

Investing in the Community: Why a Private Investor is Necessary to Promote Sustainable Forest Management in Natural Tropical Forest

ITTO Asia-Pacific Tropical Forest Investment Forum

Bangkok, Thailand

August 6-8, 2007

Sandy Sandoval

Email: sandydelsan@yahoo.com.ph

Contents

- **Sandovals' group contributions for community development in Palawan Province**
- **Profile of Palawan province for community development**
- **Why invest in Palawan natural forest community**
- **Why almaciga resin processing is the right investment**

Contents

- **How is crude almaciga resin processed and what products can be derived from it**
- **Why a private investor is needed in the ITTO/FPRDI's project on almaciga resin processing**
- **What are the economic benefits of the ITTO/FPRDI's project on almaciga resin processing**
- **How can communities best capture investments in natural tropical forest**

Sandovals' group contributions for community development in Palawan Province

Past Contributions

- **Scholarships for college students in major campuses in the province**
- **Assisted in the development of several island ports in northern Palawan**
- **Served as chairperson in the Palawan Council for Sustainable Development who oversees all investments in Palawan**

Present Investments

- **Sugar cane plantation for ethanol production**
- **Offshore oil production support - shipping**
- **Mining support - shipping**
- **Almaciga resin –
ITTO/FPRDI Project PD 36/99
Rev. 4(I)**

Profile of Palawan Province for Community Development



■ Environmentalist Society

In the Philippines, Palawan has the:

- Most number of environmentalist groups
- Most preserved natural forest
- Since 1994, total log ban in the province's natural forests
- The Palawan Council for Sustainable Development (PCSD) governs the implementation of environmental plan for Palawan



- **High respect for native tribes and ancestral domain**



Palawan Council for Sustainable Development (PCSD) grants preferential rights to indigenous cultural communities for their ancestral domain and ensures the protection of tribal people and preserve their culture; among other considerations





- Dominant industries are tourism, fishing, oil, mining, forestry (natural and plantation)



- Palawan is one of the country's least developed provinces. This maybe attributed to the presence of strong environmentalist associations
- high unemployment and underemployment rate



- most organized and skilled gatherers of almaciga resin in the country

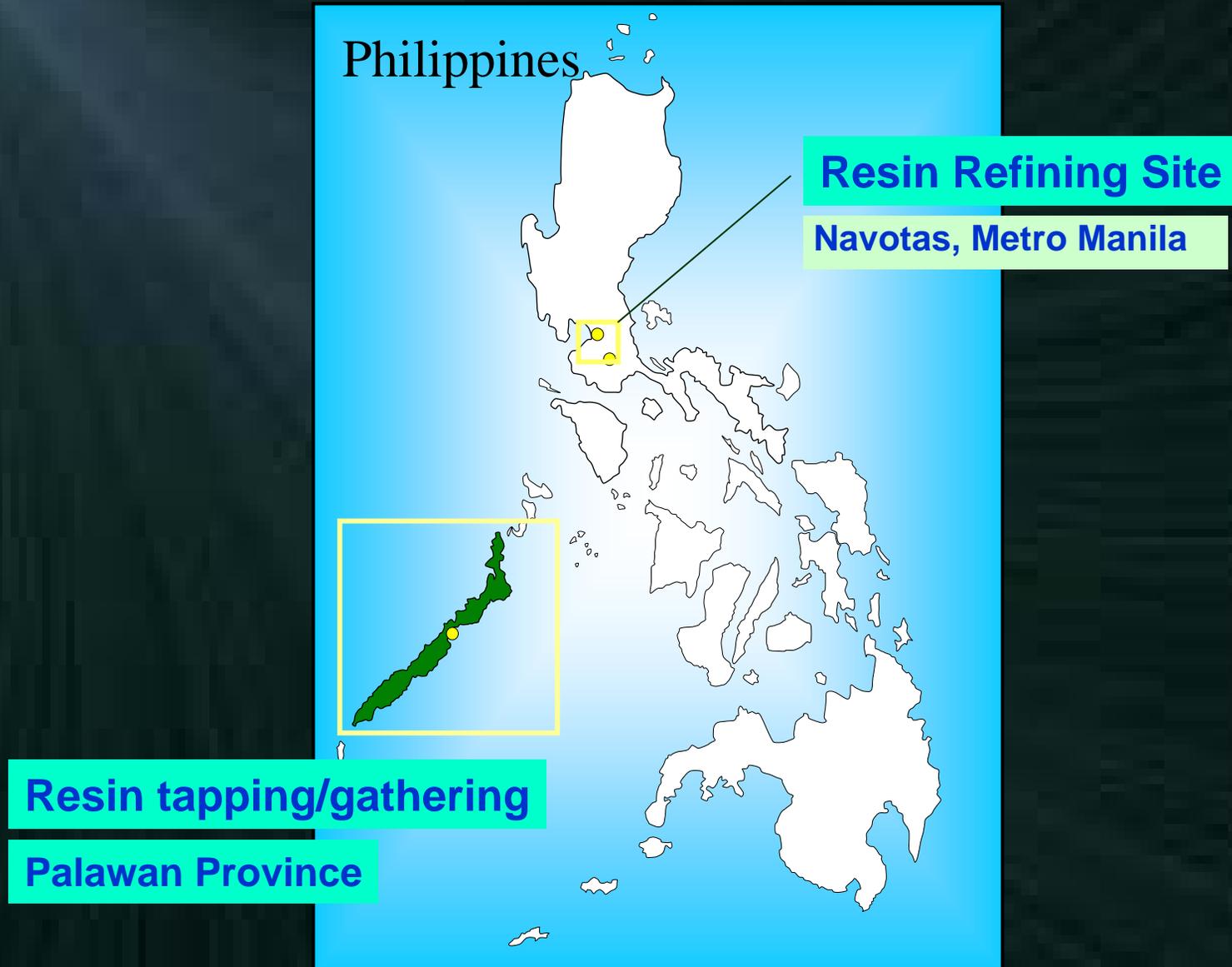
The resin gatherers are organized into cooperatives and their tapping skills is an indigenous knowledge.



