

OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FOR FORESTRY INVESTMENTS IN THE PHILIPPINES

By:

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Outline of Presentation

1. Overview of outstanding policy issues and problems in the forestry sector
2. Current ODA portfolio of DENR and ODA financing for the forestry sector
3. Available financing windows from bilateral and multilateral financing institutions
4. Constraints and opportunities in financing investments for forestry
5. Recommendations for increasing investments in the sector

Outstanding Policy Issues and Problems in the Forestry Sector

- **Absence of a comprehensive Philippine Forestry Policy**
- **Fragmented and incoherent forest management policies**
- **Absence of a clearly defined boundary of permanent forestlands**

Outstanding Policy Issues and Problems in the Forestry Sector

- **Deficiencies in the implementation of CBFMA**
- **Weak private sector participation in reforestation**
- **Slow progress in watershed rehabilitation**

Outstanding Policy Issues and Problems in the Forestry Sector

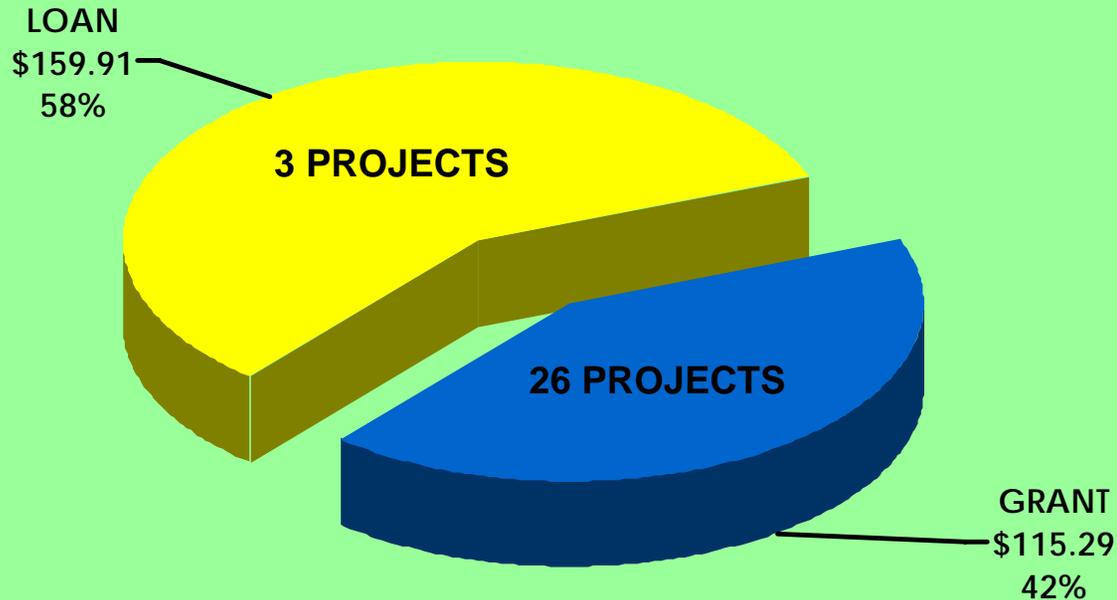
- Existing regulations inhibit proper management of proclaimed watershed
- Lack of capability for watershed ecosystem management
- **INVESTMENT GAPS IN THE FORESTRY SECTOR (decline in ODA over the years)**

ODA Financing for the Forestry/Upland Sector (2000-2009)

Year	No. of FAPs	Amount (US\$ '000)
2000	8	181,956.82
2001	11	185,403.82
2002	12	127,614.10
2003	12	124,713.58
2004	11	40,136.08
2005	10	39,386.26
2006	10	24,509.64
2007	8	24,361.56
2008	7	9,404.43
2009	7	21,857.76

