

# THE PHILIPPINES

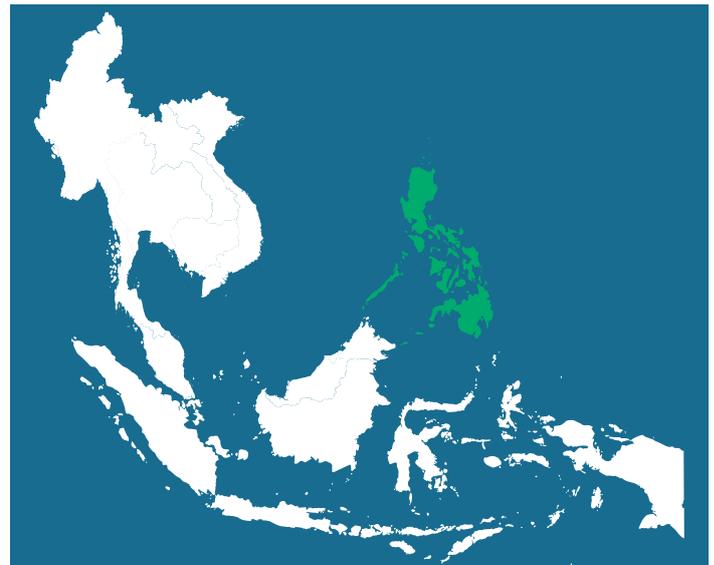


## RECOMMENDATIONS TO ACCELERATE PRIVATE INVESTMENT IN CLIMATE-SMART AGRICULTURE AND FORESTRY PRODUCTION IN THE PHILIPPINES

### BACKGROUND

On March 29, 2017, the USAID-funded Climate Economic Analysis for Development, Investment, and Resilience (CEADIR) activity organized a regional workshop in Bangkok, Thailand on “Convening Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia.” Private sector leaders and government officials discussed regional needs, opportunities, challenges, and priority actions to accelerate investment in climate-smart, low-emission agriculture and forestry production.

Based on the regional recommendations from the March workshop and on additional discussions, CEADIR developed country-specific recommendations for improving communication and collaboration to scale up private investment in climate-smart agriculture and forestry in Cambodia, Indonesia, the Philippines, and Vietnam. CEADIR administered a survey and conducted interviews to gather stakeholder input for the recommendations, which are intended to support and guide country governments, USAID missions and implementing partners, and other donors and development partners.



