



GETTING A GRIP...

on Climate Change in the Philippines

OVERVIEW

Contributing to the foundation and ensuring the future for a low-carbon, climate resilient society through the Philippine Climate Public Expenditure and Institutional Review

Global climate change is taking its toll on the Philippines

- Climate models show that global warming is likely to exceed the 2°C projections, with a possible 4°C increase as early as 2060 causing severe impacts to global, regional, and national economies and livelihoods.
- As the third most vulnerable country in the world to weather-related extreme events, earthquakes, and sea level rise, the Philippines is already feeling the consequences of climate change.
- The Philippines is exposed directly to multiple climate-related hazards such as typhoons (in the northern and eastern parts), floods (in central Luzon and southern Mindanao), landslides (based on terrain), and droughts.
- Climate-related impacts will reduce cultivatable land, which will decrease agricultural productivity and increase food insecurity.
- In a 4°C warmer world, coral bleaching and reef degradation and losses are very likely to accelerate in the next 10–20 years, which could result in the loss of fisheries as well as having detrimental impacts on the country's tourism industry.
- The urban poor in informal settlements are one of the most vulnerable groups to climate-related impacts, due in part to the additional pressures on urban systems created by rapidly increasing population growth.
- Environmental deterioration and unsustainable development practices aggravate the country's climate vulnerability.

Greenhouse gas (GHG) emissions in the Philippines are increasing rapidly

- While the Philippines has been a minor contributor to global warming, GHG emissions are projected to quadruple in the energy sector and double in the transport sector by 2030 due to its growing economy, urbanization, and motorization.

Climate Action can contribute to inclusive growth and poverty reduction

- Adaptation measures help build assets and strengthen the resilience of communities, especially in poor areas.
- Increasing the climate resilience of agricultural practices alleviates food insecurity, reduces malnutrition, and helps preserve water resources.
- GHG emission reduction measures improve air quality and public health, increase energy security, and reduce energy costs.
- Climate activities, especially in the fields of agriculture, infrastructure, and energy, can create employment opportunities, which will help satisfy the Government's priority of creating opportunities to increase the quality and quantity of jobs.

By acting now to develop its adaptive capacity and employ a sustainable green growth strategy expanding on mitigation opportunities, the Philippines will avoid substantial economic and humanitarian costs that could arise from the impacts of climate change

- Unless future development is carried out with accommodation to climate change in mind, the country could be locked into infrastructure development, land use changes, and urbanization processes that are more vulnerable to climate risks.
- The Philippine Government has put forward a comprehensive and strategic climate reform agenda that focuses on transforming the climate policies and institutions to better plan, prioritize, execute, monitor, and report on climate change expenditures and activities in support of sustainable development goals.
- A CPEIR was carried out at mid-term of the first phase of the National Climate Change Action Plan (NCCAP), the PDP (2011–2016), and the current Administration; this review comes early enough to help guide the finalization and operationalization of the first phase of the NCCAP.

The Philippines' climate reform agenda aims to consolidate climate policy across all levels of Government

- The 2009 Climate Change Act called for the formulation of a National Framework Strategy on Climate Change, which defines the overall parameters for developing the NCCAP.
- The NCCAP serves as the lead policy document guiding the climate agenda at all levels of government from 2011–2028 and is divided into three six-year phases, with each corresponding to the terms of the Administration and the PDP.
- The Climate Change Act and the NCCAP represent a clear evolution of priorities from mitigation to adaptation.

Climate policy reform efforts are only partially aligned with development plan outcomes, limiting their effectiveness

- The national, sectoral, and local development plans and policies are not fully aligned with the NCCAP, leading to difficulties in monitoring climate activities and hampering coordination and convergence across sectors and levels of government.
- Mainstreaming the NCCAP in the Departments' plans and work programs requires the adoption of a common approach to tagging climate Programs, Activities, and Projects (PAPs) and the establishment of indicators and targets.

The Climate Change Act requires the national government to provide technical and financial assistance to Local Government Units (LGUs) to formulate local climate change action plans (LCCAPs), but support remains insufficient

- New requirements to develop LCCAPs and integrate them into local development plans impose significant administrative burdens and pressure on the LGUs.
- To lighten this load, the CCC encouraged LGUs to incorporate their LCCAPs into their Comprehensive Development Plans and Comprehensive Land Use Plans and is working toward developing supporting guidelines.

Leveraging a low-carbon green-growth strategy and promotion of market-based instruments can strengthen engagement with the private sector

- Though mitigation activities are being carried out, there is currently no common strategy dictating roles and responsibilities on low-carbon development and green growth.
- While some policies have promoted market-based instruments and private sector engagement, their scope remains limited to a few sectors.

