

# Forestry Financing Mechanisms in the **Philippines**



Consultation on Assessing Forestry Financing  
Mechanisms in the Asia-Pacific Region

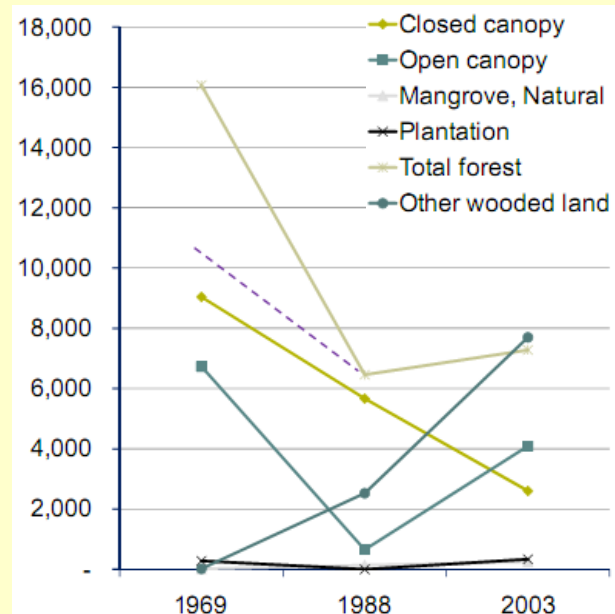
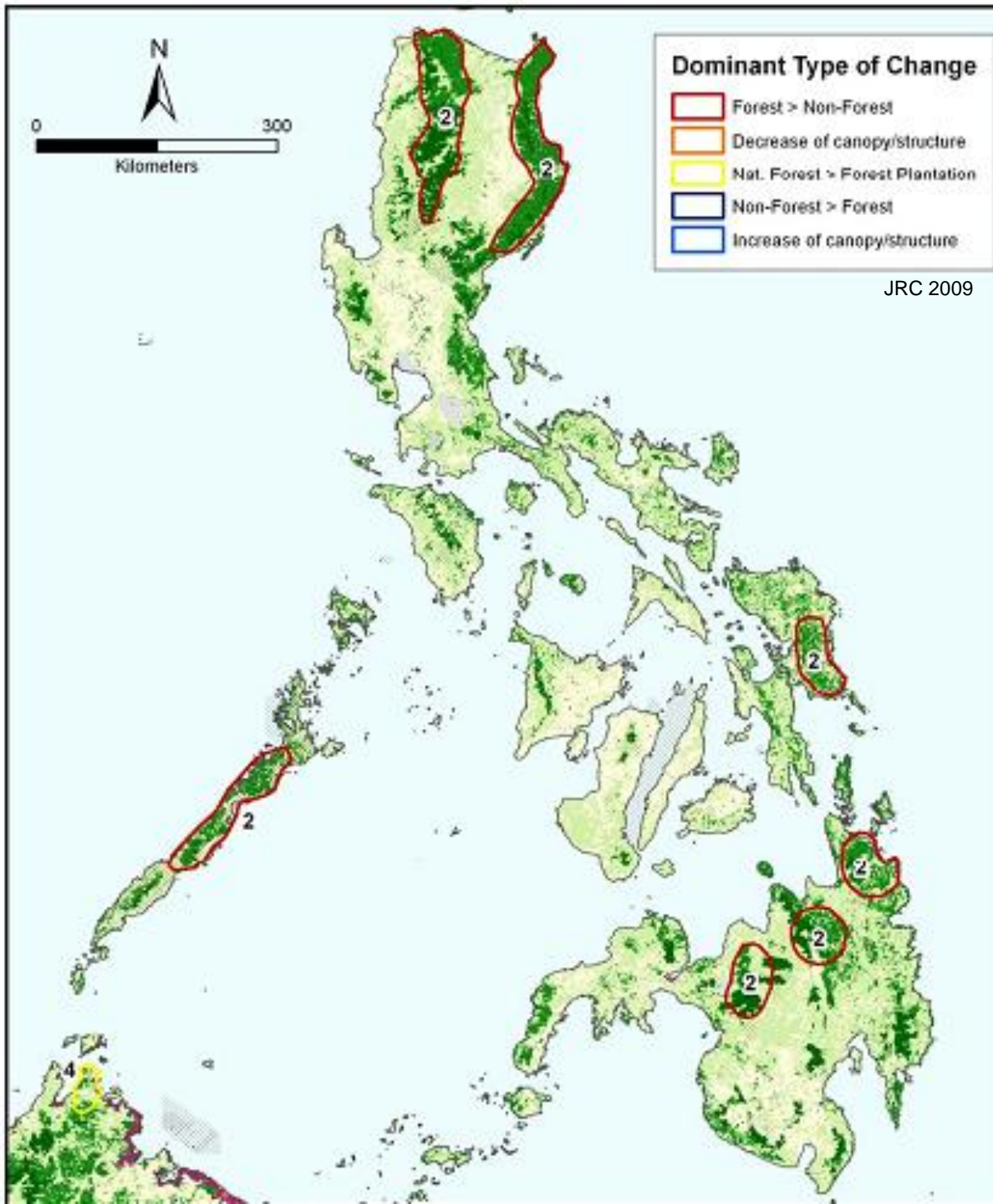
16-17 December 2010, Bangkok, Thailand