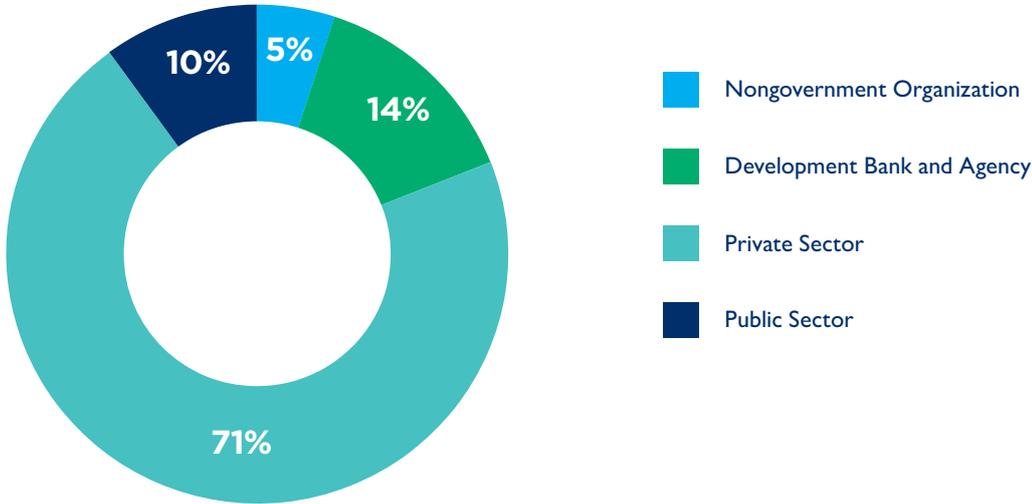
### INTRODUCTION

This brief provides an overview of key challenges and recommendations for improving public-private sector communication and collaboration to facilitate investment in climate-smart commodity production in the Philippines. It also gives profiles of respondents in the Philippines. The data in the figures below show that 71 percent of respondents were from the private sector. This includes 29 percent from small and medium enterprises (SMEs), 9 percent from financial institutions and banks, 9 percent from consulting firms, 9 percent from large domestic companies, 5 percent from certification platforms, 5 percent from multinational corporations in the country, and 5 percent from business associations. Ten percent of respondents were from the public sector, including 5 percent from government agencies and 5 percent from state-owned banks. The remainder included 14 percent representing development banks and development agencies and 5 percent from nongovernmental organizations (NGOs).

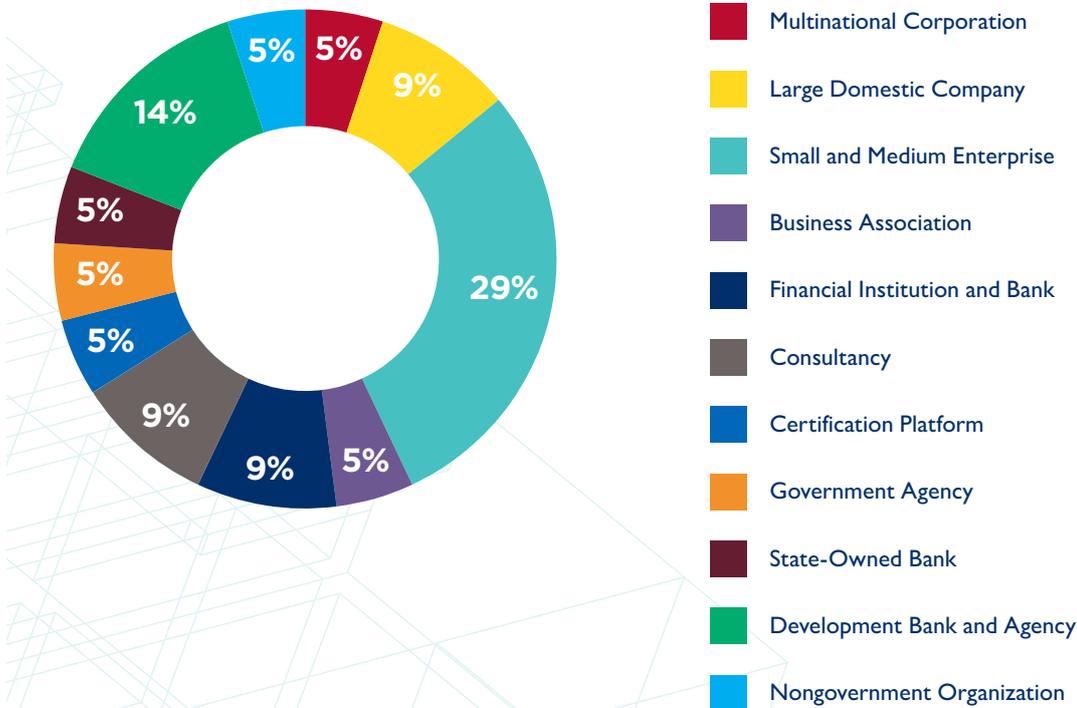
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RECOMMENDATIONS TO ACCELERATE PRIVATE INVESTMENT IN CLIMATE-SMART AGRICULTURE AND FORESTRY PRODUCTION IN THE PHILIPPINES

## PHILIPPINE RESPONDENTS BY STAKEHOLDER GROUP



## PHILIPPINE RESPONDENTS BY TYPE OF ORGANIZATION



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## RECOMMENDATIONS TO ACCELERATE PRIVATE INVESTMENT IN CLIMATE-SMART AGRICULTURE AND FORESTRY PRODUCTION IN THE PHILIPPINES

Row 1 in the table below provides an overview of the key challenges and recommendations for improving public-private sector communication and coordination in the Philippines, as identified by respondents. Row 2 presents the top-priority actions for improving dialogue (those identified by at least 20 percent of survey respondents), while row 3 shows the most often cited expectation for the outcome of regular dialogue. Finally, the table highlights the recommended methods and formats for communication (row 4) and role for the government (row 5).

