ACCESSING THE PEOPLE'S SURVIVAL FUND

Finding the Right Balance with Access Modalities and Institutional Arrangements for the PSF

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THE PSF: WHAT IT IS

THE PEOPLE'S SURVIVAL FUND (PSF), THE COUNTRY'S VERSION OF A NATIONAL CLIMATE FUND, WAS ESTABLISHED ON AUGUST 16, 2012 AS REPUBLIC ACT 10174.

Given its location and natural attributes, the Philippines is one of the most susceptible countries to climate change. According to the Department of Environment and Natural Resources, approximately 30 percent of provincial land area is prone to flooding, and approximately 68 provinces are vulnerable to rain-induced landslides. Aside from climate change-induced episodic disasters, the Philippines is also facing equally devastating slow-onset climatic impacts, such as the projected shift of the intertropical convergence zone (ITCZ) by 2020. The ITCZ shift is projected to increase the average rainfall in significant parts of Luzon. Although this increase in average rainfall may not necessarily result in calamitous floods, it may steadily reduce average crop yield or cause crop failures. In Mindanao, the ITCZ shift is expected to increase the average temperature and reduce precipitation and soil moisture, producing similar agricultural results.

These projected impacts were the main reasons why RA 9729 ("Climate Change Act") was passed in 2009. The PSF law was passed in 2012 because of the lacking climate finance provision in the former.

The PSF is a special fund under the National Treasury dedicated to financing local adaptation projects based on the National Strategic Framework for Climate Change and the National Climate Change Action Plan.

WHO MANAGES THE FUND?

The PSF will be managed by a board under the leadership and guidance of the;

- Department of Finance (DOF)
- Department of Budget and Management
- National Economics and Development Authority
- Department of Interior and Local Government (DILG)
- Philippine Commission on Women
- Climate Change Commission (CCC), and;
- representatives from civil society, business, and academe.

HOW IT WORKS

The success of this law rests on the government's ability to implement systems to make the fund accessible to vulnerable localities without sacrificing fiduciary standards.

The PSF provides policymakers with several opportunities for policy innovation by treating climate change not only as an environmental issue, but as a development challenge. It will also seek to address risks associated with episodic climate-induced disasters and from slow-onset climatic impacts, which although less visible, can be more devastating in the long term.

Under the law, the PSF will receive an initial funding of PhP1 billion from the General Appropriations Act to be appropriated in the CCC. This funding can be further augmented by grants and donations. The PSF will not be reverted to the National Treasury, whether or not only a portion of it has been utilized. The law obliges the national government to replenish and maintain the set amount of this fund.

The law also provides an institutional structure called the PSF Board, to provide overall strategic guidance in the management and use of the fund. To provide support, the CCC shall review project proposals and submit recommendations that satisfy policies, guidelines, and safeguards agreed upon by the PSF Board. The CCC shall also formulate mechanisms that will ensure public access to information regarding funding deliberations and decisions. However, the CCC cannot be an executing entity of any projects funded by the PSF.

Why you're reading this
This paper attempts to address three main concerns of the PSF:
1) maintaining fiduciary standards
2) generating local ownership of the initiative
3) working alongdevelopment plans and priorities of the local governments where it is to be disbursed

This paper also provides a brief background on the concept of direct access, a mechanism critical to the success of the PSF Law. Summarized in this paper are existing mechanisms used by the government for purposes similar to that of the PSF. These may help the PSF Board formulate best practices and overcome the possible challenges of having a climate fund.
Experiences related to direct access in two localities—Lanuza, Surigao del Sur and La Trinidad, Benguet—are also included in this paper. The high vulnerability of these municipalities to climate change impacts, as well as the quality of local response to this vulnerability, opens opportunities for the innovation of and intervention of PSF in the future.

DIRECT ACCESS: A BACKGROUND

Direct access is widely understood as a shorthand term for developing countries directly accessing international public financing (Bird et al., 2011). It is characterized by a fund-recipient relationship unmediated by multilateral institutions, i.e., prospective recipient countries can directly access the fund (Brown et al., 2010).

