Climate Finance

Philippines

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Session 5: Climate Finance
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 LCCAP guideline consistent with the CLUP-CDP Rationalized Planning System (no stand-alone plans)
- Development of CLUP-CDP 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

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### 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 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 Change Expenditure Tagging Process

Planning and Activity Programming

Mainstreaming of climate change actions in Agency’s plan, programs and activities

Budget Call

Agencies identify and tag its CC expenditure in BP Form 201F or DBM Form 712

Technical Budget Hearings

Agencies present a summary of its climate budget (if any) during TBH

Planning and Budgeting for Climate Change Response

Budget Accountability

Tracking climate budget execution using BFAR

Budget Legislation

CC expenditure will be published in the Open Data Portal for transparency

Agencies will retag its CC expenditure and manually submit Form 201F or Form 712

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Annex A – CCET and QAR Guidelines

Version 4.0 (CLEAN)
CC expenditures remain concentrated in few Agencies (Ministries), with five Agencies accounting for more than 90% of the climate appropriations.

- CC expenditures can mostly be found in **traditional sectors** of environment, agriculture, infrastructure, energy, and science and technology.
- Nearly all (98%) of the CC expenditures are directed towards **adaptation**
  - About 60% of the adaptation response are **results of deliberate policy decision**
  - The remaining 40% focuses on resiliency building
More than half of the approved CC expenditures address water security.

- 54% of the climate appropriations in FY2015 are water-related expenditures, particularly on **Flood Management**

  - Water Security is a priority for a broad set of NGAs with **DPWH** (the infrastructure arm of Government) leading the efforts on flood control projects.

- About 30% of the climate appropriations focus on **increasing resiliency of the transport sector and transition to a low carbon society.**
Total climate appropriations correspond to about 0.3 % of GDP, falling below the Stern review recommendations that countries should expend at least 2% of GDP to implement climate action.
Challenges

- Constraints related to “absorptive capacity” in anticipation of new climate finance facilities
- Private sector receptive for CCAM partnership but remains largely untapped
- Gearing up to comply with the fiduciary standards of international climate funds and readiness to access funds
- Scaling-up climate finance by blending, sequencing and leveraging the domestic budget (e.g., PSF with international sources)
Recommendations

• Mobilize domestic sources of climate finance...
  • Bolster institutional capacities and define mechanisms for identifying priorities for financing, fund allocation and distribution for a strong foundation
  • As a product of the CCET, the national government’s Technical Budget Hearings have explicitly begun discussions on climate change prioritization in Agency budget proposal submissions and inclusion of indicators to monitor CCAM results

• ...then get ready for international sources!

• Create an enabling environment for private sector participation and favorable conditions for MSME development to improve competitiveness, technical and business resilience

• Leverage existing green financial products of GFIs to develop new financial products and services for prioritized climate sectors
Thank you.