### SUMMARY OF CHALLENGES AND RECOMMENDATIONS TO IMPROVE PUBLIC-PRIVATE SECTOR COMMUNICATION AND COORDINATION FOR CLIMATE-SMART AGRICULTURE AND FORESTRY IN THE PHILIPPINES

TOPIC	DESCRIPTION
Challenges	<ul style="list-style-type: none"> <li>• Lack of common understanding on climate-smart practices;</li> <li>• Insufficient private sector inputs during policy preparation and review; and</li> <li>• Limited channels to exchange views on the policy or regulatory environment.</li> </ul>
Recommended top-priority actions	<ul style="list-style-type: none"> <li>• Facilitate regular dialogue on policy or regulatory environment;</li> <li>• Facilitate regular dialogue on sharing of information about technical and financial viability of climate-smart technologies and practices; and</li> <li>• Improve common understanding about climate-smart practices.</li> </ul>
Expected outcome of regular dialogue	<ul style="list-style-type: none"> <li>• Development of policy incentives to promote climate-smart investment;</li> <li>• Facilitation of access to finance for small-scale producers and SMEs; and</li> <li>• Improved access to data.</li> </ul>
Recommended communication methods and formats	<ul style="list-style-type: none"> <li>• Hold in-person meetings or workshops; and</li> <li>• Select participants by geographical area.</li> </ul>
Recommended role for government	<ul style="list-style-type: none"> <li>• Convene the communication channels to build momentum in regular public-private sector dialogue.</li> </ul>

## CHALLENGES

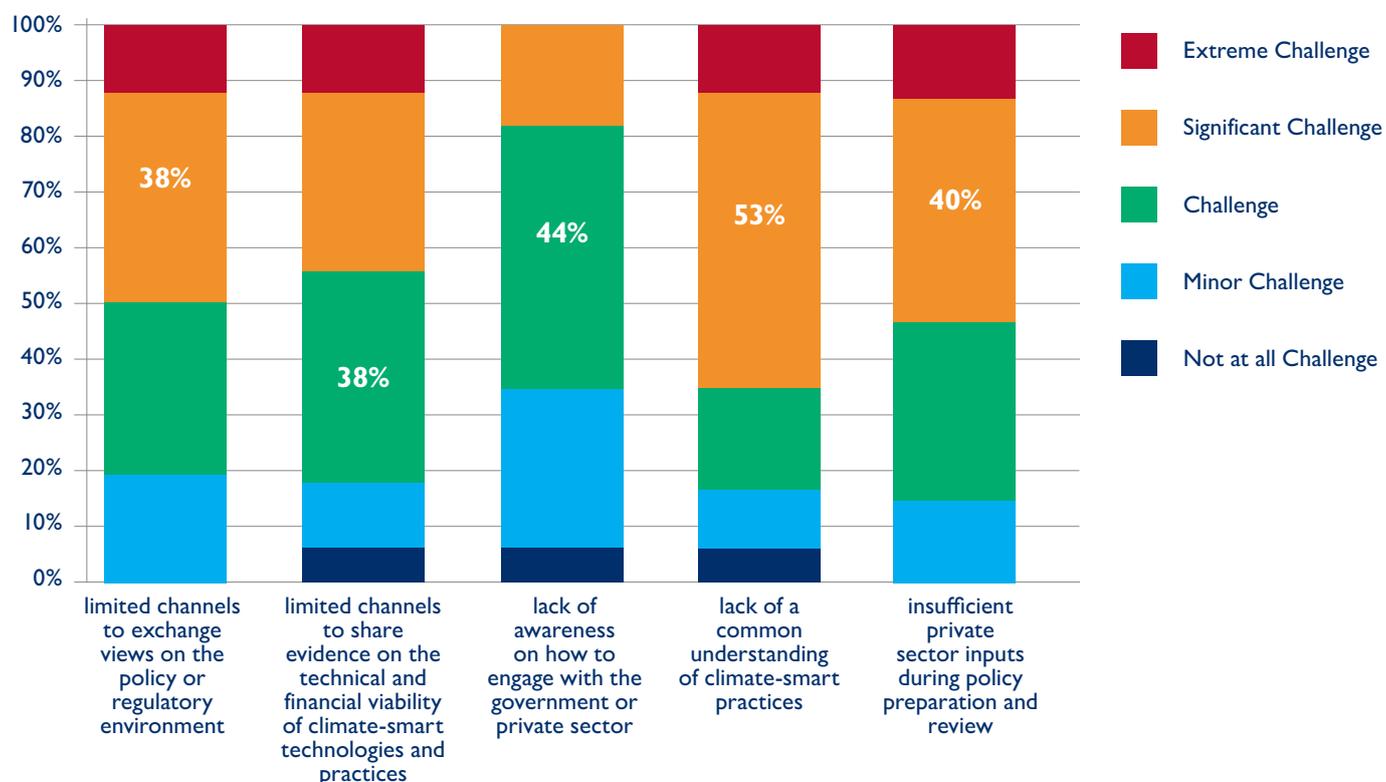
CEADIR asked respondents to identify the key challenges for public-private sector communication and collaboration related to climate-smart commodity production in the Philippines. They were asked to start from the regional challenges identified at the March 2017 workshop. CEADIR also invited respondents to identify additional challenges not addressed at the workshop. The questionnaire asked respondents to rank challenges on a scale ranging from “not at all a challenge” to “extreme challenge.”