Why invest in Palawan natural forest community



Investments sites: Palawan and Navotas





- **Sustainable resource because almaciga trees grow naturally in the Province of Palawan**

Cutting of almaciga trees is prohibited in the country.

Resin sustainability will continue as long as there are standing almaciga trees in the natural forest



- **Most developed gatherers of almaciga resins in the country**

Resin tapping is a livelihood activity which is handed down through generations



- **Network gatherers may be tapped for other non-timber products and/or cottage industries i.e., honey, basket weave**



- **Strengthening of relationship/partnership with native tribes is already an integral part of our community program within our own investments.**

Our aim is to have our model adopted by other industry players in the province when dealing with our indigenous people



- **Gathering/revenue generation model may be adopted by other industrial players in the province as part of their community support program**

**Why almaciga resin
processing is the right
investment**



- **Big volume potential as almaciga tree grows in several areas in the Philippines, not only in Palawan.**

Palawan is the major producer of almaciga resin in the country. Other almaciga resin producing forest communities remained untapped which can be developed as potential sources



- **Large market potential**

Application is unlimited once competitive price structure is achieved



- **Price stability advantage**

The cost of refined almaciga resin is more stable since it is locally produced compared with imported resins



- It's a new product in the Philippines and a new enterprise development

A pioneering enterprise is eligible for income tax holiday for at least six years reckoned from the start of commercial operations



- **Good substitute to imported natural resins**

Local industrial users of resin are very receptive to the idea of a local resin supplier with good quality and supply capability. They are now studying new application of the almaciga resin.



- **Increasing market demand**

The local resin demand for surface coating alone is quite huge at an average of 17 million liters per year with average annual growth of 7-14%.

Resin importation and production



estimated average
importation of natural
resins per year
5-6 million kg.

price range
USD 0.75 - 1.5 per kg

estimated average production of
crude almaciga resin per year
360,000 kg per year
0.18-0.36 USD/kg



- **Increased demand hopefully will change the almaciga gathering season from 6 months to 12 months annually thereby improving local town ship revenues.**



