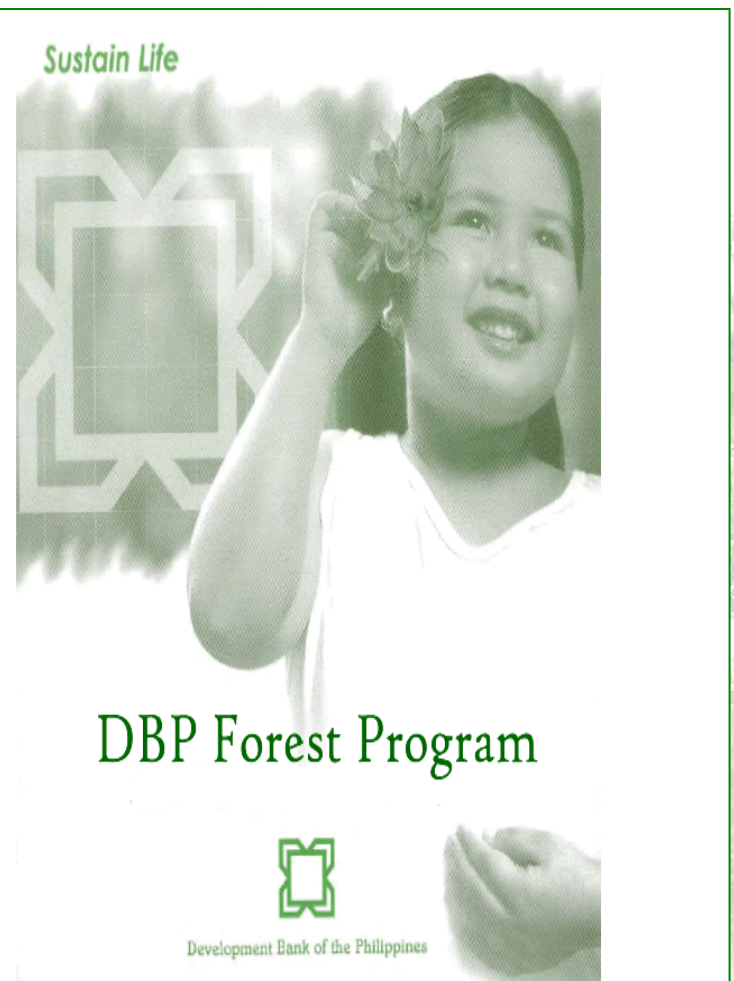
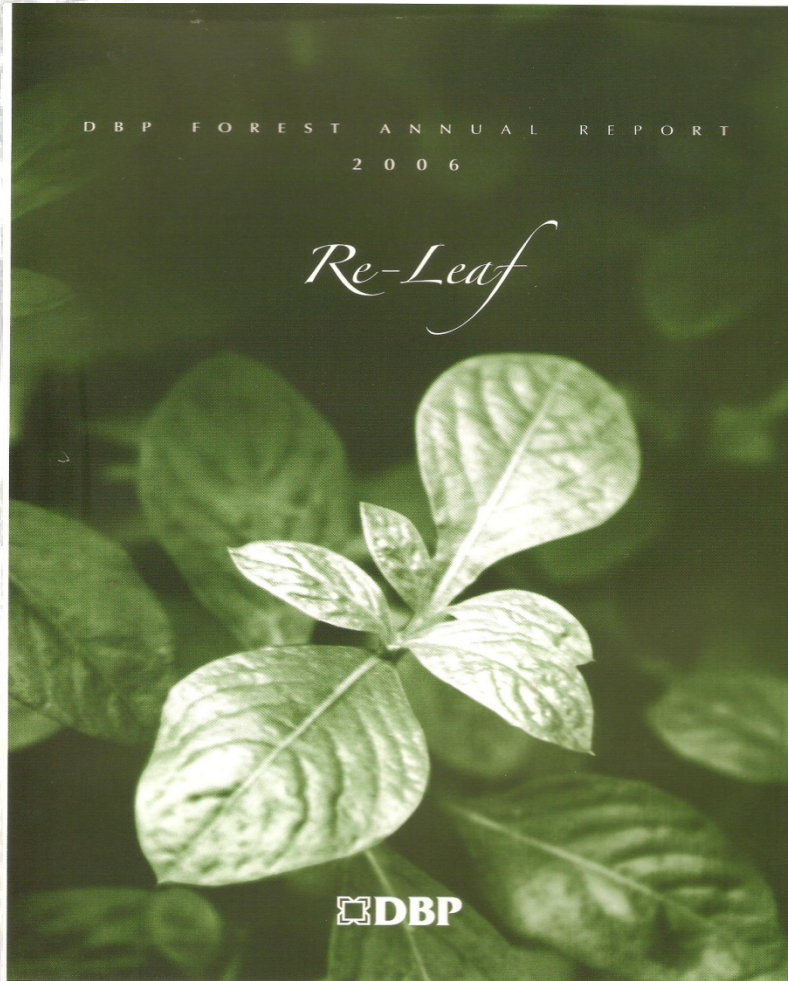