The figure on the next page shows that two categories stood out: “significant challenges” (shown in orange) and “challenges” (shown in green). Large portions of respondents in the Philippines ranked the following challenges as “significant”: lack of a common understanding of climate-smart practices (53 percent), insufficient private sector inputs during policy preparation and review (40 percent), and limited channels to exchange views on policy and regulatory environment (38 percent). In addition, sizeable portions of respondents in the Philippines classified the following topics as “challenges”: lack of awareness on how to engage with the government or private sector (44 percent), and limited channels to share evidence on the technical and financial viability of climate-smart technologies (38 percent).

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RECOMMENDATIONS TO ACCELERATE PRIVATE INVESTMENT IN CLIMATE-SMART AGRICULTURE AND FORESTRY PRODUCTION IN THE PHILIPPINES

## RANKING OF COMMUNICATION AND COORDINATION CHALLENGES IN THE PHILIPPINES



The table below expands on respondents' views about challenges to improving public-private sector communication and coordination to facilitate investment in climate-smart commodity production. For each of the three challenges most frequently identified as "significant," the table provides a sampling of survey answers.

## SAMPLE RESPONSES ON COMMUNICATION AND COORDINATION CHALLENGES IN THE PHILIPPINES

CHALLENGE	SAMPLE SURVEY AND INTERVIEW RESPONSES
Lack of common understanding of climate-smart practices	<ul style="list-style-type: none"> <li>The financial constraints of climate-smart businesses (e.g., affordability and bankability) are not widely understood by the public sector.</li> <li>Understanding of climate-smart approaches and actions needed differs between the public and private sector. Private sector entities aim for long-term, result-oriented approaches to achieve sustainability through climate-smart practices. Governments often aim for short-term, broad-based, large-scale interventions.</li> <li>Understanding and expectations of forest products certification differ between the public and private sectors.</li> <li>There is generally a low level of private sector interest in pursuing climate-smart approaches. Lacking sufficient understanding of climate-smart and sustainability concepts, many businesses do not incorporate environmental considerations into their core processes. Distrust between the public and private sectors is also an issue.</li> </ul>

