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PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE

Report No.: PIDC33412

Project Name	Philippines Program for Climate Resilience: TA for the Risk Resiliency and Sustainability Program
Region	EAST ASIA AND PACIFIC
Country	Philippines
Sector(s)	General agriculture, fishing and forestry sector (25%), Central government administration (25%), Sub-national government administration (20%), Rural and Inter-Urban Roads and Highways (10%), General water, sanitation and flood protection sector (20%)
Theme(s)	Public expenditure, financial management and procurement (15%), Natural disaster management (20%), Rural services and infrastructure (15%), Climate change (50%)
Lending Instrument	IPF
Project ID	P157325
Borrower Name	Government of Philippines
Implementing Agency	Department of Environment and Natural Resources
Environment Category	C - Not Required
Date PID Prepared	07-Apr-2016
Estimated Date of Approval	10-Jun-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

TThe Philippines has benefited from strong macroeconomic fundamentals, manifested by low and stable inflation, falling debt ratios, a healthy current account surplus, high international reserves, and a stable banking sector. The Philippines' economic growth has been robust, averaging 6 percent in 2010-2014 despite unfavorable external conditions. In 2015 the Philippines economy grew by 5.8 percent - putting it in the top five fastest growing economies globally. The external and fiscal positions are strong, with a current account surplus of 4.4 percent of GDP, a national government fiscal deficit of 0.6 percent of GDP, and general government debt at 36.4 percent of GDP.

The Philippines is among the most vulnerable countries to climate variability and change and is already feeling its impacts. The Philippines is an archipelagic country comprising of more than 7,100 islands that lies along the Pacific typhoon belt. It has a total discontinuous coastline of 32,400 kilometers, the longest in the world, making it especially vulnerable to the adverse impacts of climate change. It is exposed to a wide range of hydro-meteorological hazards including typhoons (average of 20 per year), floods, droughts and landslides. The Philippines consistently ranks high on most of the reputable global indices for vulnerability to climate change including the Climate Change Vulnerability Index (Maplecroft), the Global Adaptation Index (University of Notre Dame),

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and other quantifications of vulnerability including Wheeler (2011), the World Risk Index (Alliance Development Works and UNU), and the Mortality Risk Index (Peduzzi and Deichmann). The 2009 Expert Group Report on the selection of the initial set of PPCR countries recommended the selection of the Philippines, in addition to Cambodia and Vietnam, as pilot countries for the PPCR based on exposure and preparedness to climate change.

Global climate change exacerbates the already evident economy wide impacts of climate variability. The country is already exposed to a wide range of natural hazards including tropical storms, floods, droughts, and earthquakes inducing damages to physical infrastructure, endangering human lives and health, and damaging livelihoods particularly among the poor. In addition, and using available observed data from 1951 to 2009 with the average for the period of 1971 – 2000 as the reference value, 2020 and 2050 climate projections done by the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) indicate that all areas of the Philippines will get warmer with mean temperatures expected to rise by 0.9 °C to 1.1 °C in 2020 and by 1.8 °C to 2.2 °C in 2050. As a result, it is projected that there will be a reduction in rainfall in most parts of the country during the summer months and a generally decreasing trend in rainfall in Mindanao by 2050.

Sectoral and Institutional Context

By virtue of its location, climate and topography, the Philippines is exposed to a range-of climate-related events, such as typhoons, floods, landslides and droughts, many of which will become more frequent and severe under a further changing climate. Climate events and climate change would have different impacts:

• Rural landscapes: Three out of four poor Filipinos live in rural areas, including growing peri-urban areas, and most of them depend on ecosystem-based activities, starting with agriculture, which are affected by disasters and climate change. Typhoons, droughts and floods already cause average annual damages of Php 12 billion. Increased temperature and rainfall variability is expected to reduce rural landscape productivity. And sea level rise could reduce productive areas available.

• Rural coastal zones: Most of the Filipinos living in coastal areas face multiple climate hazards of increased storm surges, sea level rise and salt-water intrusion and increased coastal flooding, which could directly affect their lives or economic sectors, such as tourism, fisheries and other coastal economic activities, including agriculture. Warming and acidifying oceans will change fish catch potential with severe impacts on fishing-dependent livelihoods.

• Cities: Large populations and assets are concentrated in coastal cities, where they are exposed to climate change induced risks, including Manila. About 70 percent of the 1,500 municipalities located along the coast are vulnerable to intense tropical storms, sea level rise or fluvial and coastal flooding. Informal settlements make about 45 percent of Philippines urban population. They are often located in low lying areas and lack sufficient infrastructure so that they extremely vulnerable to floods and storms, including human health risks.

