CURRENT STATUS

The CPEIR is still ongoing. The CPEIR was launched with a technical mission in February 2012, followed by a second in April/ May. The missions focused on meeting various Departments and agencies at the central and sub-national level to discuss capacity and coordination aspects, identify and collect expenditure data, establish a classification of climate change expenditures and discuss public finance issues related to climate change projects and programs. To ensure a strong involvement of the Government in the CPEIR, various tools were used to reflect Government's advice and ensure the Department's buy-in, such as policy and technical dialogues and a range of consultative workshops as well as the use of existing coordination mechanisms, namely the CCCC, the CCC, and the CFG to reach out to key stakeholders. A first set of preliminary findings and recommendations will be discussed with the Government in September 2012.

The preliminary findings that have merged

focus, among others, on

(i) inconsistencies and overlaps in management roles between oversight agencies and coordination synergies between the Departments

(ii) challenges in identifying and tracking CC related expenditures in the national budget or special accounts/funds and options to introduce a coding system for CC expenditures,

(iii) insufficient alignment between the NCCAP and sectors strategies and plans and the need to operationalize the NCCAP

(iv) the need to harmonize various planning processes (MTPDP, MTEF, Department's work programs, etc.) and tools to mainstream CC aspects in the budget cycle (ex. screening criteria)

(v) disparities in LGUs fiscal and management capacity to deal with CC aspects

(vi) untapped synergies between Disaster Risk Management and Climate Change planning tools at the sub-national level.

Another key outcome of the CPEIR discussion has been the preparation of screening guidelines that aim to guide the Departments, agencies at all level in prioritizing proposals of CC projects and programs and to conduct a transparent and objective assessment and appraisal of climate change projects and programs.

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PHILIPPINES

CLIMATE PUBLIC EXPENDITURE AND INSTITUTIONAL REVIEW

CONTEXT

While the Philippines has been traditionally exposed to the natural hazards and risks from typhoons and droughts, climate change (CC) is expected to further exacerbate country's water problem and exposure to natural disasters with a high cost to the economy and society. The country is ranked the highest in the world in terms of vulnerability to tropical cyclone occurrence. An average of 1,000 lives and US$ 419 million (equivalent to 0.5 percent of the annual GDP) were lost every year between 1990 and 2006 due to natural disasters. Given the current trend, the productivity of agriculture and fisheries, as well an expanding tourism sector could be seriously affected. Approximately 50.3 percent of the country's total land area and 81.3 percent of its population might be directly affected by more frequent heat-waves, floods, droughts and typhoons. At the same time, the country's economic growth and rapid urbanization risks to raise not only the country's fiscal cost of energy subsidies, but also its GHG emissions.

Despite significant progress made by the Government of the Philippines (GoP) over the past few years by creating enabling policies, legislation and institutions for climatic risk reductions and greenhouse gas mitigation (see box below), the country faces challenges in ensuring the effective functioning of it climate governance framework and using its climate resources efficient and effectively. Given budget constraints, there is a need to ensure, on the one hand, the national development planning, the climate change planning and the resources allocation process are well aligned and, on the other hand, the line ministries have the capacity to implement and monitor adaptation and mitigation related public programs.

Box: Recent milestones in setting up the Philippines Climate Governance Framework

Legislative framework:

Climate Change Act (2009), the Philippine Disaster Risk Reduction and Management Act (2010), The People Survival Fund Act (2012)

Policy Framework:

Philippines Development Plan 2011-2016, National Framework Strategy on Climate Change (NFSCC 2010-2022), National Climate Change Action Plan (NCCAP 2011-2028), Local Climate Change Action Plans (LCCAP)

Institutional architecture

Climate Change Commission (CCC 2010), Climate Finance Group (CFG 2012), Cabinet Cluster on Climate Change Adaptation and Mitigation (CCCC 2011), People's Survival Fund Board

In this context, the Climate Public Expenditure and Institutional Review (CPEIR) seeks to assist the GOP in the implementation of it National Climate Change Action Plan (NCCAP) by using the CPEIR as a tool to strengthen its institutional capacity as well as the management of its public resources in support of climate adaptation and mitigation. Specifically, the review aims to (i) assess the institutional arrangements and coordination in implementing the NCCAP, (ii) conduct a "climate review" of the budget to assess the level, distribution and funding sources of climate expenditures, (iii) examine public finance management issues related to the planning, priority setting, implementation and tracking of CC related programs and projects, and (v) identify needs for reforms and technical assistance, including resource mobilization and generation to support the NCCAP.

Scope and Methodology of the CPEIR

Given limited resources and time, the assessment is conducted on selected key oversight agencies (CCC, NEDA, CCCC and DBM) and sectors (agriculture, forestry, water, energy, meteorology and DOST). The sector selection involves 5 Departments and several attached agencies but excludes the Government Owned Corporations (such as the National Electrification Administration, the National Power Corporation in the energy sector). The selection was made based on Departments identified to implement the 7 strategic priorities identified in the NCCAP. Lastly, two Local Government Units were included in the CPEIR to obtain a snapshot of CC related institutional and financial issues at the sub-national level.

The identification of the CC related expenditures is based on several approaches. While the NCCAP constitutes the main strategic reference for identifying CC related activities, the identification of CC activities are assessed against a typology of CC activities developed by the World Bank. Furthermore, these CC activities are assessed against expenditures identified (i) in the Departments 2011-2016 work programs (listing the Departments' CC programs and projects currently ongoing or planned) and (ii) other initiatives that identified CC expenditures for different purposes (the tagging of expenditures by DBM in the 2012 budget, the CC expenditures in the 2011-2014 MTEF and the CC expenditures conducted by the CCC and the NGOs). It is noteworthy that despite strong efforts and support by the Government in the collection of the budget data related to climate change, the identification of CC expenditures has been difficult and in part some CC activities could not be identified in the budget.

It is noteworthy that the definition of CC related expenditures is not limited to projects funded based on the concept of "climate finance additionality" but also traditional adaptation and mitigation related projects are taken into consideration. The scope of government expenditures is confined to the national budget, excluding extra budgetary spending and fiscal support. The analysis is limited to expenditures categorized under operations (excluding support to operations) for the period 2010 – 2012 and inscribed under the OSEC budget - with the exception of special accounts that were included in the review. Financing of donor projects and programs integrated in the national budget are covered in the CPEIR but not projects that are funded directly by external donors and managed outside the national budget (for example, projects funded under the Clean Development Mechanisms,..). Lastly, fiscal support to climate related activities, such as contingent liabilities (example), private investments through Public Private Partnerships and tax incentives are not assessed as well as fiscal activities that increase Greenhouse gas (GHG) emissions.