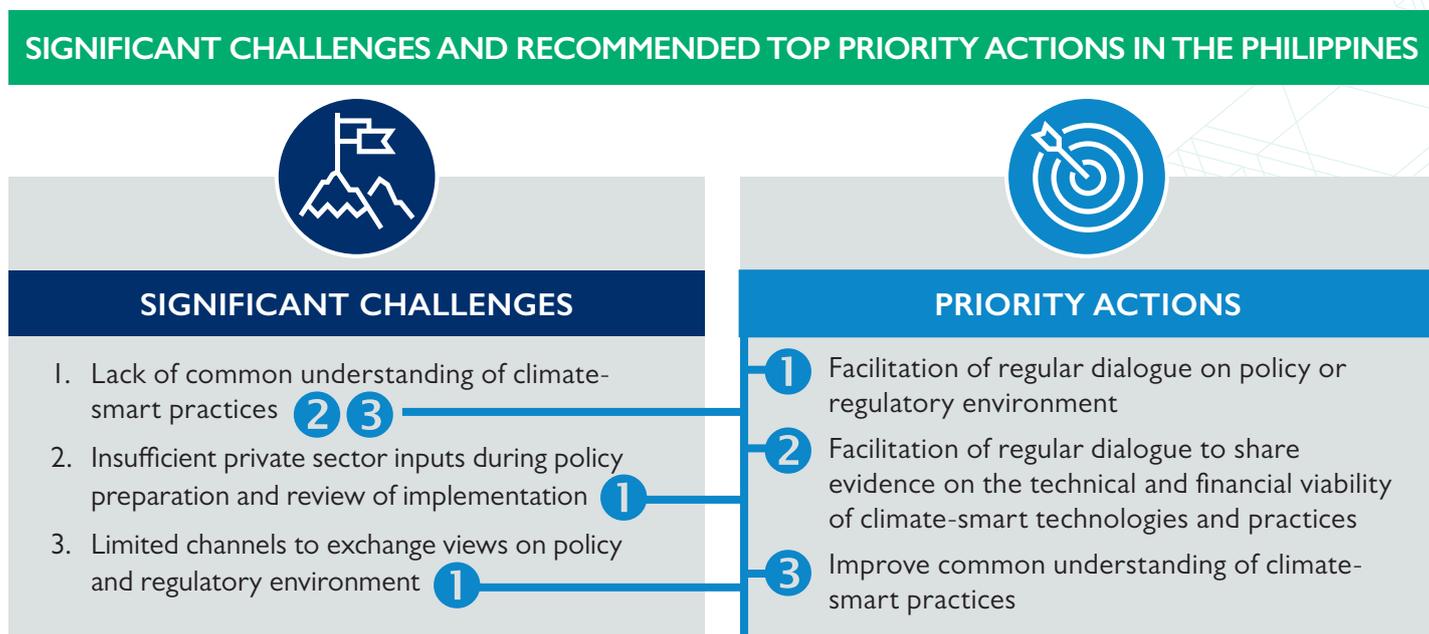
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## RECOMMENDATIONS TO ACCELERATE PRIVATE INVESTMENT IN CLIMATE-SMART AGRICULTURE AND FORESTRY PRODUCTION IN THE PHILIPPINES

CHALLENGE	SAMPLE SURVEY AND INTERVIEW RESPONSES
<p><b>Insufficient private sector inputs in policy preparation and review</b></p>	<ul style="list-style-type: none"> <li>• This issue is particularly challenging for the Philippines’ forestry sector, where there is a low level of private sector involvement because the sector is perceived as in decline.</li> <li>• It is difficult to encourage or sustain private sector participation in policy dialogues. Without immediate results or outcomes, the private sector, especially SMEs and small-scale producers, often sees these dialogues as an opportunity cost, compared to focusing on day-to-day business operations.</li> <li>• There is insufficient private sector consultation and feedback in policy preparation and implementation review.</li> </ul>
<p><b>Limited channels to exchange views on the policy or regulatory environment</b></p>	<ul style="list-style-type: none"> <li>• For cacao, a national council and regional council were recently established to address this limitation. The councils are relatively new and require more time and support to build momentum.</li> <li>• There are many commodity-specific public-private sector channels to discuss regulatory issues, but they do not result in concrete actions or initiatives to promote climate-smart practices.</li> <li>• There are very limited country-level public-private sector channels to discuss climate-smart policies, particularly to engage financial institutions on topics such as financial inclusion and climate risk management.</li> <li>• The constant change in leadership within the Department of Environment and Natural Resources poses underlying challenges and at times disrupts the continuity of public-private sector exchanges on policy.</li> </ul>