Climate action can contribute to inclusive green growth, jobs and poverty reduction. The physical impacts of these changes will slow down economic growth, reduce job creation and make it more difficult to sustainably lift poor people out of poverty in the Philippines. Investing in climate

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resilience will benefit the people and sectors most vulnerable to climate change. Many of the poor people are disproportionally exposed to climate related risks and they often have limited means to cope with or adapt to climate change. By 2030, climate shocks could push an additional 0.9 million people into poverty. Climate-informed development could prevent many of these impacts.

The Government Response

Since 2009, the Government has embarked on several reforms to improve its policy framework for climate response: The Climate Change Act 2009 (CCA) calls for the systematic integration of climate change in various phases of policy formulation, development plans, poverty reduction strategies and other tools and techniques by all agencies of the government. The National Framework Strategy on Climate Change in 2010 defined the overall objectives and the scientific evidence base for climate action. The National Climate Change Action Plan (NCCAP) in 2011 provided a long term roadmap for climate action for reaching its two ultimate outcomes (i) enhanced adaptive capacity of communities, resilience of natural ecosystems, and sustainability of built environment to climate change, and (ii) successful transition towards green growth. Climate change adaptation and mitigation was one of five Key Results Areas (KRA) in President Aquino's Social Contract with the Filipino people, and the Philippines Development Plan 2011-2016 identifies climate risks as one of the major challenges to the country's inclusive growth goals. The Government has also issued a complementary policies on disaster risk reduction and management during this period to enhance convergence between climate adaptation and disaster risk reduction actions. This includes the Philippine Disaster Risk Reduction and Management Act of 2010 which emphasized a substantial policy shift from emergency response to disaster preparedness, risk reduction, prevention and mitigation, rehabilitation and recovery, and financial protection. As a result of these policy reforms, the scope of the Government's climate change response has been further defined across agencies and at the national and local levels. National Government Agencies (NGAs) have to some extent integrated climate adaptation measures into sectoral plans and programs including agriculture, natural resources, and rural and urban infrastructure. At the local level, climate change adaptation and disaster risk reduction are also aimed to be integrated into local development plans and land use plans guided by the DRRM-CCA planning guidelines.

The cross-sectoral nature of climate response necessitated a number of important institutional reforms that facilitated dialogue across NGAs and with Local Governance Units (LGUs) and aimed to strengthen convergence across programs. To better coordinate the climate response, the Aquino Administration strengthened institutional arrangements for planning and delivering climate action by establishing the Climate Change Commission. It is supported by climate change offices and focal points of key NGAs and LGUs to implement climate change strategies and measures. The Cabinet Cluster on Climate Change Adaptation and Mitigation, a cross-departmental mechanism that includes secretaries of ten departments and agencies, was created to strengthen the delivery of results of the Key Result Area 5 corresponding to the integrity of the environment and climate change adaptation and mitigation. The Philippines DRRM Act of 2010 also established the National Disaster Risk Reduction and Management Council to coordinate and manage all disaster risk management interventions of government.

The Government has demonstrated a real effort to increase finance for climate adaptation and risk resiliency, particularly through the mobilization of domestic resources in the context of a growing national budget, which has been buttressed by a strong economy that has led to a sizeable fiscal space. This overall financing effort has been broadly articulated under two complementary pillars:

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(1) disaster response financing and disaster risk insurance, and (2) climate adaptation, resilience building and disaster risk reduction investment. The first pillar, which is further elaborated on in the Note on Disaster Risk Management, emphasizes the need for a financing strategy at the national, local, and individual level for disaster risk recovery and response. The second pillar relates to scaling up direct, larger scale, convergent investments for climate adaptation and risk resiliency supported by improved integration of climate and disaster risks into regular planning, financing and execution processes. In this context, the Government has started to leverage climate change as one growing driver of planning, prioritization, and budgeting processes. Through its national budgeting process, the Government has set the stage to more effectively identify, plan, budget, monitor and report its action on climate change. This has allowed government policymakers to better understand the scope, take stock of the national climate change response, and assess the institutional readiness for scaling up climate change finance and execution. A significant conceptual innovation and element of the climate financing reform agenda was the program convergence budgeting (PCB) adopted by the Department of Budget and Management (DBM), which has provided an opportunity to bring together under a convergence program, and scale up, climate change actions by NGAs. The PCB has been meant to better allow the Government to focus the available fiscal space on key priority programs that support the achievement of the Government's KRAs. As such, the Cabinet Cluster on CC Adaptation and Mitigation (CCAM) formulated the Risk Resiliency Program (RRP) as the framework program to assist the GOP to deliver the outcomes for KRA-5 particularly on strengthening the resiliency of natural ecosystems and the adaptive capacity of vulnerable groups and communities to short and long term risks using a landscape management approach in the 18 major river basins, and the most vulnerable Provinces of the country. Further, The People's Survival Fund (PSF) in 2015 established for the first time a dedicated source of financing for climate action at local level to complement NGAs "climate budgets". To further scale up climate action, the Government aims to mobilize additional domestic and international resources that would allow for: i) investment for enhancing climate action supporting climate change adaptation and risk resiliency as well as low carbon growth, and, ii) ensuring risk insurance that is affordable to poor and vulnerable households, and support development of mandatory disaster insurance for local governments and to promote a reinsurance mechanism at the international level.

