Reviewing Climate Change Expenditure Tagging in the Philippines with a focus on adaptation and agricultural investments

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The Philippines is among the most disaster-prone countries which may be attributed to various factors such as lack of land barriers, accelerating environmental deterioration, unsustainable development practices, and growing population. According to the United Nations for Framework Convention on Climate Change (UNFCCC), a critical aspect to address in order to reduce emissions and alleviate climate change impacts is through *Climate Finance.* Climate Finance *refers to local, national or transnational financing, which may be drawn from public, private and alternative sources of financing*. This study explored the state of Climate Finance in the Philippines using data from the Climate Change Expenditure Tagging (CCET), General Appropriation's Act (GAA) and Official Development Assistance (ODA) Portfolio Reviews. It also focused on the agricultural sector, as the Philippines is highly agricultural and the sector is one of the most vulnerable sectors to climate change. It also focuses on Climate Change Adaptation (CCA) because of the prioritization for adaptation given the inevitable intensification of climate change and its associated risks. The findings serve as baseline in illustrating how funds for climate action are being spent which may be used for improving future climate change-related investments, and also to see if international pledges and commitments are actually being delivered.

SUMMARY FINDINGS AND RECOMMENDATIONS

1. Refine the CCET tagging process and system. Some programs, activities and projects (PAPs) in the CCET were not climate change-related. There is also inconsistency comparing CCET data with other government documents.

2. Link Climate Change-related investments to vulnerabilities. Level of climate change-related investments per region does not match with their respective level of vulnerability and needs.

3. Demand greater contributions from the international community. Most of the burden of financing climate change action is shouldered by the national resources.

THE RESEARCH

I. Climate Change Expenditure Tagging (CCET)

Along with the passage of the Climate Change Act of 2009, and the formulation of the National Framework Strategy on Climate Change and the National Climate Change Action Plan (NCCAP), the development and implementation of CCET in 2015 manifests the growing priority of the Philippine Government to address the issue of Climate Change. In CCET, Climate Change-related PAPs are tagged using a standardized climate change typology where the following information are indicated -- kind of measure: adaptation or mitigation; and funding source: local or foreign, categorized according to the 8 strategic priorities of the National Climate Change Action Plan: **Food Security, Water Sufficiency, Environmental and Ecological Stability, Human Security, Sustainable Energy, Climate-Smart Industries and Services, Knowledge and Capacity Development and Finance.** Also indicated are the Sectoral focus per Strategic Priority (Ex. Under Food Security: Agriculture, Livestock, Fisheries) and type of instrument (Policy Development and Governance, Research, Development and Extension, Knowledge Sharing and Capacity Building and Action Delivery).

CCET data show that the larger share of the country's climate change budget is for CCA (90.4%). In terms of the Strategic Priorities, most (56.39%) of the CCA budget was allocated for Water Sufficiency PAPs which involve *assessment of the resilience of major water resources and infrastructures, management of water supply and demand, management of water quality and promotion of water conservation.*

The Department of Public Works and Highways (DPWH) got the highest share (76.07%) of CCA budget among all departments suggesting that most of the CCA expenditures are in the form of infrastructures.

Of the total budget for CCA, the Agriculture Sector, through the combined budget of the Department of Agriculture (DA) and the Department of Agrarian Reform (DAR), had the 13% share. Most of the PAPs tagged as CCA for Agriculture are for Food Security, or with objectives to *ensure availability, stability, accessibility, and affordability of safe and healthy food amidst climate change.* Examples of PAPs include the National Rice Program, provision of fishery equipment and facilities, and the SOCSKSARGEN Integrated Food Security Program.

II. National Climate Finance Flows

Using the tagged PAPs in CCET, national climate finance trends for the past years are traced in the GAA through a backward mapping methodology (see Fig. 1). Results of the methodology show an increasing trend in the amount climate change budget, including CCA budget, from 2010-2015. It also reflects the same picture as the CCET wherein a larger and growing portion of the national climate change budget goes to adaptation.

Figure 1: National Climate Change Budget (Backward Mapping)