4. MICRO + SMEs

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





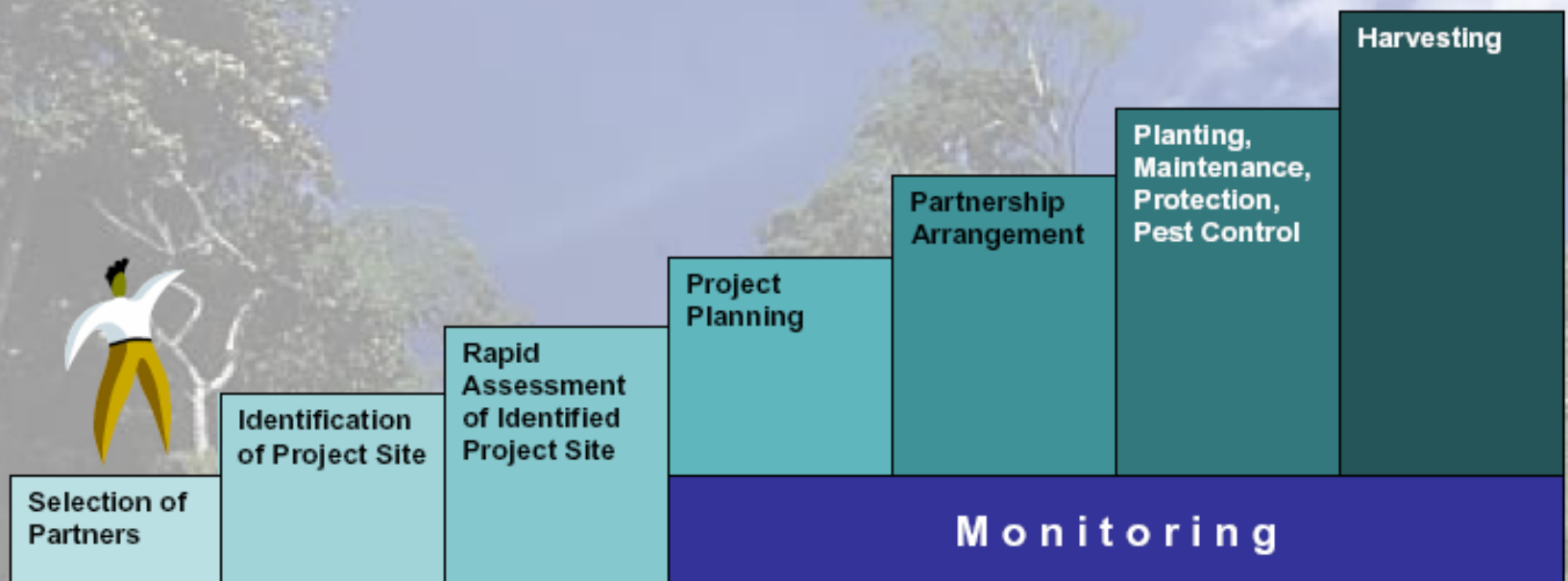
DBP FOREST PROGRAM

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

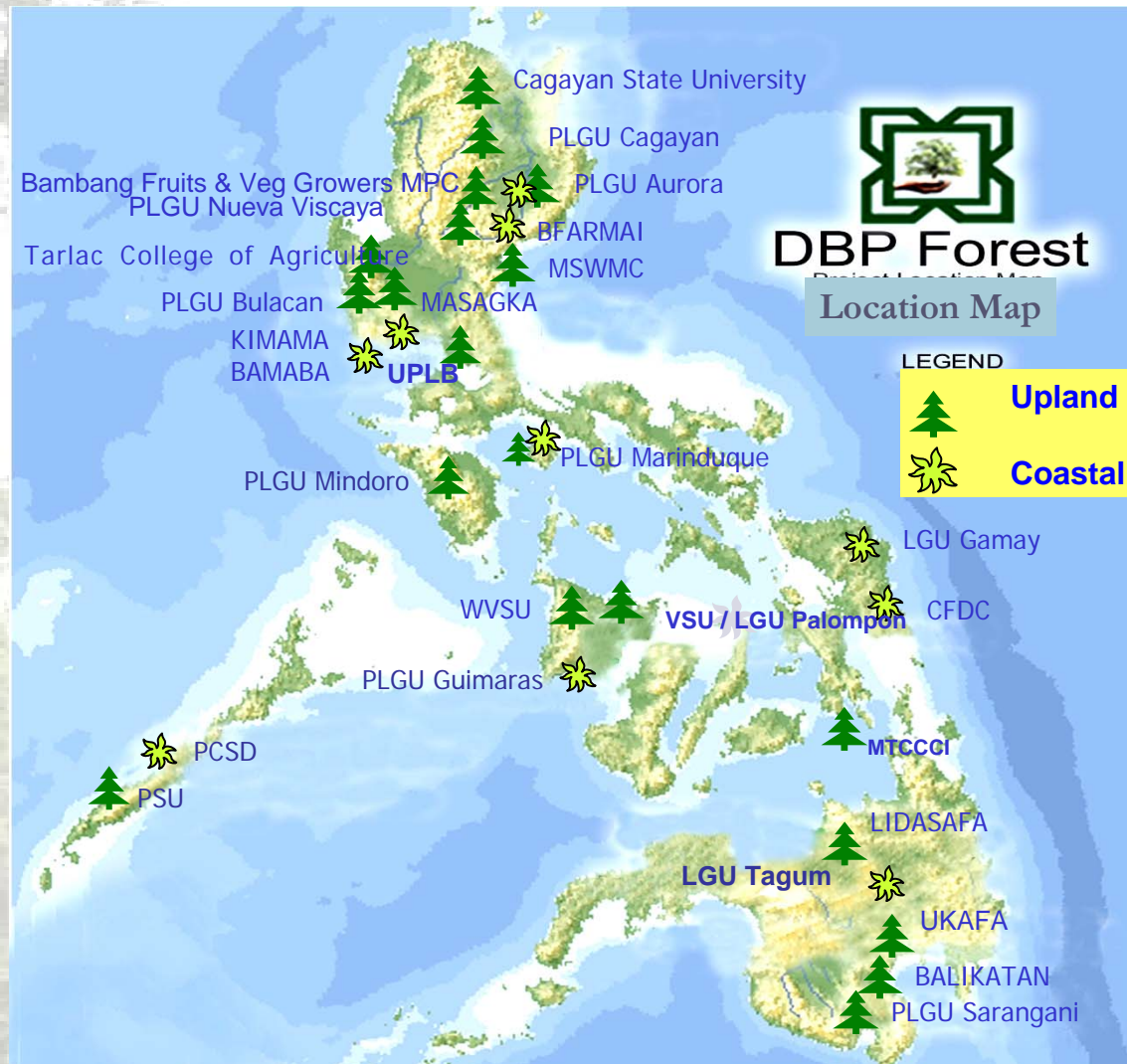
DBP FOREST PROGRAM

Work / Process Flow of DBP Forest





DBP FOREST PROGRAM



P 108.36 Million

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

Luzon	17
Visayas	5
Mindanao	6

5,722 Hectares

20 Upland	5,324
10 Coastal	398

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

**FINANCIAL BANKING
INSTRUMENTS FOR FORESTRY
INVESTMENTS**