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# Outline

- Forest change trends and patterns
- Moves enhancing forest sector visibility
- Cases of forest financing mechanisms
- Lessons and challenges





Acosta 2009



Lasco 2009

# Moves Enhancing Forest Sector Visibility

- **Policy**
  - Community-based Forest Management Strategy
  - NRM for Hunger Mitigation (P2 billion in 2009)
  - National REDD+ Strategy 2010
- **Legal**
  - Protected Areas System (NIPAS) established PA Management Boards & Integrated PA Fund
  - Indigenous Peoples' Rights Act paved way for strengthening tenure through ancestral domain titling
  - Energy Power Industry Reform Act set up a watershed mgt fund
- **Institutional**
  - People's Organizations & Federations
  - National Forest Program (nfp)
  - Convergence initiative (departments of environment and natural resources, agriculture, agrarian reform)
  - Landscape-level Alliances led by local governments



# Landscape Alliance: Carood Watershed

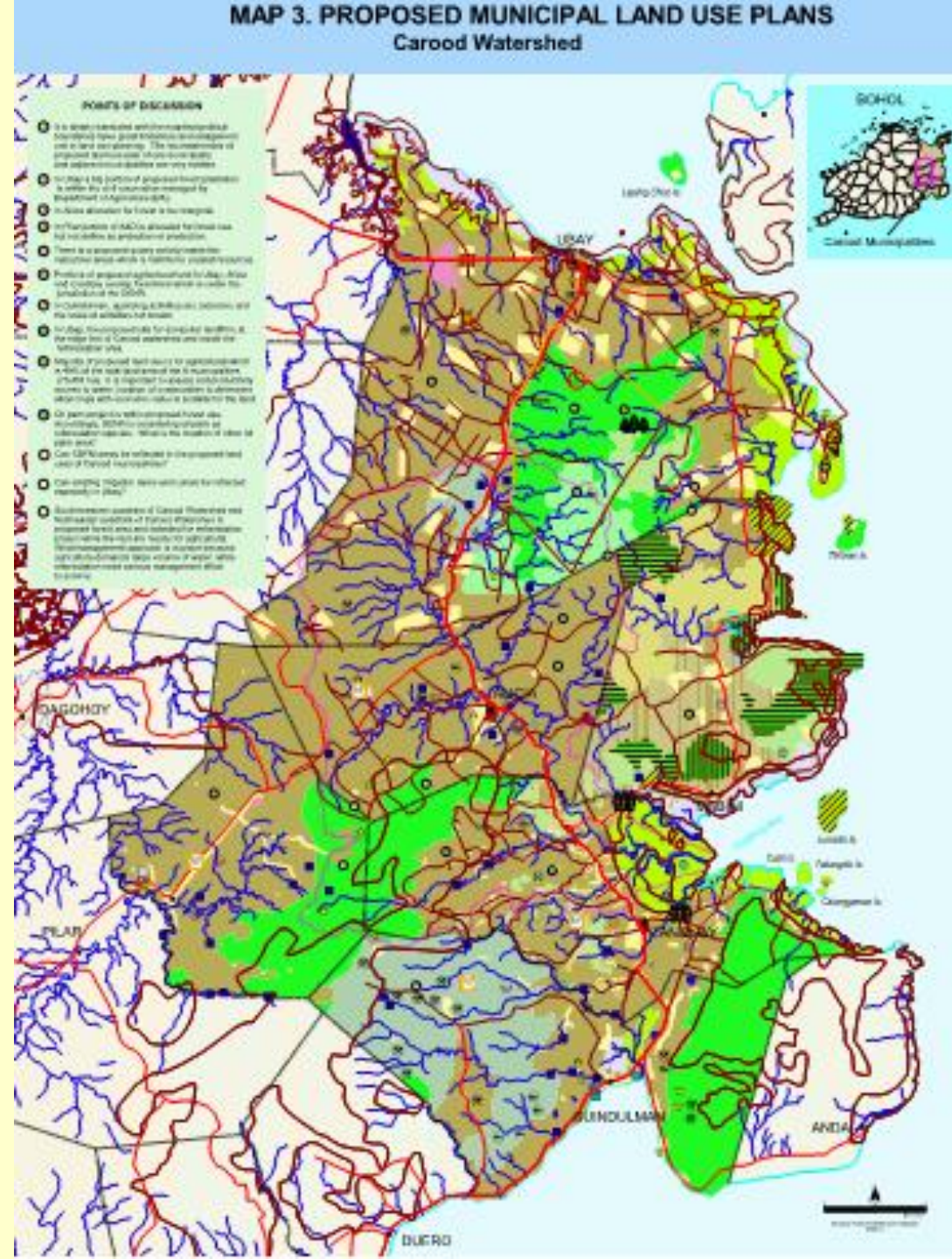
20,000 hectare watershed  
shared by 6 municipalities