## RECOMMENDATIONS

The following figure shows the highest priority actions to address communication and collaboration challenges in climate-smart agriculture and forestry in the Philippines and illustrates how they stem from the key challenges names by respondents. Twenty-four percent of respondents in the Philippines emphasized the need for regular dialogues on the policy or regulatory environments, while 22 percent recommended regular dialogue to share evidence on the technical and financial viability of climate-smart technologies and practices, and another 22 percent recommended improving the common understanding of climate-smart practices.



*Note: Priority actions were those identified by at least 20 percent of respondents.*

### EXPECTED OUTCOMES OF PUBLIC-PRIVATE SECTOR DIALOGUE

CEADIR asked respondents what they considered to be the key objectives or expected outcomes of more effective communication channels between the government and private sector for climate-smart agriculture and forestry. Twenty-eight percent identified improved policies or regulations as the primary expected outcome of increased public-private sector dialogues, with a specific focus on policy incentives to promote climate-smart investment. In addition, 26 percent mentioned improved access to or deployment of finance, another 26 percent named improved access to data or data-sharing, and 20 percent selected capacity development in the public or private sectors.

### SAMPLE RESPONSES RELATED TO EXPECTED OUTCOMES OF PUBLIC-PRIVATE SECTOR DIALOGUE IN THE PHILIPPINES

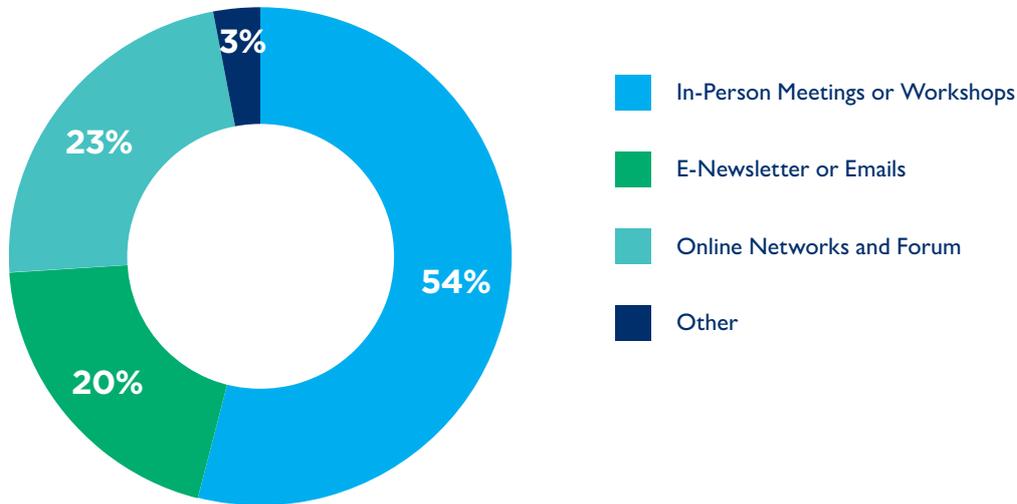
EXPECTED OUTCOMES	SAMPLE SURVEY AND INTERVIEW RESPONSES
<p><b>Policy:</b> Policy incentives developed to promote climate-smart investments</p>	<ul style="list-style-type: none"> <li>• Policy incentives can be important to open up opportunities for climate-smart investments and to promote replication.</li> <li>• Government capacities for monitoring and enforcement of regulations should be strengthened.</li> </ul>
<p><b>Finance:</b> Access to finance facilitated for small-scale producers and SMEs</p>	<ul style="list-style-type: none"> <li>• For cacao production, lending to small-scale producers is increasing (e.g., Land Bank’s Cacao 100 program). Finance programs such as these should be scaled up.</li> <li>• Financing should be scaled up for smallholder farmers to implement climate-smart and other environmentally beneficial practices. There should be additional support for financial institutions to de-risk lending to small-scale producers and processors, particularly for timber, is detrimental to enabling long-term lending products on affordable terms.</li> </ul>
<p><b>Data:</b> Improved access to data</p>	<ul style="list-style-type: none"> <li>• Although some data has been collected, much of it has not been shared in an accessible form. Climate-smart relevant data should be more available in the public domain, such as through an information clearinghouse. The quality of the data should be improved.</li> <li>• Based on experiences in Mindanao’s tea sector, increased sharing and linkages between public and private sector databases can support enforcement of government regulations and requirements and reduce work redundancy in both sectors.</li> </ul>
<p><b>Capacity:</b> Strengthened capacity of small-scale producers and SMEs to adopt climate-smart practices and sustainability certification systems; strengthened capacity of governments for MRV, to track progress toward national climate change commitments</p>	<ul style="list-style-type: none"> <li>• Donors can play an important supportive role in capacity development.</li> <li>• Infrastructure improvements may be needed to make sustainability certifications viable.</li> </ul>