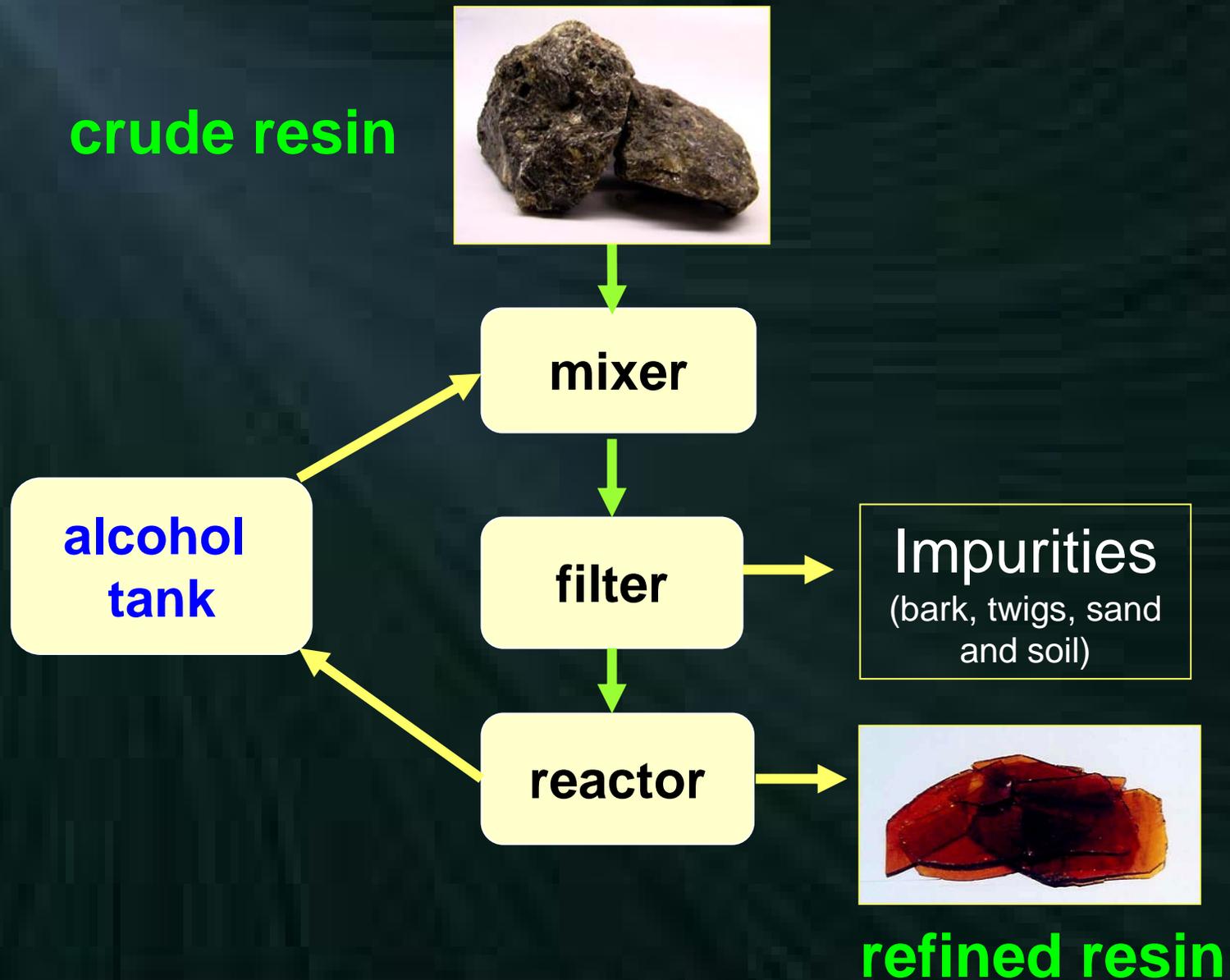
- Refined almaciga resin is an untapped market therefore no competition

How is crude almaciga resin processed and what products can be derived from it?

- **Presently crude almaciga resin is acquired through traders and/or direct from gatherers**



Process overview for resin refining



- **Pilot plant for crude resin refining [developed in ITTO PD 36/99 Rev4 (I) implemented by FPRDI-DOST]**



- **Final resin characteristics can be modified depending on the application of clients, such as**

Inks

Paper size

Surface coatings

- Upon successful operation of the pilot plant realizing market potential, an appropriate size plant shall be built in Palawan to optimize profitability



**Why a private investor is
needed in the
ITTO/FPRDI's project on
almaciga resin processing?**



Investor

Why a private investor is needed in the ITTO/FPRDI's project on almaciga resin processing?