The Government's response to climate change needs further improvement on a programmatic basis, as it remains fragmented and limited in scope and effectiveness. The planning and execution, implementation, and operational frameworks remain a work in progress and correspondingly, the budgeting process could also be strengthened, building on the important development and analysis of the past 3 years, on climate action planning budgeting and execution at national and local levels. There is, clearly, a significant opportunity and need to build on the achievements and lessons learned from the past few years to further develop and operationalize the Government national response program for climate risk adaptation and resilience. Specifically, explicitly reflecting a national investment program for climate resilience and adaptation in national development planning processes such as the PDP and Public Investment Plan (PIP) will serve as a stronger basis and signal for internal NGA planning. There is also considerable scope for strengthening linkages with local development planning processes [e.g., regional and LGU (provincial and municipal) development plans]. There is also a need to improve the use of climate information for more evidence-based targeting of investments, both in terms of vulnerability to climate impacts and poverty incidence and magnitude, to promote climate-resilient development in a more sustainable and cost-effective manner. A lack of a coherent incentive framework for convergence and integrated solutions to deliver results at both the national and local level for investments in climate adaptation and resilience is also a barrier. Further, a feedback loop for monitoring and reporting of

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results against identified adaptation and resilience outcomes is necessary. While a climate budgeting system has been developed and employed by the Government and has required strong leadership and significant efforts, continued progress is needed on the quality assurance process to ensure that the data generated can be successfully leveraged for policy and planning discussions on climate adaptation and resilience. More importantly, budgeting processes need to be done within the purview of linking it with a strategic planning framework. Guidance on convergence budgeting needs to be strengthened and discussions at Technical Budget Hearings needs to be more systematically conducted.

The Government has set in motion a process to address these gaps through an evolution to a multi-sector national Risk Resiliency and Sustainability Program (RRSP). Cabinet Cluster Resolution 2016-01 has adopted the RRSP as a framework program for national investment aimed at building climate adaptation and resilience. The Government, through the Cabinet Cluster, has requested the mobilization of technical assistance, advisory services, and funding through the World Bank from the Pilot Program for Climate Resilience (PPCR) to support the development and operationalization of the vision of the RRSP. The PPCR is designed to pilot and demonstrate ways to integrate climate risk and resilience into developing countries' core development policies and planning. The Government of the Philippines (GOP), through the Department of Environment and Natural Resources (DENR) as the Chair of the Cabinet Cluster, Lead Agency of the current RRP, and assigned focal agency for the Climate Investment Funds (CIF), submitted an Expression of Interest (EOI) to mobilize the PPCR in March 2015 and was selected during the meeting of the PPCR sub-committee on May 14, 2015. The DENR will continue to work closely with the Climate Change Commission, the National Economic and Development Authority (NEDA), the Department of Finance (DOF), the Department of Interior and Local Government (DILG) and with sector Departments. The World Bank is the lead Multilateral Development Bank (MDB) to support the Philippines in developing its Strategic Program on Climate Resilience (SPCR), a program of investments aimed at building climate resilience (framed as the RRSP in the Philippines), in coordination with the Asian Development Bank (ADB) and the International Finance Corporation (IFC). On January 15, 2016, the PPCR MDB Committee approved USD 1,500,000 in PPCR Funding towards the preparation of the SPCR for the Philippines to support complementary Bank executed and Recipient executed funding as presented in this note.