## COMMUNICATION METHODS

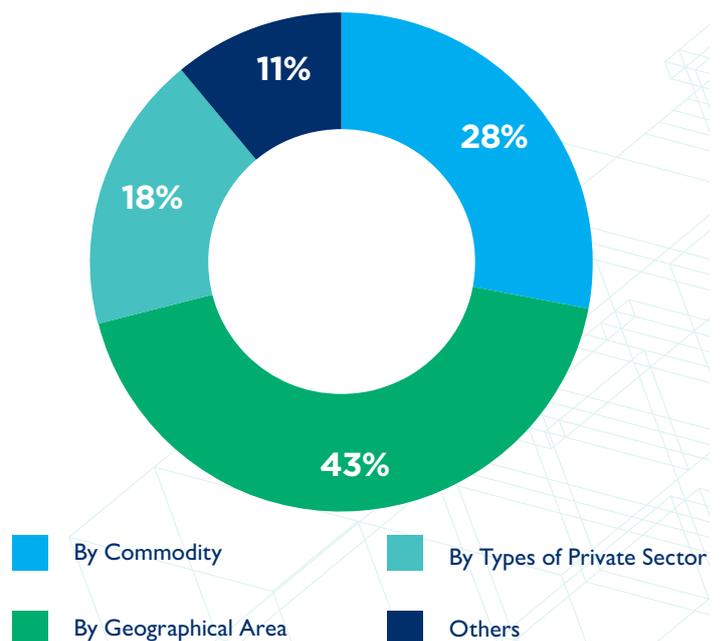
Respondents identified their preferred methods for improving public and private sector communication on climate-smart agriculture and forestry. The following figure shows that most respondents (54 percent) preferred in-person meetings or workshops. Twenty-three percent wanted online networks and 20 percent recommended e-newsletters or emails. Two private sector respondents explained that in-person meetings, such as workshops, networking events, or field trips, can provide opportunities to create and strengthen relationships between public and private sector stakeholders. While virtual meetings can enable people to share information, the absence of in-person interaction limits connection-building and knowledge-sharing. One respondent noted that methods should be flexible, to address emerging needs or allow changes in the frequency of information updates or exchanges.