CY 2008 ODA Portfolio of DENR

*Total Cost of DENR FAPs Portfolio
(In Millions US\$)
as of December 2008*



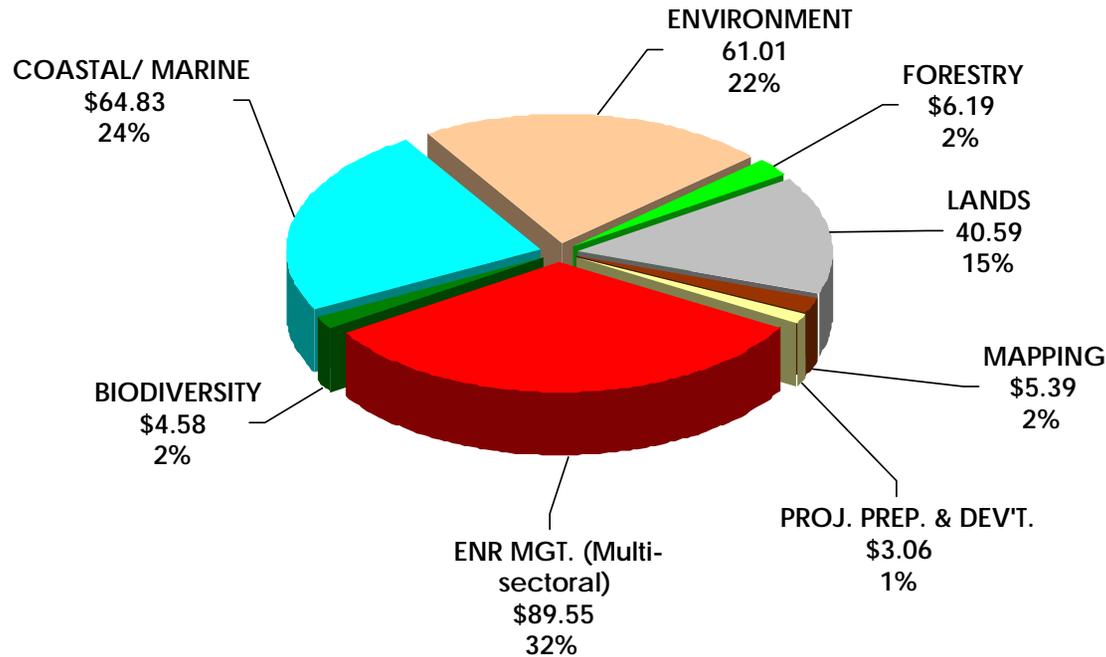
TOTAL - \$ 275.2 M

Note: 1) US\$50 M (ENRMP) – WB Loan under a Budget Support Arrangement

CY 2008 Distribution of FAPs By Sector

Distribution of FAPs by Sector

(In Millions US\$)
as of December 2008

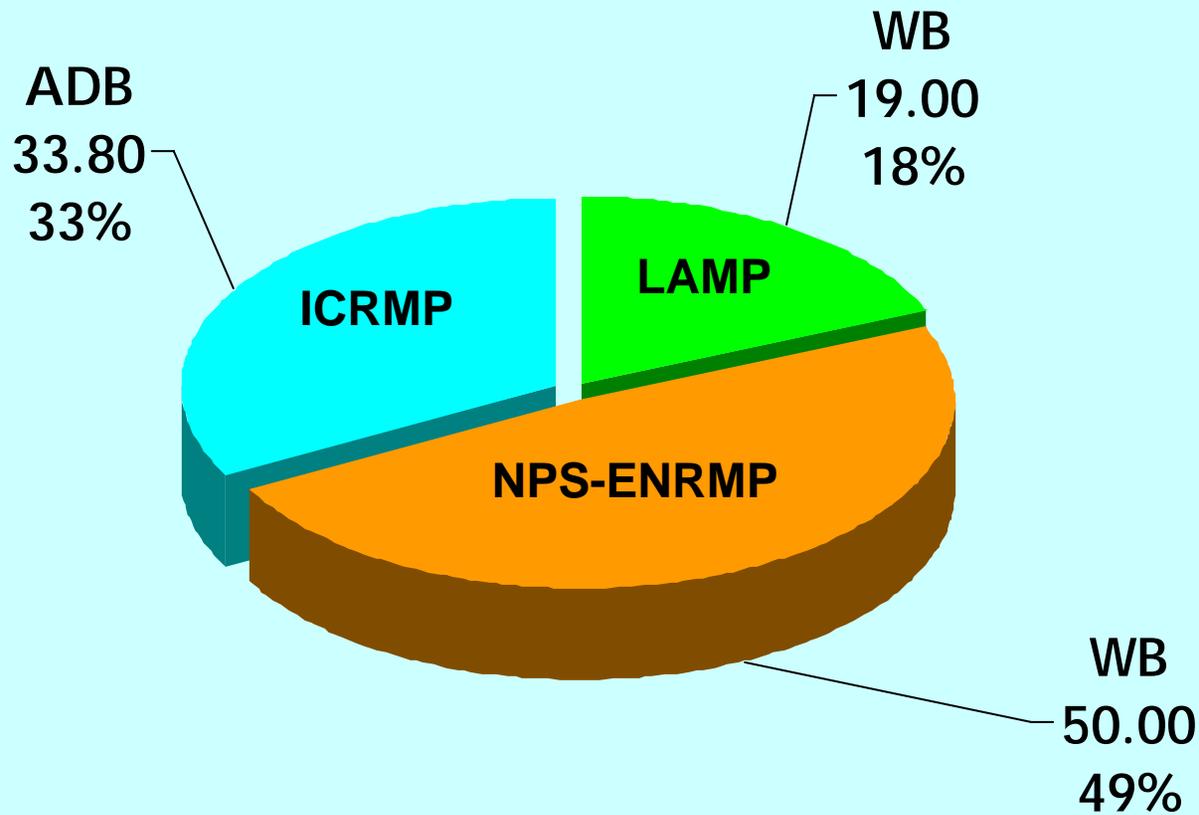


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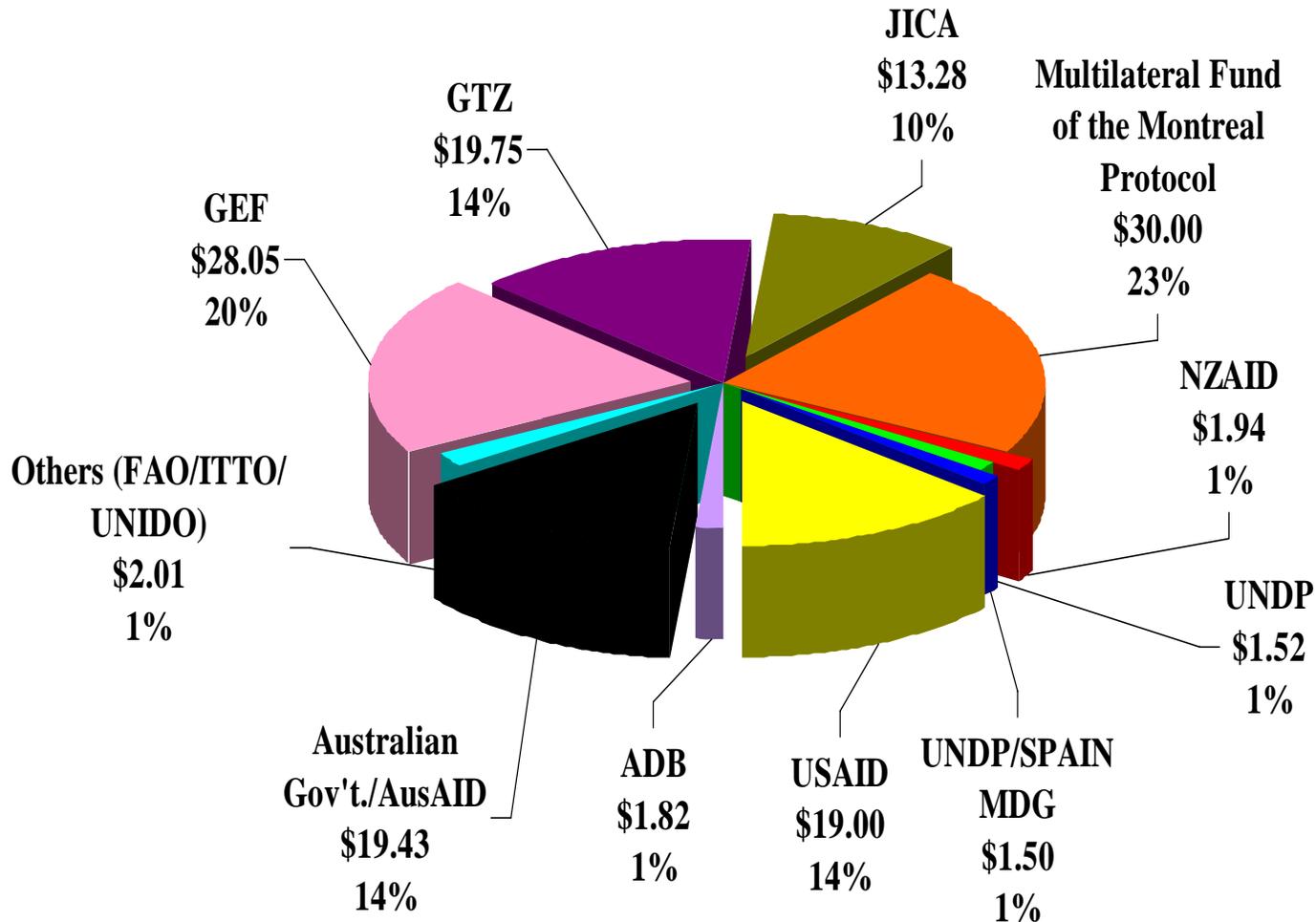
Sources of Loans

(US\$ million)



Sources of Grants

(In Millions US\$)



Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions

Bilateral Donors

1. **United States Agency for International Development (USAID)**

Thrust/Areas of Assistance:

- Energy and Environment

Type of Assistance:

- Grants and Technical Assistance Projects

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

2. German Agency for Technical Cooperation (GTZ)

Thrust/Areas of Assistance:

- Environmental policy, protection and sustainable use of natural resources
- Water, water management and waste disposal