Land use analysis using  
watershed perspective shows the  
inconsistencies of land use plan  
of adjacent municipalities

Political boundaries are  
inadequate management units to  
secure environmental services.

Availability of institutional  
arrangement & data paved way  
for membership in International  
Model Forest Network.

**11 more alliances in  
Philippines** ([www.essc.org.ph](http://www.essc.org.ph))



# Some Financing Mechanisms

- **Domestic:** DENR budget, local government allocations, CSR programs
- **ODA:** AECID (biodiversity & livelihoods); EU (local governance, indigenous peoples, disaster risk reduction, small grants program); GTZ (forest & climate change); US (ecological governance); FAO (nfp, assisted natural regeneration); IFAD (ancestral domain titling); private foundations
- **Debt-for-Nature Swaps:** Foundation for Philippine Environment, Philippine Tropical Forest Conservation Foundation
- **PES:** 15 documented PES cases (watershed)

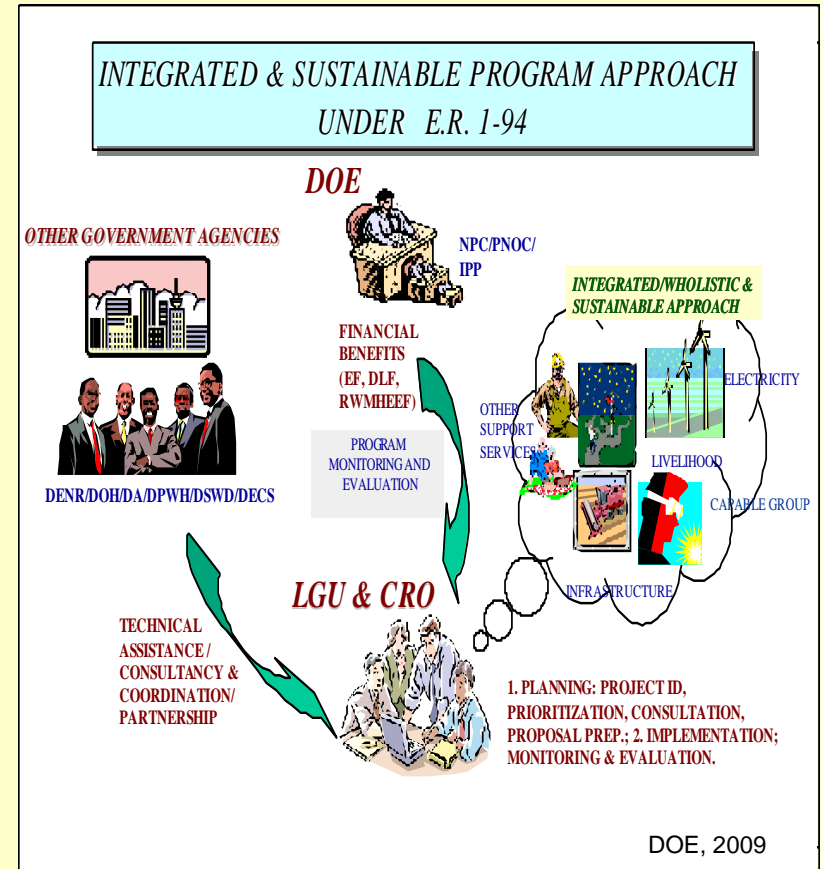
# Watershed PES: Scoping schemes

15 cases documented (Winrock, 2007; ADB-INREM draft 2010)