Relationship to CAS/CPS/CPF

This small grant support will contribute to deliver on the Bank's twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, the FY14-16 Country Partnership Strategy, and the Government's UNFCCC (intended) Nationally Determined Contribution. In recognition of the challenges to the sustainable development of the Philippines posed by climate change, one of the strategic objectives of the Bank's CPS is to increase the resilience of the country to climate change and natural disaster impacts. The CPS affirms the Bank's continued support to the GoP to implement climate change reforms. Specifically, the CPS supports providing a platform of dialogue and advisory services, strengthening country systems, and steps to ensure that the enabling environment for reforms is firmly in place, including in the effectiveness of the planning, design and implementation of key climate projects, activities and programs. The grant will support the development of a Program that addresses key vulnerabilities across the Philippines, with an aim of improving sustainable livelihoods in a resilient manner. The grant will support key adaptation priorities and means of implementation articulated in the (i)NDC, including inter alia the rolling-out of science-based climate/disaster risk and vulnerability assessment process as the basis for

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mainstreaming climate and disaster risks reduction in development plans, programs and projects; the development of climate and disaster-resilient ecosystem(s); the enhancement of climate and disaster-resilience of key sectors; the systematic transition to a climate and disaster-resilient social and economic growth; research and development on climate change, extremes and impacts for improved risk assessment and management; and enhancing the use of the Government's annual budgeting system for improved climate planning.

II. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective of this recipient-executed grant is to enable the Government of the Philippines to increase climate adaptation and resilience investments and their effectiveness in reducing climate risks impacting people and livelihoods in key vulnerable landscapes of the Philippines.

The engagement builds on the work developed in the past three years by the Cabinet Cluster on Climate Change Adaptation and Mitigation, and on the World Bank Technical Assistance undertaken at the request of the Government under the Climate Budgeting programmatic ASA (P148455), following the Climate Public Expenditure and Institutional Review (P130126).

The project is designed to provide technical assistance, capacity strengthening and stakeholder consultations to allow the Philippine Government to develop a national investment program for climate adaptation and resilience. This will be underpinned by (i) providing an operational framework for a climate adaptation and resilience investment program to generate and leverage investments, (ii) building government capacity and convergence for responding to climate risks through risk-informed identification, planning, financing, execution, monitoring and evaluation of adaptation and resilience investments, and (iii) developing and applying climate analytics and tools to enhance understanding of climate risks and enable risk-informed decision-making.

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Key Results

The proposed PDO indicators are:

• An operational framework for a national climate adaptation and resilience investment program to leverage investments in key vulnerable landscapes is developed through consultation. (Y/N)

• Government institutions are provided with capacity and coordination strengthening for responding to climate risks through risk-informed identification, planning, financing, execution, monitoring and reporting of adaptation and resilience investment. (Y/N)

• Climate analytics and tools are shared and disseminated to enhance risk-informed decision-making. (Y/N)

III. Preliminary Description

Concept Description

This activity will support the preparation of a national RRSP with a focus on better climate resilient planning, decision-making, investing and on-the–ground delivery. The engagement builds on the work developed in the past three years by the Cabinet Cluster on Climate Change Adaptation and Mitigation, and by the World Bank Technical Assistance undertaken at the request of the Government under the Climate Budgeting programmatic ASA (P148455), following the Climate

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Public Expenditure and Institutional Review (P130126). It also takes into account a series of other activities and achievements related to climate adaptation and risk resiliency recently completed, or on going, which will be closely reviewed and consulted during implementation. The Program's preparation process is Government-owned, closely involving the Cabinet Cluster, led by the DENR with close coordination and inclusion of oversight agencies such as the Department of Budget and Management (DBM), the National Economic Development Authority (NEDA), the Climate Change Commission (CCC), and the Department of Finance (DOF) as well as sector agencies such as the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA), LGUs, the private sector, civil society groups and highly affected communities, and Development Partners.

The preparation of the Program will be accomplished through the five building blocks below which have been developed, designed and validated through consultation with the Government. As agreed with the Government, this recipient-executed grant will finance selected expenditures supporting part of the consultations (Building Block 5) and capacity readiness for program roll-out (Building Blocks 3), and will complement a Bank-executed support for the remaining activities.

• Building Block 1. Business case and knowledge for the RRSP: The objective of this block is to develop the technical, socio-economic, and policy-based rationale for a national program that enables risk-informed planning, financing, prioritization, and implementation. Building on an initial stocktaking, this will include: (1) knowledge and rationale background paper with a synthesis of existing knowledge and rationale for a national program including a strategic review and analysis of current gaps in institutional, financing (including their current distribution) and legal frameworks and policies; (2) WAVES coastal valuation study assessing the economic value of coastal protection services of mangroves; (3) a national-level risk assessments of climate hazards and their potential socio-economic and environmental impacts across provinces and landscapes, (4) a national-level economic analysis of investment needs and their financial and social costs subject to uncertainty; (5) a business case report that summarizes the climate hazards and their socio-economic and environmental (current and projected) impacts, investments and their social and financial costs and current gaps in institutional and legal frameworks, policies, financing, and execution; (6) a planning update to integrate climate risks into key policy frameworks.