Climate change adaptation (CCA) and disaster risk reduction management (DRRM) policies have converged

- Both policies consider climate adaptation as an appropriate mechanism for addressing climate-related disaster risk prevention.
- Coordination among institutions on DRRM and CCA has been difficult because of overlapping responsibilities, action plans, and tools, and limited monitoring and reporting requirements for climate adaptation and climate-related disaster risk prevention.

Centralized institutional coordination supports the climate reform agenda

- Several new institutions have been created or are at various stages of mobilization, including the Climate Change Commission (CCC), the Cabinet Cluster on Climate Change (CCCC), and the People's Survival Fund Board (PSFB).
- The CCC is at the center of the new arrangement, coordinating across oversight Agencies and with sector Departments and Agencies on all aspects of climate policies.
- Sector Departments/Agencies and Local Government Units (LGUs) are assigned responsibility for planning and implementing Climate Action.

Execution and coordination of Climate Action are hindered by a lack of clarity in roles and responsibilities across institutions

- The broad scope of CCC's roles and responsibilities and the lack of coordination among stakeholders have hindered leadership and accountability in implementing the climate agenda.
- The roles of and relationships between the CCC and the other oversight Agencies are not yet clarified, formulated, prioritized, or streamlined, which can limit the CCC's effectiveness as a policy coordinating body.
- The CCCC has not yet been fully effective in carrying out the climate agenda due to limited decision making opportunities and fragmented support.

Existing monitoring and evaluation (M&E) systems have cumbersome reporting requirements, and the lack of climate indicators limits their usefulness

- Systems are not in place to collect and integrate results from various Government Agencies, and a lack of agreed-upon indicators and targets has hindered the process of monitoring the integration of the NCCAP, impeding an evaluation of results across climate PAPs.
- Department M&E systems have complex reporting requirements, affecting managers' ability to use reports for planning purposes.
- At the local level, the Community Based Monitoring Program and the Department of the Interior and Local Government's Local Government Performance Management System serve as starting points for developing a systematic M&E system.

Insufficient institutional capacity, including limited access to knowledge, and the complexity of planning tools have hindered efficient execution of the climate reforms and Climate Action

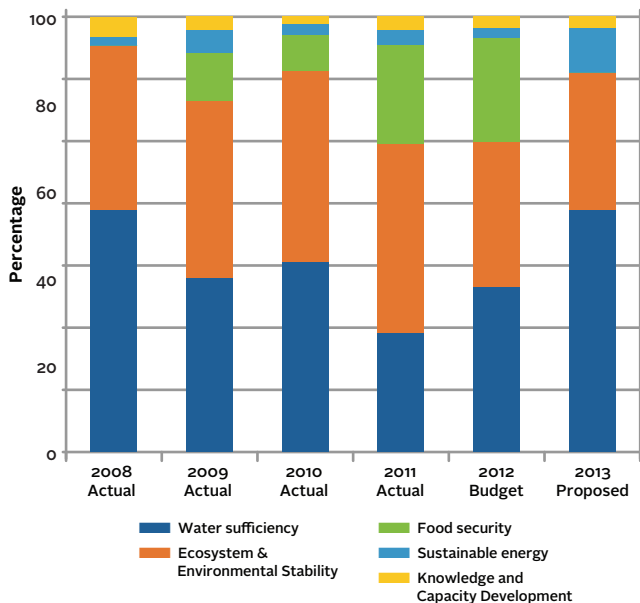
- Departments have an insufficient number of knowledgeable and skilled staff on climate policy, financing, and institutions.
- Knowledge gaps and the lack of a knowledge management system have been key barriers for scaling up Climate Action in Departments and LGUs.
- Tools to support planning and prioritization are often not mainstreamed and too complex to use.

Climate appropriations have been increasing relative to overall Government budgets

- Between 2008 and 2012, climate appropriations increased by two and a half times in real terms and on average 26 percent annually, outpacing the growth of the national budget (around 6 percent).

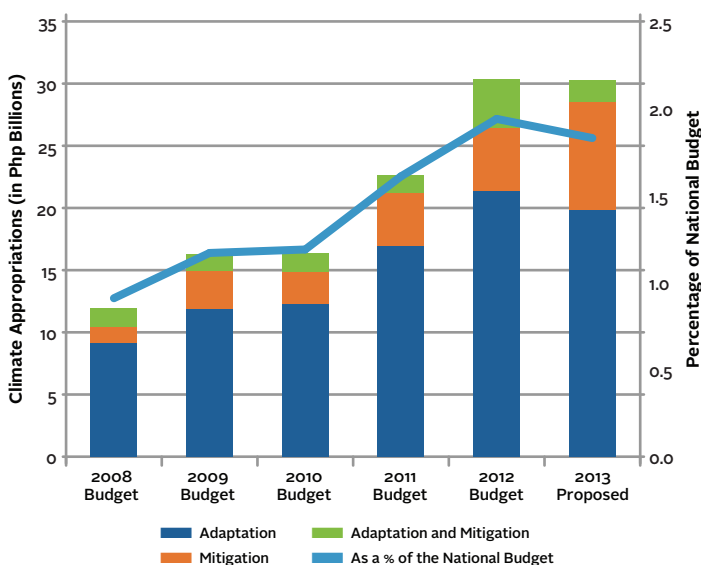
Climate appropriations focus on a few large PAPs