- **Initiator**: 4 government, 11 CSO
- **Aim**: change or maintain land use
- **Buyers**: water districts, hydropower companies, electric cooperatives, consumers, local gov'ts
- **Sellers**: local governments, communities (organizations/cooperatives of farmers, indigenous peoples), private landowners
- **Intermediaries**: line agencies, CSOs, international dev't agencies, media
- **Contracts**: 3 w/ contracts, 6 in process, 6 w/o contracts

# Forest Financing from Energy Sector

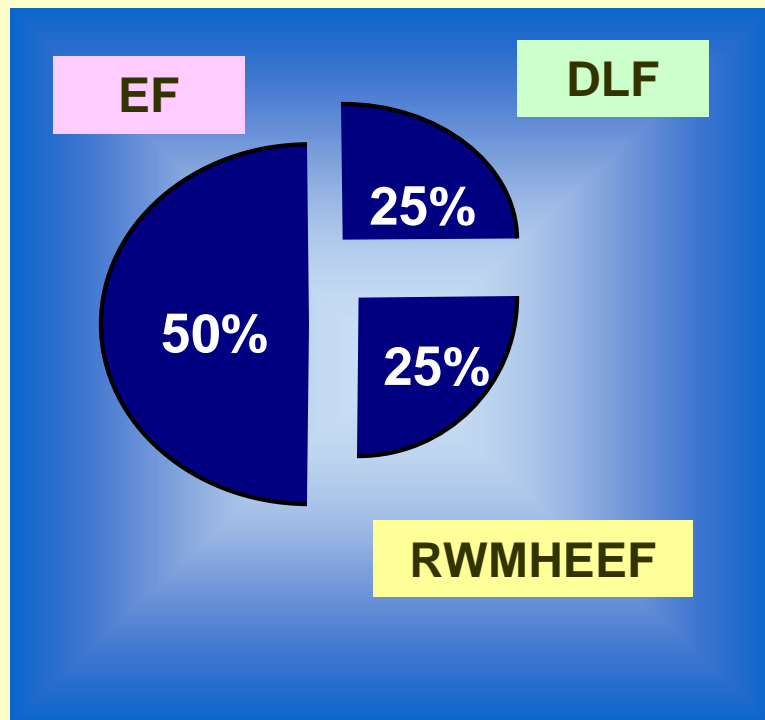
- P0.01/kwh of electricity sales from power generation companies
- P0.0025/kwh from electricity end users
- Proceeds allocated across 3 trust funds, one of which is for reforestation, watershed management, health & environment enhancement (RWMHEEF)





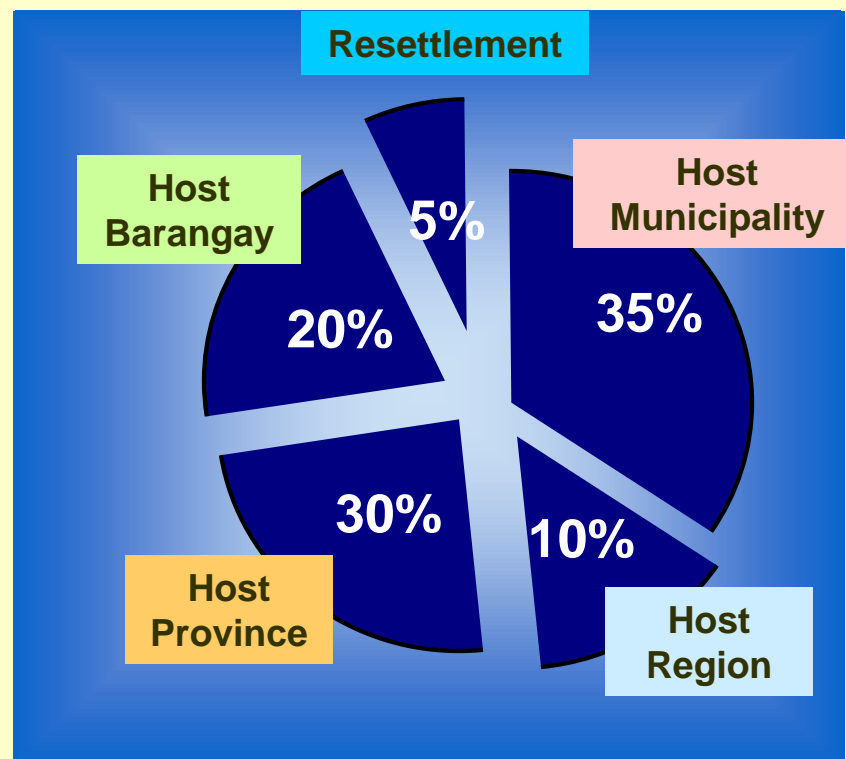
# Energy Sector Financing Mechanism for Reforestation and Watershed Management