Capital intensive - The financial requirements of the project is big which the resin gatherers' cooperatives will not meet and sustain.

**Why a private investor is needed
in the ITTO/FPRDI's project on
almaciga resin processing?**

**Technology intensive-the
process and products of the
project require technical
capability.**

**Why a private investor is needed
in the ITTO/FPRDI's project on
almaciga resin processing?**

**Marketing skills and access to
the market are also required
by the project which can be
provided very well only by a
private investor.**

**Why a private investor is needed
in the ITTO/FPRDI's project on
almaciga resin processing?**

**Management and
organizational skills-tappers
are not yet fully trained and
educated on how to sustainably
manage the project.**

**What are the economic
benefits of the
ITTO/FPRDI's project on
almaciga resin
processing**

What are the economic benefits of the ITTO/FPRDI's project on almaciga resin processing

On a micro-level - The project will generate employment and improve the income of resin tappers. It will provide sustainable direct market of raw resin for resin tappers who are at the mercy of middlemen in terms of pricing.

What are the economic benefits of the ITTO/FPRDI's project on almaciga resin processing

On a macro-level, if the project is replicated in many almaciga resin producing provinces throughout the country, it will generate taxes for the government, conserve foreign exchange through import substitution as well as earn foreign exchange through the export of improved almaciga resin.

How best communities can capture **investment\$** in natural tropical forest



Investor



Tapper

How communities can best capture investments in natural tropical forests

From the private sector's perspective, investing in natural tropical forest for community development is risky and full of complexities.

How communities can best capture investments in natural tropical forests

For the communities to capture investments, there must exist a strong tri-sectoral partnership among key players and this is crucial in sustainable forest management

How communities can best capture investments in natural tropical forests

The three key players to sustainable forest management are:

- **Government – representing the realm of polity**
- **Investors/Business – representing the realm of economy**
- **Community/Civil Society – representing the realm of culture**

How communities can best capture investments in natural tropical forest

Sustainable development in natural tropical forest is often approached from an economic perspective.

It cannot remain solely as an economic activity even if the ultimate goal is to increase income & resource productivity. If it does, then it is certain that the goal will fail.

How communities can best capture investments in natural tropical forest

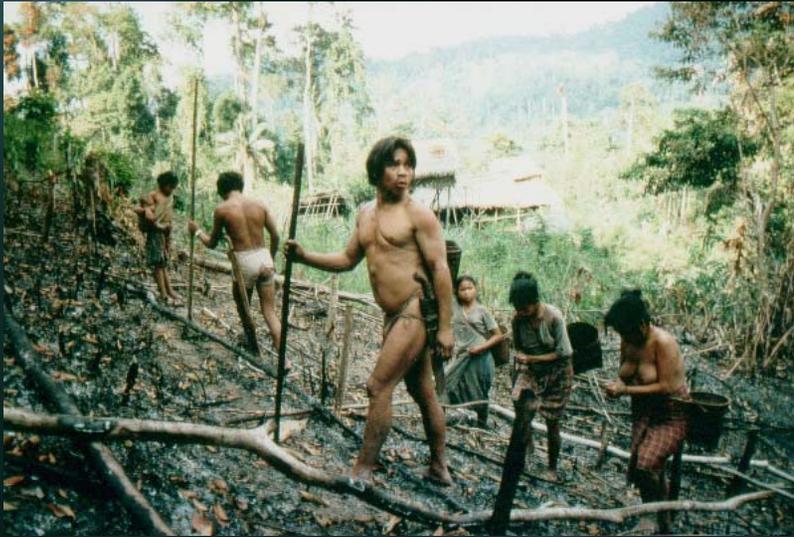
Those involved in sustainable forest management for community development have to address other dimensions of development in addition to the economic, like political, cultural, ideological, ecological, among others.

Only then, will the communities capture investments in natural tropical forest.

The logo is a circular emblem. The top half features a green silhouette of a world map. The bottom half features a row of green trees of varying heights. The background of the emblem consists of horizontal blue lines. The acronym 'ITTO' is written in green capital letters at the bottom of the circle.

**Many
Thanks!**

ITTO



Tagbanua resin tappers
on the way to the forest
to collect resin

Wives of Tagbanua
resin tappers





Resin tapper collecting bee hives
for additional income

Bat catching as
additional income



Some places along the resin producing communities