Figure 1. Evolution of Climate Appropriations Based on the NCCAP Classification, 2008–2013



- Most of the climate expenditures and appropriations in the Departments fall under the NCCAP priorities on Water Sufficiency, Ecosystem and Environmental Stability, and Food Security.
- The upward trend in climate appropriations is due to increased allocations to a few major PAPs, concentrated within a few Departments and Agencies. The DPWH commands 52 percent of climate appropriations, reflecting the Government's desire to prioritize investments for flood control protection due to periodic flooding events in the recent past.

Figure 2. Composition of Expenditures and Appropriations by NCCAP Strategic Priority Area, 2008-2013



Differences in the classification of climate PAPs hinders climate budget planning and prioritization

- Multiple approaches used for classifying climate activities (NCCAP, KRA-5, Department work programs, Multilateral Development Bank classifications) across the Government result in a three-fold variation in climate appropriations.

Climate appropriations have been funded largely from domestic sources, while Development Partners' support has concentrated on flood control and management

- Domestic resources have funded on average 82 percent of climate expenditures in the four selected Departments (DPWH, DENR, DOE, PAGASA) between 2008 and 2011.
- Development Partners' support is concentrated with the DPWH, accounting for 80 percent of the total support.

Climate appropriations have been focused on adaptation, but the share of appropriations for mitigation funding has been rising faster

- Nearly three-fourths of climate appropriations have been directed toward adaptation intervention over the 2008–2013 period.
- Appropriations for mitigation PAPs have grown at an average real annual rate of 46 percent, nearly three times as fast as adaptation PAPs, which have grown at an average real annual rate of 17 percent.

Financing gaps for knowledge and capacity development may slow implementation progress

- In comparing the budget with the Public Investment Program and Departments' work programs, some major climate PAPs are adequately funded while others remain underfunded or not funded at all.
- Knowledge and capacity development is largely underfunded despite its importance and prominence in the NCCAP.
- While the PSF provides a dedicated source of funding for local adaptation activities, funding gaps remain for mitigation and national/regional adaptation activities.

LGUs are action-oriented, but sources of funding are fragmented and their available amounts are limited

- The Albay Province and Makati City case studies indicate that climate appropriations at the local level are directed toward the primary concerns of the LGUs.
- The LGUs most vulnerable to the impacts of climate change have the greatest need for public support, yet generally have the least capacity to provide support under the current revenue-sharing arrangements.
- Assessing local level expenditures is challenging, as funding is highly fragmented across many different sources.

Convergence of the CCA and DRRM agendas is not reflected in budgets

- Tracking the utilization of climate resources at the local level is difficult, and available evidence indicates that funding is still channeled toward recovery and rehabilitation.
- At the national level, most of the resources continue to be directed to response, recovery, and rehabilitation efforts.

The Public Finance Management reform agenda provides opportunities to improve planning, prioritization, execution, and monitoring of climate PAPs

- The budget process provides entry points for mobilizing and targeting finance for Climate Action.
- Strengthened procurement procedures and improved budget execution contribute to improving the management of climate PAPs.
- The formulation of sectoral Medium Term Expenditure Frameworks provides an opportunity to translate the NCCAP’s priorities into multi-year fiscal planning and budgeting.
- The introduction of a new Results-Based Performance Management System across all Departments and Agencies is expected to improve reporting and auditing systems and enhance mid-year and year-end M&E of climate PAPs.
- The adoption of new budgeting tools, such as the Program Approach and the Bottom-Up Budgeting approach, offers unique opportunities to enhance climate outcomes, increase convergence, reduce duplication, and leverage additional resources.



The way forward...

The recommendations of the review aim to consolidate the strategic direction of the NCCAP and set the stage for scaling up Climate Action over the remaining two phases of the NCCAP. The goals for the remainder of this Administration’s term should be to:

- Ensure that the enabling environment is firmly in place by completing and implementing the remaining pieces of the core climate change reforms;
- Formulate, enact, and support complementary sector and local-level policy and institutional reforms;
- Enhance design and implementation of climate programs, activities, and projects to improve their effectiveness; and
- Through the above reforms, increase efficiency of resource use and provide support for higher levels of financing.

These recommendations, together with the Strategic Action Plan, are anchored to the Government’s climate reform agenda through a framework that includes three pillars. Each of these pillars includes a set of objectives and underlying activities:

