

Introduction

Scientific studies have identified the Philippines as one of the most vulnerable countries in South-East Asia to the effects of climate change. In 2009, research found that all regions in the Philippines were highly vulnerable to climate change, citing the regions' exposure to extreme climate events, and its human sensitivity resulting from population concentration and low adaptive capacities.¹

The effects of climate change – increased precipitation, intensifying typhoons, storm surges, and rising sea-level – affect mainly the agriculture, fishing, and forestry sectors, which provide livelihoods for a majority of the population. More than 61 per cent of those who work in this sector are small farmers and subsistence fisher folk,² and about 25 per cent of these are women.³

According to the Intergovernmental Panel on Climate Change (IPCC), 'since 1971, mean temperatures (in the Philippines) have increased 0.14 degrees C per decade.' As a result, there has been an '[i]ncrease in annual mean rainfall since 1980s and in the number of rainy days since 1990s,' as well as 'an increase in inter-annual variability of onset of rainfall.'⁴

The accelerated rise in sea level is a serious threat. Given the country's archipelagic nature, a one-metre rise in sea level is projected to affect 64 out of 81 provinces, 703 out of 1,610 municipalities, and almost 700 million square metres of land, displacing as many as 1.5 million Filipinos.⁵

Policy Instruments and Implementing Tools

As early as 1989, the Philippines had a strategy for sustainable development, aimed at achieving a balance between growth, equity, and ecological integrity.

In 1995, the country hosted the first ever conference on climate change among Asia-Pacific leaders. This resulted in the Manila Declaration, signed by 133 countries, which acknowledged the dangers posed by climate change to 'small island states, and coastal and other nations of



The cost of climate change

- Over the last two decades, a number of the deadly and exceptionally damaging typhoons have caused nearly \$2 million in direct damage and the deaths of more than 25,000 people in the Philippines.⁶
- In 2009, two killer typhoons – Ketsana (Ondoy) and Parma (Pepeng) – cost the country \$4.8 billion, or approximately 2.7 per cent of GDP.⁷
- The five most devastating typhoons in the history of the Philippines all occurred after 1990, affecting 23 million people.⁸
- Four of the costliest typhoons in Filipino history occurred after 1990, with combined damaged costs of \$1.13 billion.⁹
- Two of the most severe droughts ever recorded occurred in 1991-92 and 1997-98. The former affected a combined area of 461,800 hectares, in Mindanao, Central and Western Visayas, and Cagayan Valley, and led to losses totalling \$95 billion; while the latter affected about 292,000 hectares of rice and corn, resulting in the loss of rice and corn, with an estimated value of \$67.8 million.¹⁰
- Citing the global Climate Vulnerability Report 2010, Filipino senator Loren Legarda noted that diseases, more than disasters, had caused the most number of deaths. In the first quarter of 2011, she noted that incidents of dengue fever had increased by 106% compared to the same period last year. Despite this, however, Legarda noted that the share of priority adaptation projects committed to health was only 3%.¹¹

1 Yusuf A. and H. Francisco (2009), Climate Change Vulnerability Mapping for Southeast Asia. Economy and Environment for Southeast Asia. http://www.idrc.org.sg/uploads/user-S/12324196651Mapping_Report.pdf

2 National Statistical Coordination Board (2008), http://www.nscb.gov.ph/secstat/d_labor.asp

3 Bureau of Agricultural Statistics (2006), <http://countrystat.bas.gov.ph/index.asp?cont=factsandfigures>

4 IPCC (2007). IPCC Fourth Assessment Report: Climate Change 2007. http://www.ipcc.ch/publications_and_data/ar4/wg2/en/ch10s10-2-2.html

5 Philippine Municipal Data of 2000. National Statistics Office, Republic of the Philippines. <http://www.census.gov.ph/>

6 Philippine Senate Resolution #9 filed 21 July 2010 with the 15th Philippine Congress

7 *ibid*

8 EM-DAT (2009). The OFDA-CRED International Disaster Database. <http://www.wpro.who.int/internet/files/eha/toolkit/web/Country%20Profiles/Philippines/Philippines%20Disaster%20Profile.pdf>

9 *ibid*

10 De Guzman, R. (2009), Impacts of Drought in the Philippines. Presentation: e International Workshop on Drought and Extreme Temperatures: Preparedness and Management for Sustainable Agriculture, Forestry. <http://www.wamis.org/agm/meetings/etdret09/WOS2-de%20Guzman.pdf>

11 http://www.lorenlegarda.com.ph/news_578_legarda_climate_change_causes_more_deaths_due_to_diseases.php

the Asia Pacific region'. The country ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and the Kyoto Protocol in 2003. It was one of the first countries to complete a National Action Plan on climate change.

In 2009, the first attempt at crafting a national adaptation strategy through a multi-stakeholder consultation process was led by the Department of Environment and Natural Resources (DENR), with support from the German government, via its German Technical Cooperation (GTZ) body. The process spanned more than a year and featured the active engagement of civil-society organisations (CSOs), including women's groups, which led to gender being mainstreamed in the resulting Philippine Strategy for Climate Change Adaptation (PSCCA). This document highlighted key vulnerable sectors, such as agriculture, fisheries, forestry, health, biodiversity, energy, and infrastructure. Through persistent civil society interventions, the document finally included a section on financing. The PSCCA was the first climate change policy document adopted by government line agencies and became a major reference in the development of subsequent plans.

The Climate Change Act was ratified in 2009, shortly after the Philippines was ravaged by typhoons Ketsana and Parma. The law called for climate change to be mainstreamed into government policy and the creation of the Climate Change Commission (CCC). This was to act as the lead agency in carrying out a three-fold mandate: the development of the National Framework Strategy on Climate Change; the National Climate Change Action Plan (NCCAP); and the Local Climate Change Action Plan.

The CCC, however, was wrecked by strong political dynamics and caught in the transition of outgoing and incoming national governments. CSOs saw the flux as an opportunity to influence the government's management of climate-change adaptation and financing, and lobbied an urgent change in leadership within the Commission. This resulted in:

- Improved coherence in country negotiating positions in the UNFCCC;
- Closer coordination among government line agencies in the formulation of the NCCAP, with the active participation of CSOs;
- A consolidated effort to push for climate finance legislation through the establishment of a People's Survival Fund (PSF), a national adaptation fund driven by the country's adaptation and risk reduction needs and led by a multi-stakeholder board;
- The formation of the Climate Finance Group (CFG), a ministerial-level advisory group composed of the secretaries of the Department of Finance (DoF) and the Department of Budget and Management, as well as the National Economic Development Authority and the CCC.

The NCCAP identified the following priorities: Food Security; Water Sufficiency; Human Security; Sustainable Energy; Climate-friendly Industries and Services; Ecosystems and Environmental Stability. Cross-cutting concerns include capacity development, means of implementation, and climate finance.

Financing Mechanisms and Issues

Major agents

Funds coming into the Philippines from global sources are generally administered by the DoF. Foreign funds are held in escrow with a government or private depository bank. The DoF approves all fund

Finding the balance between grants and loans, and between mitigation and adaptation in the Philippines (\$)

	Grants	Loans	Total cost
Mitigation	636,385,385	491,635,179	1,128,020,564
Adaptation	369,847,995	586,592,639	956,440,634
Total cost	1,006,233,380	1,078,227,818	2,084,461,198

Source: Institute for Climate Change and Sustainable Cities (ICSC)-Oxfam (2010)

disbursements in consultation with the National Economic and Development Authority (NEDA), which identifies the country's investment priorities, and the Bangko Sentral ng Pilipinas (BSP), which is in charge of monitoring foreign exchange flows in and out of the country.