Type of Assistance:

- Technical Assistance (Expert assignment, limited technical equipment, training and scholarship and pre-investment study)

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

3. German Agency for Financial Cooperation (KfW)

Thrust/Areas of Assistance:

- Reform programs and investments in the environment, economic and social infrastructure.

Type of Assistance:

- Concessionary loans and grants (*sector programs, consulting services, training*)

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

4. Japan International Cooperation Agency (JICA)

Thrust/Areas of Assistance:

- Sustainable economic growth, poverty reduction, improving governance, achieving human security
- *Types of Assistance:*
- Technical Cooperation, ODA Loans and Grant Aid

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

5. New Zealand Agency for International Development (NZAID)

Thrust/Areas of Assistance:

- Governance, resource management, indigenous peoples, peace and development, and human resources development

Types of Assistance:

- Grants, project type, scholarship and training and direct support to NGOs.

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

6. Australian Agency for International Development (AusAID)

Thrust/Areas of Assistance:

- Economic growth, basic education, national stability and human security

Types of Assistance:

- Grants (project type and facility type)

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

Multilateral Donors

1. World Bank (WB)

Thrust/Areas of Assistance:

- Improving the service delivery of government institution, economic growth and poverty reduction

Types of Assistance:

- Investment Loans (*Specific Investment Loans, Sector Investment and Maintenance Loans, Adaptable Program Loans, Learning and Innovation Loans, Financial Intermediary Loans, and Technical Assistance Loans*)

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

World Bank: Institutional Development Fund (IDF)

The IDF is an instrument designed to finance quick, action oriented, upstream capacity-building activities that are closely linked to the WB's policy dialogue and country assistance strategy.