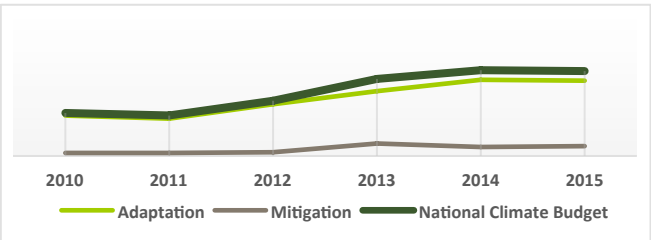
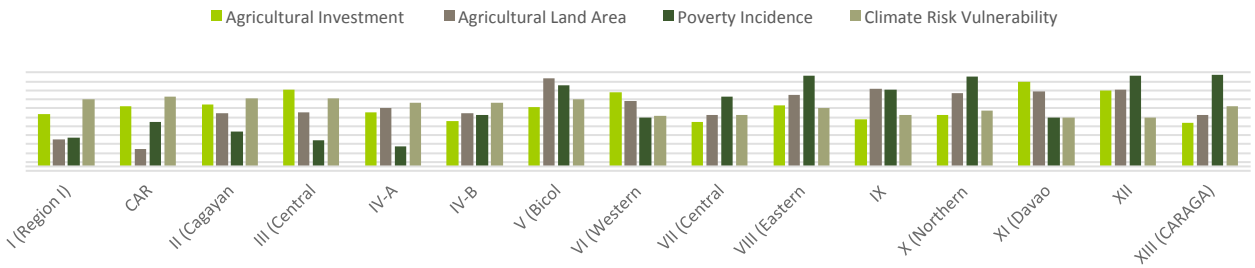


Figure 2: Investment vs Agricultural Land Area vs Poverty Incidence vs Vulnerability by Region



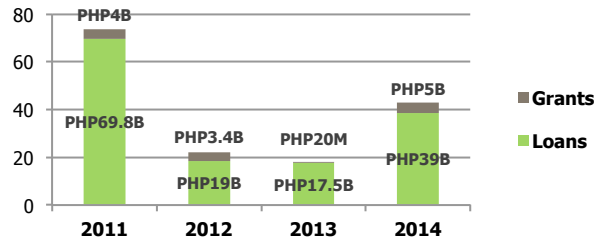
For the Agriculture sector, the backward mapping shows a more or less steady trend in the share of CCA in Agriculture from the total CCA Budget at around 26%-31% except for 2010 when it got the highest share at 34%.

Looking into agricultural investments per region and comparing it to some proxy indicators for their agricultural needs such as agricultural land area, poverty incidence and climate risk vulnerability show a gap in terms of level of agricultural investment and the needs of the regions (see Fig. 2).

III. International Climate Finance Flows

To extract International Climate Finance Flows, data from ODA Portfolio Reviews were used. Most ODA funds for climate change action are in the form of loans (see Fig. 3). It is also important to note that grants also have local counterpart funding which means that a portion of the grants are considered loans.

Figure 3: Loans and Grants Addressing Climate Change Adaptation



Unlike the trend for climate change budget from CCET and National Climate Finance Flows, ODA for CCA has decreased from 2011-2014 but in terms of sectoral share, most ODA PAPs are in the form of infrastructures, the same with CCET. Next to infrastructures, the Agriculture, Agrarian Reform and Natural Resources (AARNR) and the Social Reform and Community Development (SRCD) get the higher share of ODA funds.

IV. Discussion

Review of the CCET has shown promising results given the high share of CCA and relatively high share of Agriculture in the CCA budget. In addition, the backward mapping results show increasing allocation to climate change action, and increasing priority to CCA. There are; however, many limitations with the current CCET. Based on a content analysis performed on the listed names in the CCET database, a large number of volcanic, seismic (earthquake) related PAPs are included which are not climate change-related, but rather disaster risk related. Also, data from CCET are inconsistent with the data from the GAA and even the ODA Portfolio Reviews. Comparing the values corresponding to each PAPs in the CCET with what is in the GAA, the values in the GAA are higher hence, a possibility is that the values indicated in the CCET are the disaggregated amounts for the climate change component of each of the PAPs that is why the mapping results are overestimates of the actual values but they nevertheless show general picture of the climate finance flows throughout the years. Moreover, some ODA PAPs tagged as climate change-related in the ODA Portfolio Reviews are not in the CCET. There are ODA PAPs from the past years that are supposed to run until or beyond 2015 yet many of these PAPs are not included in the CCET. There may be therefore a need to harmonize all government documents relating to climate change-related expenditures for better organization, analysis and eventually, utilization of data for climate change action.

At the local level, there is a gap with respect to the level of needs and investment in the agricultural sector. A framework is needed to provide needs-based budget allocation that considers vulnerability factors (e.g. location, poverty, agricultural exposure).

With respect to International Finance Flows, review of ODA has shown that the burden of financing climate change action is still shouldered by the country's national resources. Most of the ODA are in the form of loans and a portion of the grants are also loans which means that the country will have to pay these ODA funds back using its own resources. This is in contrary to the agreement formed through the UNFCCC and the Kyoto Protocol where the burden of addressing climate change must be shouldered by the developed countries that are mostly responsible for the worsening climate because of their high carbon emissions hence the need to further demand financing from the international community.

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