The important role of development banks, also known as development financing institutions (DFIs), government financing institutions (GFIs), and specialised government banks cannot be over-emphasised. These institutions have independent charters with mandates to act in the service of small farmers and fisher folk, those sectors most vulnerable to climate change and most in need of financing. These mandates, however, are not always followed, especially when the bank's board is composed of appointees neither qualified for, nor inclined towards, pro-poor development banking. Over the last two decades, support for agriculture, including fisheries and forestry, has declined, with the share of agricultural loans to total loans reducing from 9.2 per cent in 1980 to 3.2 per cent in 2006. The share of agricultural production loans has also declined, from 6.99 per cent in 1990 to 0.94 per cent in 2006.

Mix of sources

Climate-change financing in the Philippines comes from a mix of bilateral, multilateral, NGO, and private sources. These sources also tend to determine power relations between those working in the climate change arena. The most powerful actors are multilateral development banks, such as the World Bank and Asian Development Bank, and donors of bilateral aid. Of the total funding for adaptation, \$438.6 million is provided by bilateral sources, while \$198.76 million comes from multilateral sources. NGOs, private sector groups (including foundations), and the GEF account for a combined \$319 million fund for adaptation.

The problem with multilateral climate-change financing, however, is not just that the funds are often 'tied loans' or donor driven, or that decision-making is top-down. Supported projects lack transformational potential. For example, the development of 'clean coal' in contrast to the renewable energy sources a developing country like the Philippines needs to develop.

More for mitigation than adaptation

The vulnerability of the Philippines to disasters related to climate change has led to a continual flow of funding for adaptation and mitigation. Over the period 1992–2018, a total of \$2.179 billion will have been channelled into the country. Of this, \$956 million has been earmarked for adaptation and \$1.128 billion for mitigation projects. Some \$2.42 million was allocated to aid/relief and \$92 million for both adaptation and aid/relief.

Just over half (54.1 per cent) of climate-change financing has been earmarked for mitigation, illustrating a disproportionate focus. Decision makers do not see climate-change adaptation as a high priority in the context of national development plans. The interests and expressed needs of people – especially the rural poor and marginalised groups such as women – are missing in the various climate change-related plans, programs, and financing initiatives put forward by the government, international financial institutions, and donors.

More loans than grants

An earlier study of climate-change financing needs conducted by DENR in 2009 revealed that adaptation projects were funded more by loans than by grants. Between 1992 and 2018, total loan funds for direct climate-change mitigation and adaptation amounted to \$1.09 billion, more than half of which (\$587 million) were in the form of loans for direct adaptation. Loans for direct mitigation comprised a smaller share of \$492

million. These loans contributed to the country's already huge external debt, that was \$55 billion in 2010.¹²

The CSOs in the Philippines have stressed that the provision of adaptation funds predominantly in the form of loans directly contravenes the 'polluter-pays' principle that support climate change adaptation funding is the moral obligation of developed countries. Loans are seen to reverse the burden-sharing role, assigning new debt to a poor country severely affected by climate change, even though it contributed much less to the problem. CSOs in the Philippines have claimed that, to be consistent with the 'polluter-pays' principle, climate financing for adaptation must be delivered as grants.

Future access and means

Bearing in mind the need to ensure climate finance is provided in a form which guards against corruption, and is directly accessible to vulnerable communities and sectors – CSOs have called for the Philippines to continue to champion the UN-formed Adaptation Fund, while taking steps to mobilise financing from domestic sources as well. Towards this end, formation of the ministerial-level CFG, as provided for in the NCCAP, is seen to be crucial to determining the sources, modalities, and spending priorities of climate-change financing. The CFG is also seen to have a strategic role to play in tapping into other international financing streams, such as the Green Climate Fund established at the climate conference in Cancun.

These suggestions enjoy broad support in the Philippines. There is a broad alliance between the legislature, the executive office, and local units working together with civil society to accelerate the Philippines' bid for more climate resilience and disaster preparedness funding. One call which the climate-change movement has unified around is the establishment of the PSF to act as a special trust account to address the gap in adaptation financing, build communities' adaptive capacity, and increase their resilience to the effects of climate change. A bill providing for the creation of the PSF awaits deliberation by the legislature.