Building Block 2. Scope, content, and approach: The objective of this block is to develop criteria and tools to prioritize, plan and formulate the scope, content, and approach of the RRSP. This will include: (1) focus and prioritization technical paper with an overview of existing criteria, analyses, decision-support tools, information and data used for site selection and prioritization of adaptation and resilience investments; (2) in-depth case studies of climate risks, including different hazards and their impacts in selected sites in key landscapes; (3) in-depth case studies of costs and benefits of investment options to make selected sites and landscapes more climat e-resilient, including subject to uncertainty; (4) scope and content note specifying (i) the technical and socio-economic (e.g., gender, poverty) and spatial criteria for site selection, including prioritization of landscapes through vulnerability assessment tools; (ii) the criteria for eligibility, prioritization and types of investments and actions (including benefits and costs); (iii) the of criteria for determining eligibility, capacity and implementation readiness; and (5) first-phase action plan outlining the potential scope and content in terms of landscapes, provinces and sites, as well as the institutional requirements, the overall investment needs, incremental costs and potential funding sources for roll-out in the first 18th months.

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• Building Block 3. Execution processes and modalities: The objective of this block is to develop institutional and operational mechanisms and procedures to translate plans into budgets and executed actions and to initiate program roll-out. This will include: (1) implementation guidance note summarizing the institutional and planning arrangements for the RRSP including the identification of the required institutional processes, planning, budgeting, and implementation modalities; (2) incentive and finance framework outlining the potential incentive mechanisms and funding arrangements to incentivize NGA-NGA and NGA-LGU convergence and participation; (3) processes and procedures to implement area-based investments at landscape and LGU level; (4) operational manuals detailing the technical requirements for technical design, selection and approval processes, procurement, financial management, safeguards, O&M, and M&E; and (5) convergent national and local investment plans to initiate RRSP roll- out in 2017 and learning process to guide subsequent plan formulation and financing. This grant will finance the finalization of the development of the roll-out phase of the Program with details to be provided in the Project Paper,

• Building Block 4. Monitoring, evaluation, and reporting: The objective of this block is to develop the system to track, report, monitor and evaluate RRSP results and allow feedback and learning. This will include: (1) Tracking and M&E analytical note mapping current roles, responsibilities, capacities, institutional arrangements, procedures, and processes for adaptation and resilience related M&E and to identify existing gaps and options to develop a systematic approach to investment tracking, results monitoring, impact evaluation, knowledge management and learning; (2) RRSP results framework outlining the program-level results chain that maps the expected cross-sectoral outputs, outcomes and impacts of the various RRSP inputs and activities; (3) RRSP scorecard template with key program-level results indicators for Cabinet-level oversight and management; (4) investment-specific protocols for results monitoring of the different PAPs; (5) Evaluation manual that describes impact evaluation options (including data collection and analysis methods) for strategic elements of the RRSP; and (6) work plan for conducting a baseline survey for the first-phase of the RRSP with an outline of the methodology for data collection (including sampling strategy) and analysis (including statistical techniques).

Building Block 5. Consultative process: The objective of this block is to secure inclusive cross-sector, cross-level dialogue and/or consensus across key stakeholders to prepare and implement the RRSP. This will include: (1) the development and implementation of a multi-stakeholder (e.g., NGAs, LGUs, CSOs, NGOs, DPs, Private Sector, Academia) consultation plan for the preparation of the RRSP; and (2) the development of a consultation and stakeholder engagement plan for implementation, monitoring and feedback on the program. This grant will finance some of this consultations with details to be provided in the Project Paper.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		×	
Natural Habitats OP/BP 4.04		×	
Forests OP/BP 4.36		×	
Pest Management OP 4.09		×	
Physical Cultural Resources OP/BP 4.11		×	

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Indigenous Peoples OP/BP 4.10		×	
Involuntary Resettlement OP/BP 4.12		×	
Safety of Dams OP/BP 4.37		×	
Projects on International Waterways OP/BP 7.50		×	
Projects in Disputed Areas OP/BP 7.60		×	

V. Financing *(in USD Million)*

Total Project Cost:	0.15	Total Bank Financing:	0
Financing Gap:	0		

Financing Source	**Amount**
Climate Investment Funds	0.15

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