

Status of Climate Finance in the Philippines

**Training Workshop on Corruption Risks and Anti-
Corruption Strategies in Climate Financing**

Asian Development Bank | May 26, 2015



Legal & Policy Framework

- **Climate Change Act of 2009** (Republic Act 9729) defined climate finance as:
“The allocation of public resources towards the climate change adaptation and mitigation requirements of the country and vulnerable communities, through frameworks, mechanisms and processes that are equitable, accountable, transparent, and are in line with the national development goals.”
- **National Climate Change Action Plan 2011-2028** outlines the specific long program and strategies for adaptation and mitigation, spanning across three political administrations
- **Peoples Survival Fund** (Republic Act 10174) provides funding support for climate change adaptation programs at the local level
 - Long term finance stream for adaptation programs and projects that are directly supportive of the objectives of local government units and communities
 - Expanded the composition of the advisory board of the Climate Change Commission to include the Finance Department
 - Government appropriation of 1Billion PHP that can be augmented by donations, endowments, grants, contributions



Roadmap for Climate Finance Readiness 2013-2016

Readiness to Access

Continued monitoring and assessment of lessons learned from existing climate funds (e.g. CDM).

DCF preparation for Adaptation Fund NIE Accreditation

Engage in policy dialogues on the operationalization of the Green Climate Fund

Readiness to Plan and Mainstream

Alignment of medium-term orientation of PDP and strategic (long-term) orientation of the NCCAP

Harmonized guideline for common analytical framework and “standardized” methodologies for risk assessment

Issuance of LOCAP guideline consistent with the CLUP-ODP Rationalized Planning System (no stand-alone plans)

Development of CLUP-ODP checklist for mainstreaming CCA-DRR

Institutionalization of results-based M&E system for the NCCAP

Readiness to Leverage the Private Sector

Development of NCCAP private sector participation strategy

Capacity development for climate-smart industries and services

Creation of enabling policy environment for the development of climate-smart industries and services

Promotion of “green industries” and technologies



Readiness to Spend Effectively & Efficiently at the National Level

Develop system for tagging CC in PAPs	Programmatic Approach in National Budget Preparation	Monitoring of CC LGU priorities in NGA PAPs	Monitoring of private sector, contributors / developments partners contribution in climate financing
---------------------------------------	--	---	--

Readiness to Spend Effectively & Efficiently at the Sub-National Level

Review of the LGU Financing Framework in the context of the PSF		Convene the PSF Board and Develop Guidelines to Operationalize the PSF	
Enabling policies and policy constraints	Available financing windows and potential fund blending	2014 Transition Period	2015 onwards Mainstreaming Period
<ul style="list-style-type: none">▪ Access modality▪ Fund conduits			

Development of Sub-National Climate Change Adaptation & Mitigation Program and Project Portfolio

1. Fast-track VA of critical sectors and areas in Regions
2. Develop menu of adaptation & mitigation options
3. Cluster LGUs in the region relevant to the menu of adaptation & mitigation options
4. Call for expression of intent for LGUs to undertake adaptation & mitigation options in alliance with contiguous LGU
5. Establish Fund for Preparation of Local Feasibility Studies



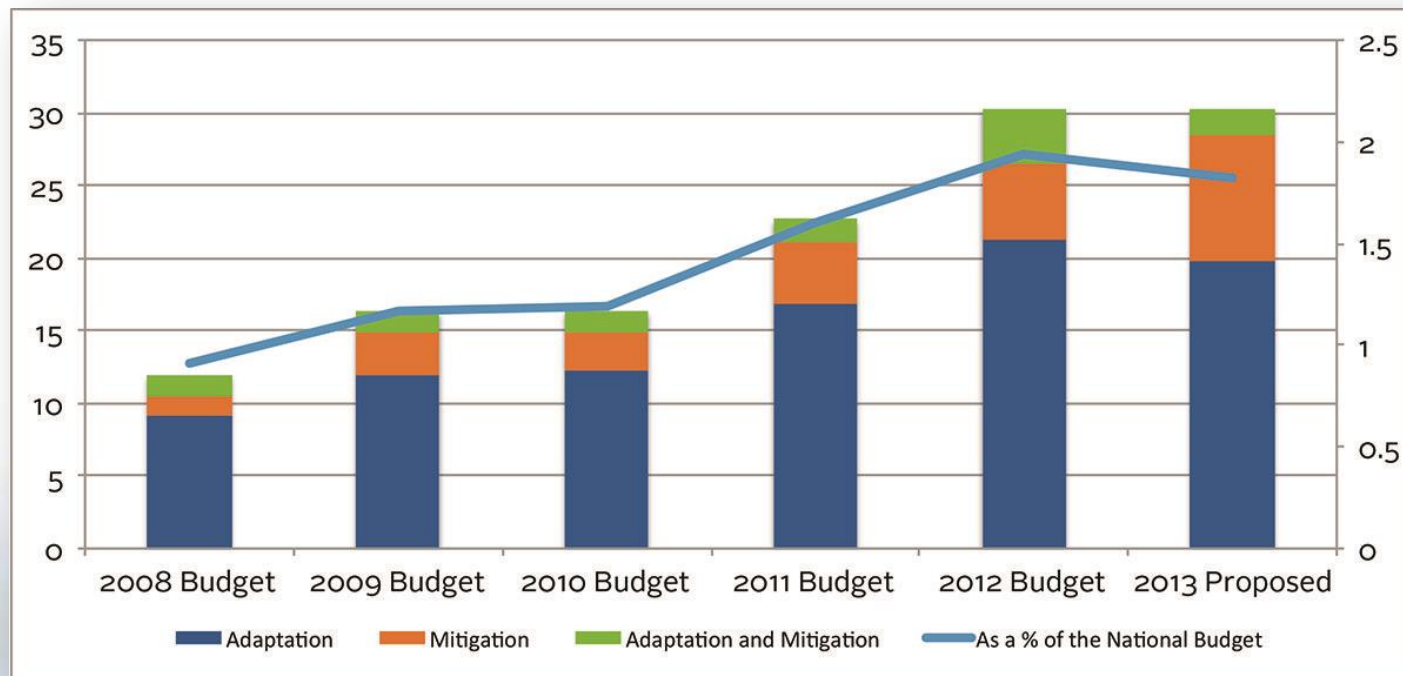
Policies and strategies in promoting the mobilization of public and private climate finance

- **Climate Public Expenditure and Institutional Review** to assess gaps and accelerate implementation of the climate change agenda in the Philippines. This is envisioned to aid key agencies with major roles on CC policy making.
- **Program Budget Approach (PBA)**, led by the Cabinet Cluster on Climate Change, that constitutes a major part of the overall climate change expenditure
- Joint Memorandum Circular (2013) issued by Department of Budget and Management (DBM) and the Climate Change Commission (CCC) as guidelines in **tagging government expenditures for CC adaptation and mitigation** in the budget process; Issued for all national government agencies, commissions, state universities and colleges
- Joint Memorandum Circular (2014) issued by DBM, CCC and the Department of Interior and Local Government (DILG) as guidelines in **tagging CCAM expenditures in the local budget**; issued for all local government units
- Government financial institutions (GFIs) have several green financial products that can be mobilized



Climate Appropriations have been increasing relative to Overall Government Budgets

Climate appropriations have increased by 2.5 times in real terms and on average 26 percent annually, outpacing the growth of the national budget (around 6 percent)

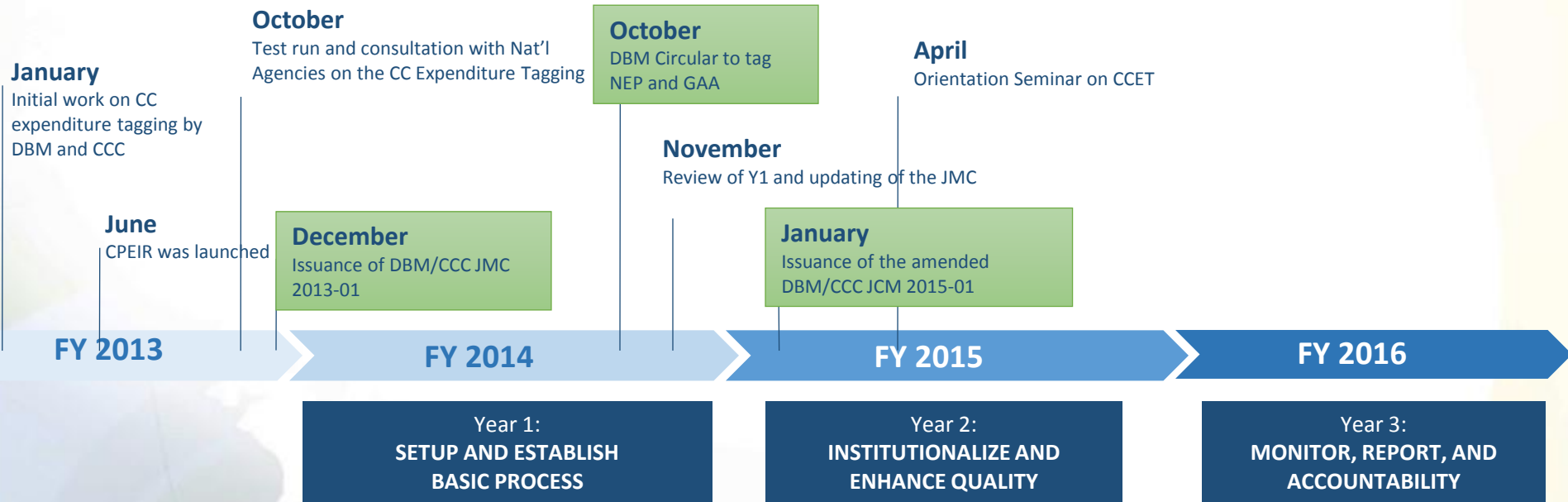


Climate Appropriations Based on the NCCAP Classification

• Increase shows Government willingness to increase climate action, but level of funding based on projected needs is still low. The total climate appropriations correspond to about 0.3 percent of GDP, falling below the Stern review recommendations that countries should expend at least 2 percent of GDP to implement climate action.



Mobilizing the Budget for Climate Response in the Philippines



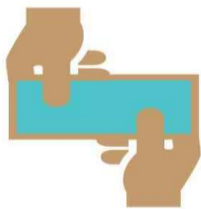
The CCET is a tool in assessing the status of the country's national response to CC and in guiding improvement of its effectiveness.



Informs the Government by generating and tracking data on the allocation of CC-response expenditures, providing a baseline to evaluate alignment, prioritization, and impact of CC-response public expenditure

Creates a platform for policy dialogue between oversight and line agencies in strengthening implementation of sectoral climate action aligned with the NCCAP

Promotes coherence and convergence across sector policies and programs by fostering link between the budget and CC policies.



Facilitates the country's "readiness" for accessing, administering, and coordinating flows of domestic and international climate finance through enabling the tracking of CC response spending



Climate Change Expenditure Tagging Process



...x B - C
...n 3.1
...ologies a

Philippine
...anning,
...reheisi
...n Plan (N

C typolo
...ation or

FY2016
A111-01

A111-02

A111-03

A111-04

FY2016
A112-01

A112-02

A112-03

FY2016
A113-01

A113-02

A113-03

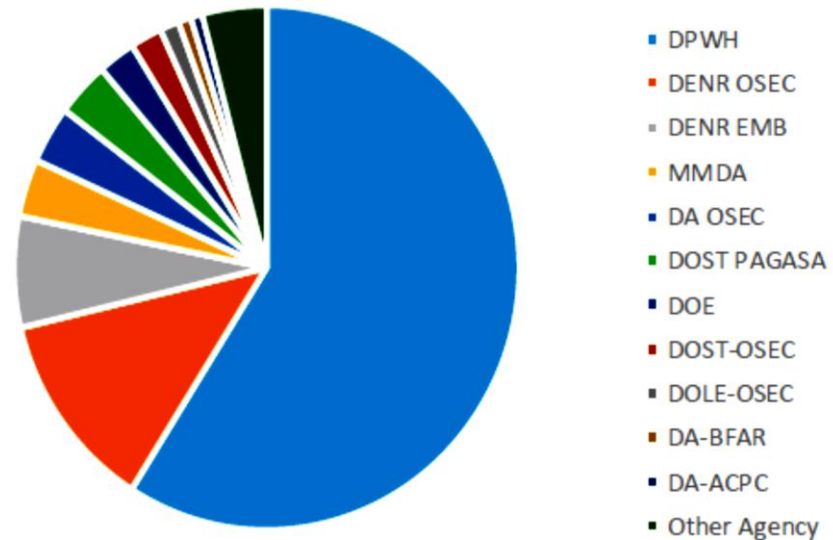
A113-04



National Climate Change Expenditure Tagging

- JMC of DBM and CCC on the guidelines in tracking government expenditures for climate change in the budget process
- NGAs tagged **over 5% of the total 2015 national budget for cc expenditures** in their budget proposals, with about **98%** directed towards **adaptation**, in line with the NCCAP.

Proposed CC Tagged Expenditure by National Agency



- **Nearly three fifths (59%)** of the tagged cc expenditure **is from DPWH**, primarily focusing on **flooding and protecting road surfaces** from water runoff.

Local Climate Change Expenditure Tagging

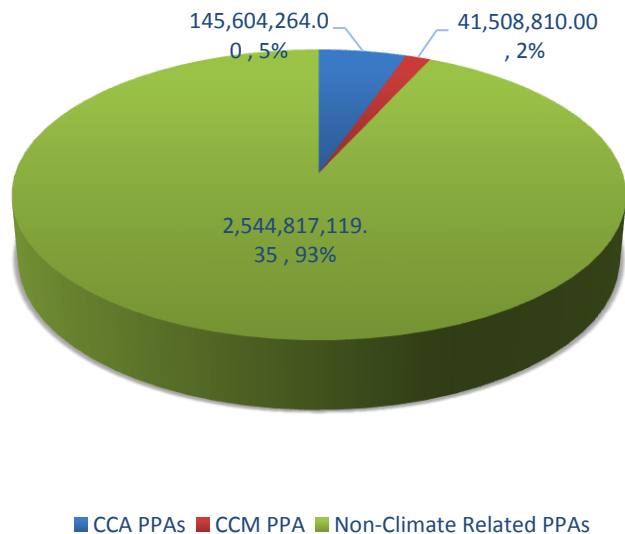


- In August 7, 2014, DBM, CCC and DILG issued Joint Memorandum Circular 2014-01 (JMC) encouraging local government units to track their climate change expenditures in their respective annual investment programs.
- 42 Local Government Unit pilots have begun to tag their 2015 Annual Investment Plans on a pilot basis.

AIP of Santa Rosa, Laguna

- **Climate change-related expenditures** comprise **7%** of the AIP Budget.

Figure 1: Percentage of Climate and Non-Climate Related PPAs



- *Climate proofing and retrofitting of government infrastructure*
- *Risk Mapping/Identify, map and profile highly disaster prone areas and communities*
- *Incorporate climate change and climate variability in design standards for flood control and drainage systems*

The People's Survival Fund

- A domestic “rewards fund” aimed at addressing urgent adaptation needs
- To finance adaptation programs and projects that are directly supportive of the objectives enumerated in the Climate Change Action Plans of local government units and communities
- Sources of the PSF managed by the Fund Board
 - Php 1,000,000,000 from the National Budget
 - Augmented by donations, endowments, grants, contribution



PSF Balance

- Available balance per year shall not be less than the amount of 1 Billion Pesos (PhP 1,000,000,000.00)
- May be increased subject to the review of the Office of the President and Department of Budget and Management
- Any unutilized balance shall not revert to the general fund



The PSF Board Composition

The PSF Board convenes twice a year and consists of the following;

- Members of the Board:
 - Secretary of Department of Finance as Chair;
 - Vice-Chairperson of the Commission;
 - Secretary of the Department of Budget and Management;
 - Director-General of National Economic Development Authority;
 - Secretary of the Department of Interior and Local Government;
 - Chairperson of the Philippine Commission on Women;
 - One (1) Representative each from the academe and scientific community, business sector and non-governmental organizations.



Powers and Functions of the PSF Board

- Promulgate policies that will maintain the fiduciary character of the Board;
- Provide overall strategic guidance in the management and use of the fund;
- Develop social, financial and environmental safeguards to be used in project implementation;
- Identify additional sources for the fund;
- Issue final approval of projects to be funded;
- Adopt a conflict of interest policy to ensure that board members will not vote on projects if they have a direct stake therein; and
- Ensure an independent third party for evaluation and auditing.



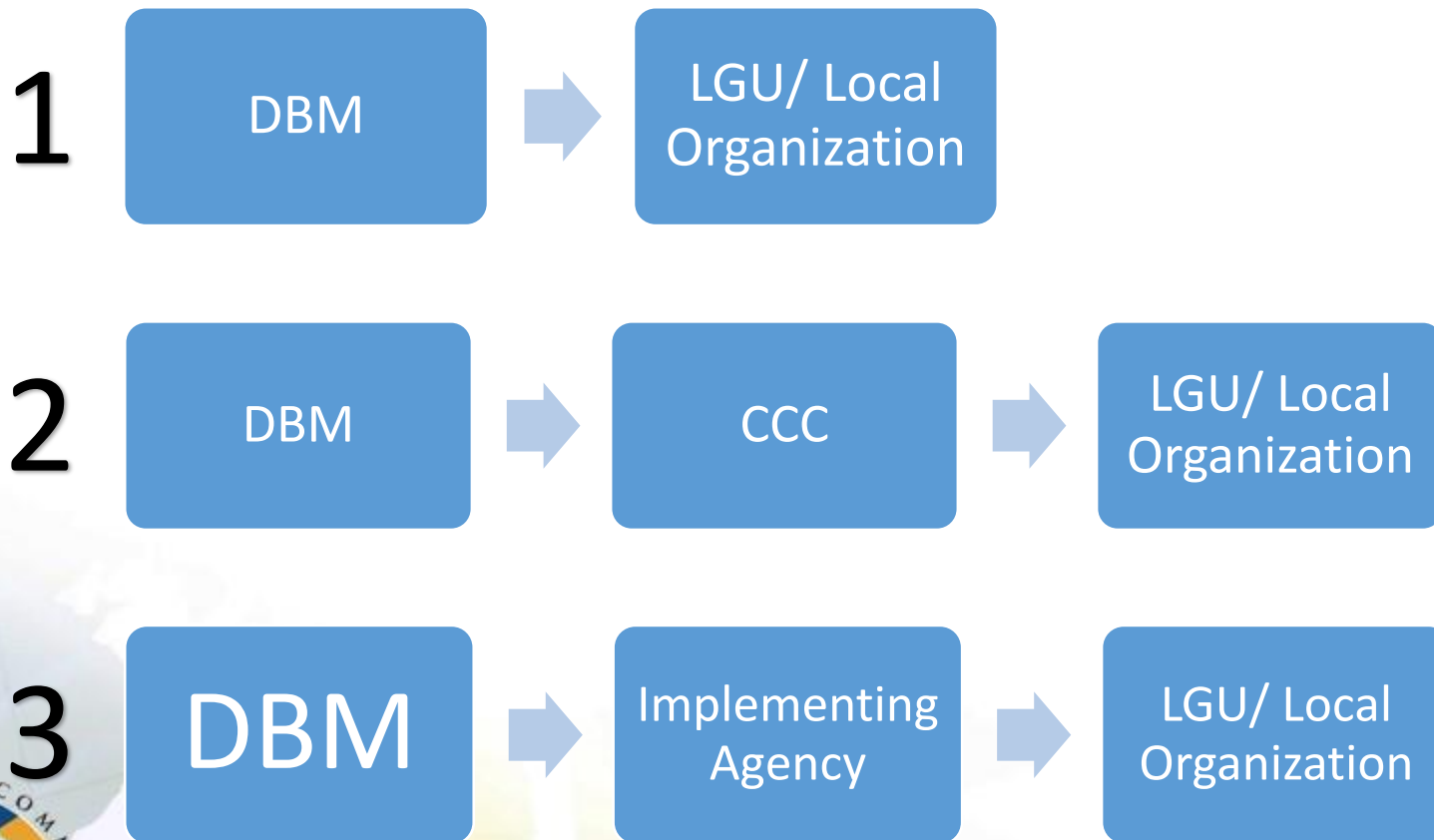
Who May Access the PSF?

The PSF can be accessed as grants by the following:

- Local Government Units; and
- Local Organizations accredited/registered by the Climate Change Commission



Proposed Disbursement of Funds*

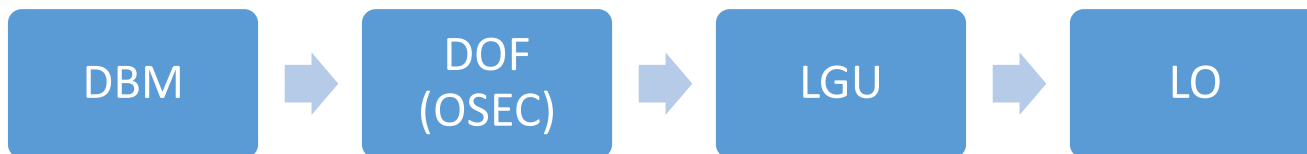


*Still for presentation to the PSF Board

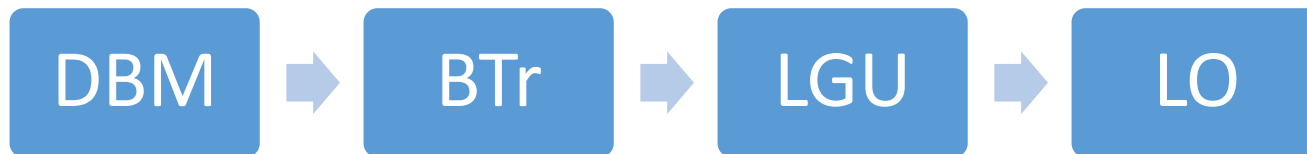


Proposed Disbursement of Funds*

4



5



6



*Still for presentation to the PSF Board



Climate Finance Support



Global Environment Facility

*GEF is a financial mechanism of the Environmental Conventions (UNFCCC, UNCBD, UNCCD)

*DENR FASPO serves as the operational focal point

- 5th Cycle (2010 – 2014)
- Allocation for the Philippines: \$8.8M
- Philippine projects approved for GEF-5:
 - Development of RE Applications Mainstreaming and Market Sustainability Project of DOE (\$5.8M)
 - Promotion of Low Carbon Urban Transport System in the Philippines of the DOTC (\$3M)



Global Environment Facility

GEF 6th cycle

- Allocation for the Philippines: \$7.47M focused on climate change mitigation
- Currently evaluating projects for endorsement to the GEF



GEF-6 Project Proposals for Climate Change

GEF 6 Project Proposals		
Project Title	Project Proponent	Implementing Agency
Portable Potable Water Equipment for Disasters and Emergencies	Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD)-DOST	UNIDO
Low Carbon Energy Program for Micro, Small and Medium Enterprise	Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD)-DOST	UNIDO
Energy Efficiency Improvements in Commercial/Municipal/Highrise Residential <sub-sector> in the Philippines	Department of Energy	UNDP
Low Carbon Urban Development in the Philippines	Department of Energy	UNDP
Technical Assistance for promoting Low-carbon technology in the Philippine Transport Sector through the utilization of Natural Gas	Alternative Fuels and Energy Technology Division-Energy Utilization Management Bureau-DOE	UNIDO
GEF Support to Project GROWTH	DAR	WB
Low Carbon Transition in the energy efficiency sector	Energy Utilization Management Bureau Energy Efficiency and Conservation Division-DOE	
Mainstreaming Biodiversity, Restoring degraded forestlands and enhancing carbon stocks through an Integrated Landscape approach	FMB-DENR	
Greening the Tourism Value Chain through the Implementation of Climate-Smart Practices in Ecotowns in Key Biodiversity Area (KBA)		UNEP
PROMOTION of Hybrid Renewable Energy System for off-grid rural electrification in the Philippines	Department of Energy	UNIDO
Guarantee Fund for Bus Operator Contracts and Bus Financing under a new model for road-based public transport		
Participatory impact assessment of the National Greening Program in Leyte on soil carbon stocks and soil chemical characteristics	Dr. Ian Navarrete, Dr. Severino Salmo III, Abigail Marie Favis (Department of Environmental Science, ADMU)	



Adaptation Fund



ADAPTATION FUND

- Financed through the 2% share of proceeds from CERs of the CDM, the AF is established to finance concrete adaptation projects and programmes from developing countries
- DOF applied as NIE



Green Climate Fund

*Operating entity of the Financial Mechanism of the Convention under Article 11

*CCC as the NDA

- \$10.2B pledged and as of May 2015, the total amount of contribution signed is \$5.5B or 58.5%



CTCN

- Different forms of **TECHNICAL ASSISTANCE**
- Assistance range from \$50,000 - \$250,000
- **Funds not provided directly to countries**
- Type of request
 - Quick response: (\$50,000)
 - Implementation by the Expert Team (less than 1yr duration)
 - Response Project: (\$50,000 - \$250,000)
 - Implementation by a network member and may be a multi-year project



THANK YOU.

CLIMATE CHANGE COMMISSION
Little President's Learning Palace
1558 JP Laurel Street
Malacañan Complex, San Miguel
MANILA, PHILIPPINES

www.climate.gov.ph

info@climate.gov.ph