Lessons Learned and Recommendations

1. An urgent priority

Adaptation to climate change must be established as a national priority, and reflected and mainstreamed in national and local policy, processes and programmes. The government should continue to position itself as a leading voice in advocating for new adaptation finance contributions and pledges channelled to the Adaptation Fund, and for an adaptation window to be established in the new Green Climate Fund, with the Adaptation Fund principles, governance, and modalities – particularly the direct access modality – to become the benchmark.

2. Policy changes

Although the policy environment in the Philippines seems favourable, in light of the enactment of the Climate Change Law and the Disaster Risk Reduction and Mitigation Act, revisions are necessary in order to clarify and define some of the law's critical provisions. The role of the CCC must be more clearly delineated. Advocates of adaptation finance, especially CSOs, should push the Commission to play a more robust, coordinated leadership role. It should act as the Philippine climate knowledge hub and lead capacity-builder, empowering local government units to develop long-term, climate-resilient development agendas.

Major adaptation projects in the Philippines

Project	Proponent/ Status	Donor
Mainstreaming Disaster Risk Management	NEDA Status: Ongoing (as of 2009)	GEF
Philippines Climate Change Adaptation Programme – Phase 1	DENR Status: Ongoing	World Bank-GEF
Enabling Activity for the Preparation of the 2nd National Communication to the UNFCCC	DENR Status: Finished	GEF
Strengthening the Philippines' Institutional Capacity to Adapt to Climate Change	NEDA and DENR Status: Ongoing	Spain, UN Development Programme, MDG Fund

Source: ODA Watch Philippines (2009)

¹² Economic and financial data correct as of August 2010, National Statistical Coordination Board, <http://www.nscb.gov.ph/sdds/nsdp.asp>

3. An enabling national mechanism

A National Implementing Entity (NIE), fully compliant with fiduciary rules established by the Adaptation Fund and reflective of accepted transparency and accountability standards, should be installed immediately. A broad alliance of adaptation finance champions in the legislature and the executive departments – from the line agencies to the barangay (the basic local government unit) should be convened to accelerate the formation of the Philippine NIE and to put together the country's multi-stakeholder proposal for the Adaptation Fund. The same mechanism could become an implementing entity to also access finance from an adaptation window of the Green Climate Fund.

4. The People's Survival Fund

The PSF must be immediately established, in order to create predictable long-term finance streams for urgent adaptation and risk reduction work. The PSF, largely proposed by multi-stakeholder groups and key government champions, with sources of funds coming through both international channels and national budgets, must be designed according to the principles of accountability, transparency, scalability, predictability, and direct access.

5. Climate-sensitive budget

Since 2006, a consortium of 60 NGOs spearheaded the call for higher allocations to environment, education, agriculture, and health. Called the Alternative Budget Initiative (ABI), advocacy included a campaign for a climate-sensitive budget, one that provides clear and targeted allocations for adaptation and mitigation measures. The ABI's budget proposals in terms of climate change refer to the findings and recommendations of the provincial-level risk maps developed by the Manila Observatory and the DENR.

More information on this issue can be found in Oxfam's new briefing paper, *Owning adaptation: Country-level governance of climate adaptation finance*. To download your free copy of *Owning adaptation*, please go to www.oxfam.org.uk/publications.

As financing for climate change adaptation gathers pace, it has become fundamentally important to identify how it flows into developing countries. This is a major opportunity to shape the governance of funding at the national level so that the needs of the most vulnerable can be met. The core issue is country-level ownership of adaptation finance. Consequently, providers of adaptation finance must put developing countries in the driver's seat, and the countries themselves must exercise leadership and respond to the needs of those most affected by climate change. Most importantly, civil society and vulnerable communities must be able to steer and hold accountable the way in which adaptation finance is used.

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