## How proceeds are allocated



DOE 2009

## Who benefits and how it is shared



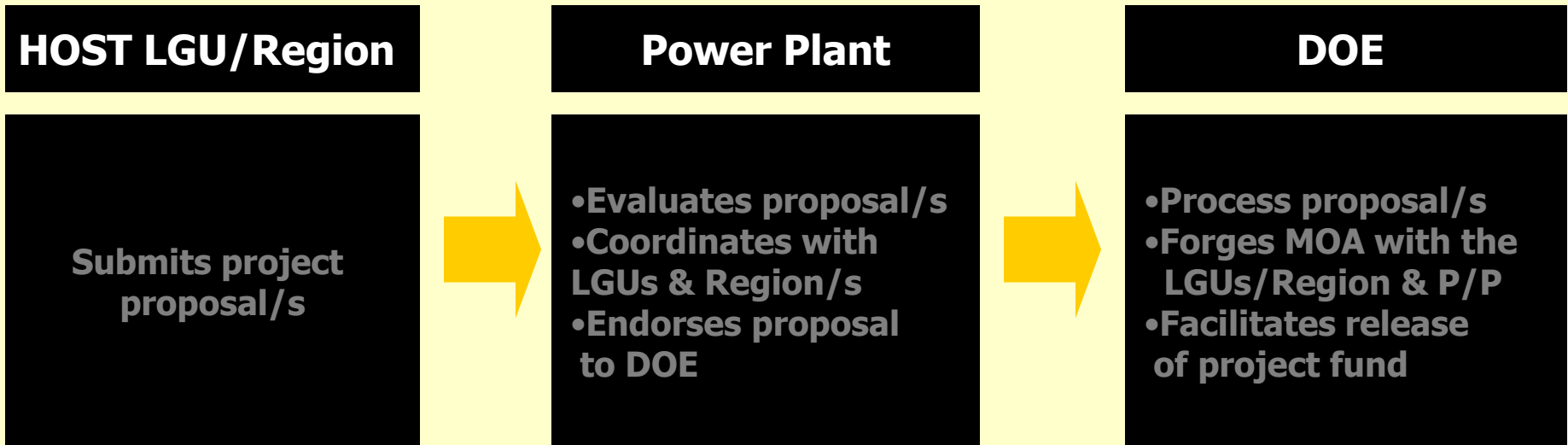
**RWMHEEF** : Reforestation, Watershed Management, Health, Environment Enhancement Fund  
(P1.02 billion released to 845 projects as of July 2009)

**EF**: Electrification Fund (P1.7 billion, 2000+ projects)

**DLF**: Development and Livelihood Fund (P0.83 billion, 980 projects)

# How to get the fund

- Memorandum of Agreement between Dept of Energy, Power Plant and Local Government
- Fund released based on result of public bidding/canvass
- Funds subject to liquidation prior to the approval of succeeding project/s



**Criteria for Approving projects:** fund availability, capacity to increase incomes, generate employment and uplift living conditions of host communities, no adverse environmental effects, promote equitable benefit-sharing, demonstrate effective and successful implementation

# **Where the P1 billion was spent**

**Reforestation and Watershed Management:** improving forest cover through community-based forest management, agro-forestry, mangrove conservation, seedling nursery

**Environment Enhancement:** fire truck, garbage truck, sanitary landfill, facility for recycling & sanitary waste water collection, bulldozer, buckhoe/loader

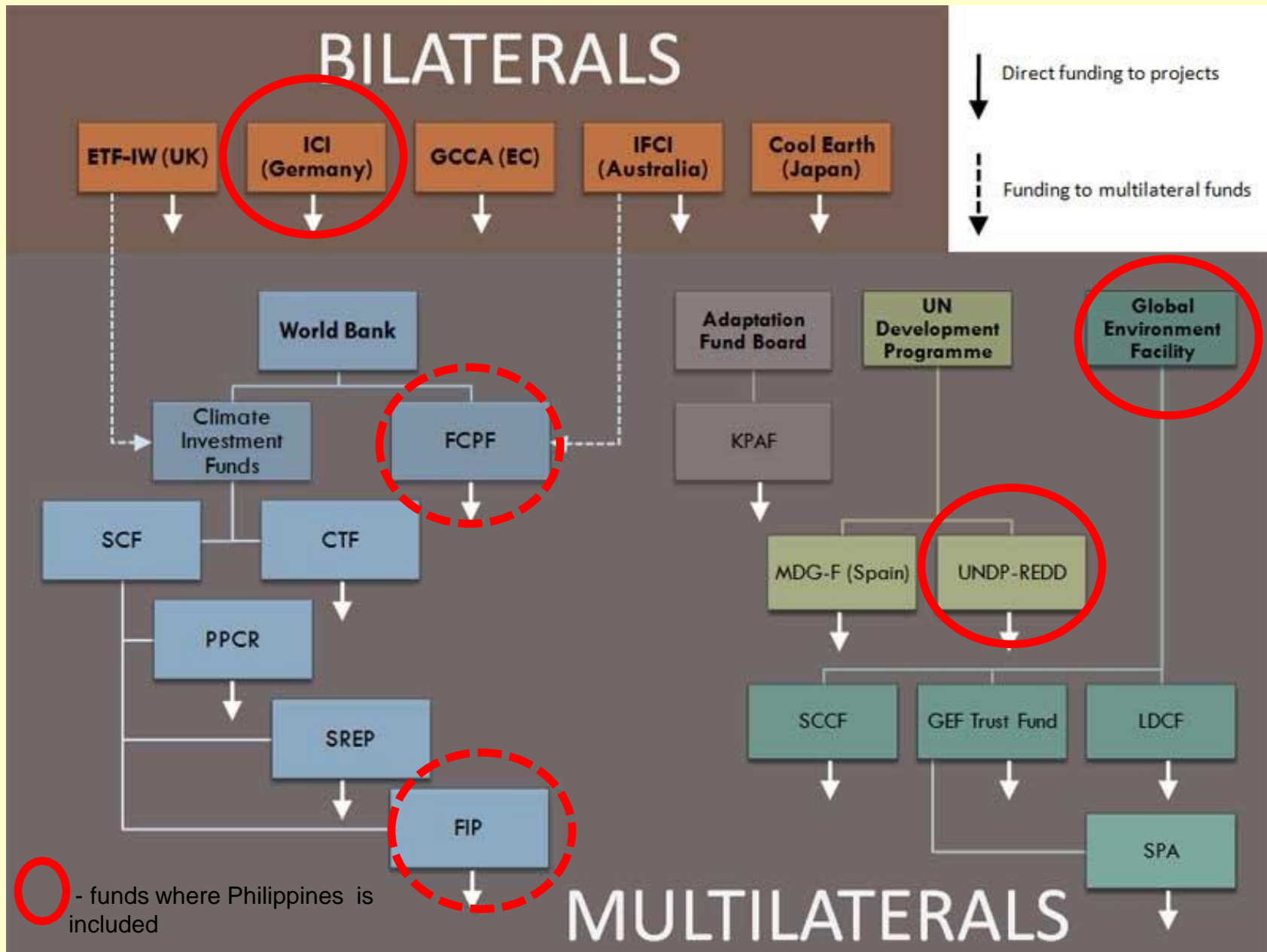
**Health:** water supply system, medicinal plant gardens, health center, municipal hospital, medical equipment/facilities, ambulance

# Carbon PES: National REDD+ Strategy

- nested, scaling up approach
- community tenured areas and protected areas as priority areas
- community-focused
- multi-level governance approach: decentralization and maximizing existing working mechanisms
- intersectoral coordination: participatory, multi-stakeholder partnerships
- rigorous carbon accounting
- watershed, natural ecosystems and landscape approach
- <http://ntfp.org/coderedd/national-strategy-formulation-for-redd/>

(DENR forwarded Strategy to President, Aug 2010)

# Climate Fund Sources for REDD+





# REDD+ Financing, 2010-2012

	MULTILATERAL				BILATERAL									Total per Country	In-Country Contribution
	FCPF - RF	UN-REDD	CIF-FIP	GEF SFM/ REDD+	Australia	Finland	Germany	Japan	Norway	Sweden	UK	US	Others		
Global allocation <sup>1/</sup>	101.80	86.32	542.00	1,000.00	100.20	40.09	460.00	163.00	1,036.00	63.00	54.00	204.00	345.40	4,195.81	
Technical Notes	<sup>2/</sup>	<sup>3/</sup>	<sup>4/</sup>	<sup>5/</sup>	<sup>6/</sup>	<sup>7/</sup>	<sup>8/</sup>	<sup>9/</sup>	<sup>10/</sup>	<sup>11/</sup>	<sup>12/</sup>	<sup>13/</sup>	<sup>14/</sup>	<sup>15/</sup>	
Country															
Azerbaijan				5.10			0.29							5.39	
Bangladesh		0.72		5.62										6.34	
Bhutan		0.72		1.50										2.22	
Cambodia	3.60	3.72		3.24				8.00						18.56	
China, People's Republic of				80.56			1.51	1.00						83.07	
India				53.14			0.29	47.00						100.43	
Indonesia	3.60	5.64	70.00	39.07	45.70	5.12	55.75	9.00	200.00		19.00	75.00		527.88	1,140.00
Lao PDR	3.60		30.00	4.83		0.20	17.24	14.00		0.10				69.97	1.20
Malaysia				13.47										13.47	
Myanmar				6.82										6.82	
Nepal	3.60	0.72		3.68		7.11		5.00						20.11	
Papua New Guinea	3.60	6.36		7.33	3.60		6.80							27.22	4.29
Philippines		1.22		15.92			3.88							21.02	
Solomon Islands		1.27		2.78										4.05	
Sri Lanka		0.72		5.63										6.35	
Thailand	3.60			14.06										17.66	
Timor-Leste				1.47										1.47	
Vanuatu	3.60			1.81										5.41	
Viet Nam	3.60	4.39		12.23		6.11								26.32	
Asia and the Pacific per Fund Source	28.80	25.52	100.00	278.26	48.70	18.54	85.86	84.00	200.00	0.10	19.00	75.00	na	963.78	1,145.49
% Asia and the Pacific to Global Allocation	28%	30%	18%	28%	49%	46%	19%	52%	19%	-	35%	na	na	23%	

# **REDD+ Demonstration/Learning Sites**

- Panay & Leyte (GTZ)
- Palawan (EU)
- Cagayan, Quirino & Palawan (CI)
- Linking Communities to Voluntary Carbon Market (FAO)
- Watersheds of Chico, Wahig-Inabanga, Bukidnon, Lake Lanao (ADB-INREM)

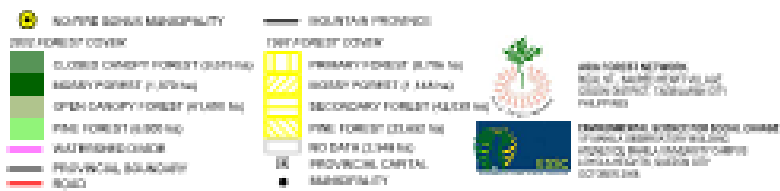
# REDD+ incipient actions: Chico & Upper Pulangi Watersheds

- **No-Fire Bonus Scheme:** Linked awarding of barangay development projects to environmental criteria in Mt. Province, Chico Watershed

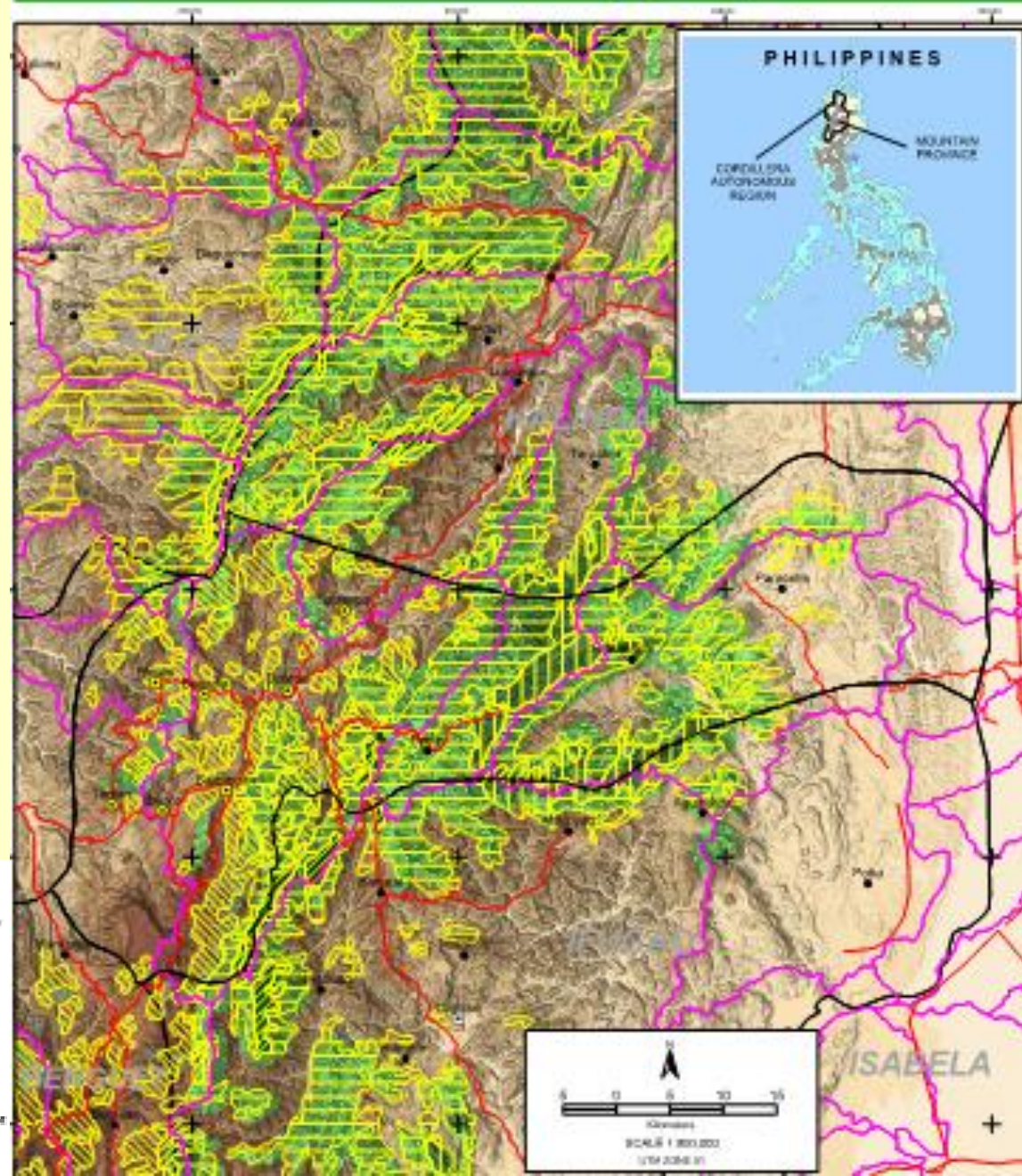
- **Flights for Forests:** Youth assisting natural regeneration in Bukidnon, Upper Pulangi Watershed financed by a Jesuit forest carbon offset program (<http://essc.org.ph/content/view/365/160/>)

- Agroforestry initiatives in critical watershed areas

## LEGEND



## FOREST COVER 1987 & 2002, MOUNTAIN PROVINCE Cordillera Administrative Region, Philippines



# Lessons

- Process for **agreeing on how to value environmental service/s** is crucial to the establishment of contractual agreements.
- Capacity to **establish baseline and monitor progress** of ES improvement is often weak.
- Governance measures and **incentives/payment schemes** need to blend interests of users (buyers) and service providers (sellers).
- Where government fails to **direct payments to actual service providers**, SFM efforts cannot be sustained.