### PREFERRED COMMUNICATION METHODS

FOR INCREASING PUBLIC AND PRIVATE SECTOR COORDINATION FOR CLIMATE-SMART AGRICULTURE AND FORESTRY IN THE PHILIPPINES



The next figure shows that 43 percent of respondents recommended organizing communication channels by geographic area (since some issues may be best addressed by location), and 28 percent suggested that communication methods be based on commodity (since some issues pertain specifically to one commodity). One respondent explained that the Philippines' archipelago presents distinct challenges and opportunities for climate-smart commodity production, emphasizing the importance of public-private sector dialogue with a geographic focus. One respondent noted that focusing dialogue on specific commodities may align well with the division of responsibilities among relevant Philippine government agencies. Another respondent suggested that in addition to annual multi-stakeholder networking events, small, targeted group meetings can allow in-depth discussions of specific issues and foster progress.

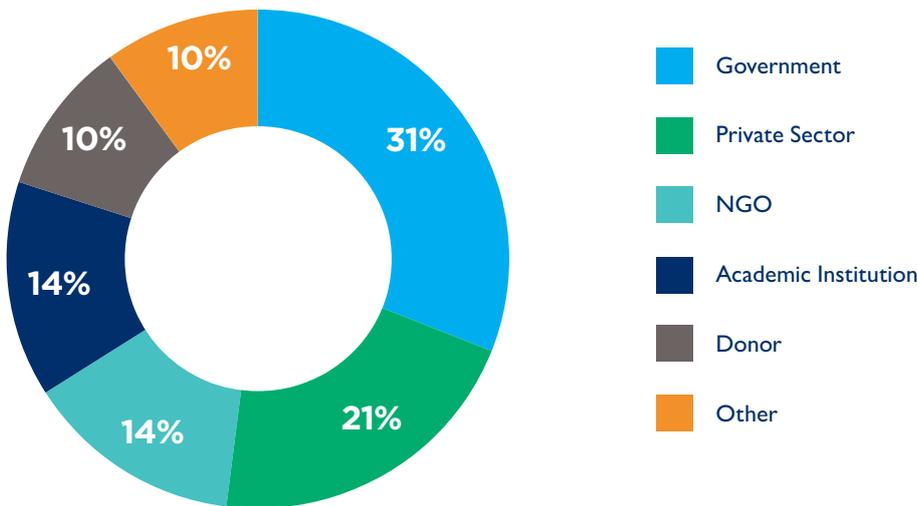


### CONVENERS OF COMMUNICATION CHANNELS

CEADIR asked respondents to identify and explain their views on the most appropriate conveners of these communications. Thirty-one percent of respondents identified the government as the most appropriate convener, while 21 percent listed private sector entities or business associations, 14 percent named NGOs, 14 percent suggested academic institutions, and 10 percent recommended donors (see figure below). Three respondents felt that the government has the leadership, responsibility, and policy-making authority to ensure buy-in and participation from public and private sector stakeholders, as well as authority on national climate

change commitments. Two respondents emphasized the importance of support from donors, NGOs, and research-based academic institutions to bring credibility and neutrality. Two respondents stated that donor organizations can help overcome distrust between the public and private sectors, build and sustain momentum for public-private sector dialogue, ensure transparency, and provide technical assistance as capacity development needs emerge. Another respondent noted the role of research institutions in providing evidence-based findings to facilitate discussions and help achieve the objectives of public-private sector dialogue.

### PREFERRED CONVENERS OF COMMUNICATION



### PRIORITIES IDENTIFIED BY GOVERNMENT REPRESENTATIVES TO IMPROVE PUBLIC-PRIVATE SECTOR COMMUNICATION

At the regional workshop on Climate Action for Agriculture in Asia, organized in Bangkok, Thailand on October 10-12, 2017, government participants from the Philippines discussed these issues and developed private sector engagement strategies with priority actions to improve public-private sector communication and coordination. Government participants highlighted key challenges related data, information, and transparency needs in supply chains for rice, maize, and high-value crops, and low levels of trust between the public and private sector related to climate-smart approaches. To address these challenges, government participants identified priority near-term actions to accelerate private sector investment in climate-smart agriculture, including increasing private sector consultations, improving market access for climate-smart commodities, strengthening local capacities for climate-smart production, and developing environmental, social, and governance guidelines for financial institutions and banks to encourage climate-smart lending.