



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

**TFCA Debt Swap Signing Ceremony with Philippines
Thursday, September 19, 2002
Manila**

FACT SHEET: U.S. – Philippines Debt Reduction Agreement Under the Tropical Forest Conservation Act (TFCA)

As part of the Administration's efforts to protect bio-diversity and tropical forests around the world, the Philippines and the United States will sign a debt reduction agreement under the Tropical Forest Conservation Act (TFCA).

Under the agreement, the United States will provide \$5.5 million to cancel a portion of the Philippines' debt to the United States. In return, the Government of the Philippines will fund tropical forest conservation activities through local non-governmental organizations (NGOs) in the Philippines.

- As a result of this agreement, the Philippines will save over \$8.2 million in US dollar debt payments over the next 14 years.
- In return for the cancellation of this debt, the Philippines will set aside the local currency equivalent of \$8.2 million toward conservation activities over the next 14 years.
- For every \$1 in U.S. appropriated funds devoted to this deal, almost \$1.70 in local Philippine funds will be spent on conservation activities in Philippines.

The elements of the deal:

- 1) the U.S. government provides \$5.5 million in appropriations to cancel \$8.2 million in interest payments;
- 2) the Government of the Philippines pays \$8.2 million, over 14 years, into a Tropical Forest Fund;
- 3) the fund is administered by a board which will include 2 representatives from the U.S. government, 2 representatives from the Government of the Philippines, and a majority (5) of NGO representatives;
- 4) the fund will provide grants to local NGOs working in tropical forest conservation. A group of local NGOs formed the "Core Group on the Tropical Forest Conservation Act" to organize

civil society consultations and provide recommendations to both governments as to potential members of the board, as well as priority conservation areas. This group has indicated its interest in pursuing a debt swap in the Philippines next year. As you may recall from recent agreements with Peru, a third party debt swap provides much greater leverage than USG funds alone.

This agreement will facilitate the protection of tropical and coastal forest areas in the Luzon, Visayas, and Mindanao regions. In addition, the survival of the Philippine Eagle, the national bird of the Philippines, is tied to the protection of the few remaining large tracts of forest. There are only an estimated 200 of these birds left in the Philippines

The Philippines is the sixth country to benefit from programs under the TFCA. Bangladesh, Belize, El Salvador, Peru, and Thailand are the others (note: we will receive a refund from the Thailand agreement because the forest agreement was never signed). The TFCA was enacted in 1998 to provide eligible developing countries the opportunity to reduce their concessional debts owed to the United States while at the same time generating funds for activities to conserve tropical forests.