Types of Assistance:

- Grants for capacity building activities

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

World Bank: Policy and Human Resources Development Fund (PHRDF)

The PHRD grants, extended by the Japanese Government and administered by WB, primarily support the development of the lending program and the preparation of specific projects to be subsequently supported by the Bank.

It provides funds for technical assistance and capacity building for project implementation, climate change initiatives and efforts to enhance aid coordination capacity for effective & efficient use of donor funds.

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

Multilateral Donors

2. Asian Development Bank (ADB)

Thrust/Areas of Assistance:

- Project preparation for subsequent investment financing
- Institutional building, policy/sector studies, national development plan formulation (purely grant)
- Support innovative poverty reduction and social development activities.

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

Asian Development Bank (*continued*)

Types of Assistance:

- Project Preparatory Technical Assistance
- Advisory Technical Assistance
- Investment Loans and Capital Investment
 - Program loans or Policy based loans
 - Policy and international reforms
 - Sector Loans

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

Multilateral Donors

3. United Nations Development Programme (UNDP)

Thrust/Areas of Assistance:

- Achieving the Millennium Development Goals and Reducing Human Poverty
- Fostering Democratic Governance
- Managing Energy and Environment for Sustainable Development
- Supporting Crisis Prevention and Recovery

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

UNDP (*continued*)

Types of Assistance:

- Grants for technical assistance

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

4. Food and Agriculture Organization (FAO)

Thrust/Areas of Assistance:

- Biodiversity conservation
- Climate change
- Emergency Operations
- Ethics and gender
- Information management
- Organic Agriculture
- Sustainable livelihoods

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

FAO (*continued*)

Types of Assistance:

- Technical Cooperation Programme (Grants)

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

5. Global Environment Facility (GEF)

The GEF serves as ‘financial mechanism’ for implementing international conventions on biodiversity, climate change, persistent organic pollutants, and for the Convention to Combat Desertification.

Focal Areas of Grant Assistance:

- Biological Diversity
- Climate change
- International waters
- Ozone layer depletion
- Persistent Organic Pollutants
- Land Desertification

Available Financing Mechanisms From Bilateral and Multilateral Financing Institutions (*continued*)

GEF (*continued*)

Type of Assistance : GRANTS

GEF Small Grants Programme: This is a funding window for developing countries being managed by UNDP. It supports small-scale activities that address concerns on global warming, pollution of international waters, biodiversity destructions and ozone layer depletion.

Constraints and Opportunities In Financing Investments For Forestry

- ▶ The benefits of sustainable forest management do not generate revenue for forest owners and managers. As such, they have no incentive to produce the full range of benefits from forests and continue to focus on production of timber and a few other marketed products

Constraints and Opportunities In Financing Investments For Forestry

- ▶ Complexity and generally higher costs and perceived risks of sustainable forest management compared to other land uses, including unsustainable forest practices.
- ▶ These constraints are compounded by policy, legal and institutional constraints such as weak institutions, lack of policy, unresolved land tenure issues and weak governance, and lack of technical capacity.

Recommendations for Increasing Investments In The Sector

- ▶ Ensuring stability and consistency of policies and laws
- ▶ Clarifying tenure rights and access to resources
- ▶ Increasing availability of and access to forest sector information
- ▶ Involvement of private sector and CSOs
- ▶ Pursuing innovative schemes to support forestry sector
- ▶ International Advocacy

Conclusions

- ▶ Official Development Assistance (ODA) is an important source of finance, particularly for forest conservation and management.
- ▶ ODAs serve as a useful catalyst for developing sustainable financing mechanisms, but should not be seen as a long-term solution to financing challenges.