A paper entitled "Climate Finance Regulatory and Funding Strategies for Climate Change and Global Development" revealed the facilitation and management roles played by multilateral institutions in project conceptualization and policy formulation for several developing countries. These mediating roles were found to result in imbalanced accountability, poor country ownership, and goals not aligned to developing country priorities.

Direct access ensures country ownership of the projects to be implemented while maintaining fiduciary standards.

Direct access modes of financing were developed in response to unnecessary and tedious conditions of funding. The objective of direct access is to allow developing countries to sidestep intermediary multilateral funding institutions, such as the World Bank (WB), United Nations Development Program (UNDP), and Asian Development Bank (ADB). Direct access supports arrangements wherein adaptation funding can be delivered expediently, efficiently, and effectively from repositories of climate finance, such as the United Nations Framework Convention on Climate Change (UNFCCC) Adaptation Fund.

THE ACCESS ARRANGEMENTS

Bird et al. (2011) offers three access arrangements: multilateral, direct, and enhanced. The main difference among these arrangements is whether the institutions are located domestically or internationally.

In the multilateral access arrangement, both the fund manager and the implementing body are in the international domain, whereas the executing body is in the local domain working within multilateral institutions.

In the direct access arrangement, only the fund manager is in the international domain. The implementing and executing bodies are in the domestic domain.

In the enhanced access arrangement, all the institutional components are in the local domain, although a degree of oversight function is still maintained at the international level to guide the funding to countries.

ANATOMY OF DIRECT ACCESS

The institutional architecture of direct access comprises of a fund manager or a strategic oversight body, an implementing body, and an executing body.

The fund manager or strategic oversight body makes funding decisions. It has the authority to instruct the trustee to move funds to identified project proposals. This body, which usually includes a board, can enter legal agreements with the recipient.

The implementing body identifies, proposes, oversees, and appraises programs/projects for the board and holds the funds released by the trustee.

The executing body receives the fund and realizes the projects approved by the fund manager.

SUCCESSFUL DIRECT ACCESS MODELS

Two government programs have been considered successful in terms of effectiveness and efficiency: Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (Kalahi-CIDSS), and the Performance Challenge Fund (PCF).

KALAHI-CIDSS

Kalahi-CIDSS is a program under the Department of Social Welfare and Development (DSWD); funding for it is also released under the DSWD budget, and directly transferred to recipient communities. This program aims to provide interventions on asset reform, human development, and capacity building, among others. It also aims to promote active participation of the citizenry in community projects, from development to implementation and maintenance.

Kalahi-CIDSS operates based on the community-driven development (CDD) approach. The WB defines CDD as an approach that adds value to project operations by directly engaging stakeholders in project design and implementation (Labonne and Chase, 2007).

With the CDD approach, Kalahi-CIDSS follows an intricate implementation process by four committees: National Steering Committee, National Project Management Team, Regional Project Management Teams, and representatives from different municipalities and barangays.

The detailed governance structure and processes are integral aspects of the CDD approach. Projects must undergo several phases of design led by key stakeholders and experts to help communities address their problems and needs. This lends to their empowerment by their involvement in project conceptualization, development, implementation, monitoring, and evaluation.

KALAHI-CIDSS IMPLEMENTATION FRAMEWORK

NATIONAL STEERING COMMITTEE. Composed of the heads of various national government agencies and three representatives from civil society. Provides policy directions and implements guidelines and resolution of issues, among others.

NATIONAL AND REGIONAL MANAGEMENT TEAMS. Comprised of organic staff of the Department of Social Welfare and Development. Supports implementation of the policies and guidelines formulated by the National Steering Committee both at the national and regional levels.

MUNICIPAL INTER-BARANGAY FORUM (MIBF). Composed of three elected representatives from each barangay, non-government organization (NGO) members, local media, academe, and heads of different municipal local government unit (LGU) offices. The MIBF is tasked to formulate the criteria for and mechanics of ranking barangay sub-projects. It also serves as a venue for the resolution of grievances related to the violation of policies.

BARANGAY ASSEMBLY (BA). Composed of barangay residents above 15 years old. BA is the final venue for decision-making in project implementation and for designation of the Barangay Development Council (BDC), which in turn oversees the work of the communities. This council oversees the work of the committees involved in Kalahi-CIDSS.

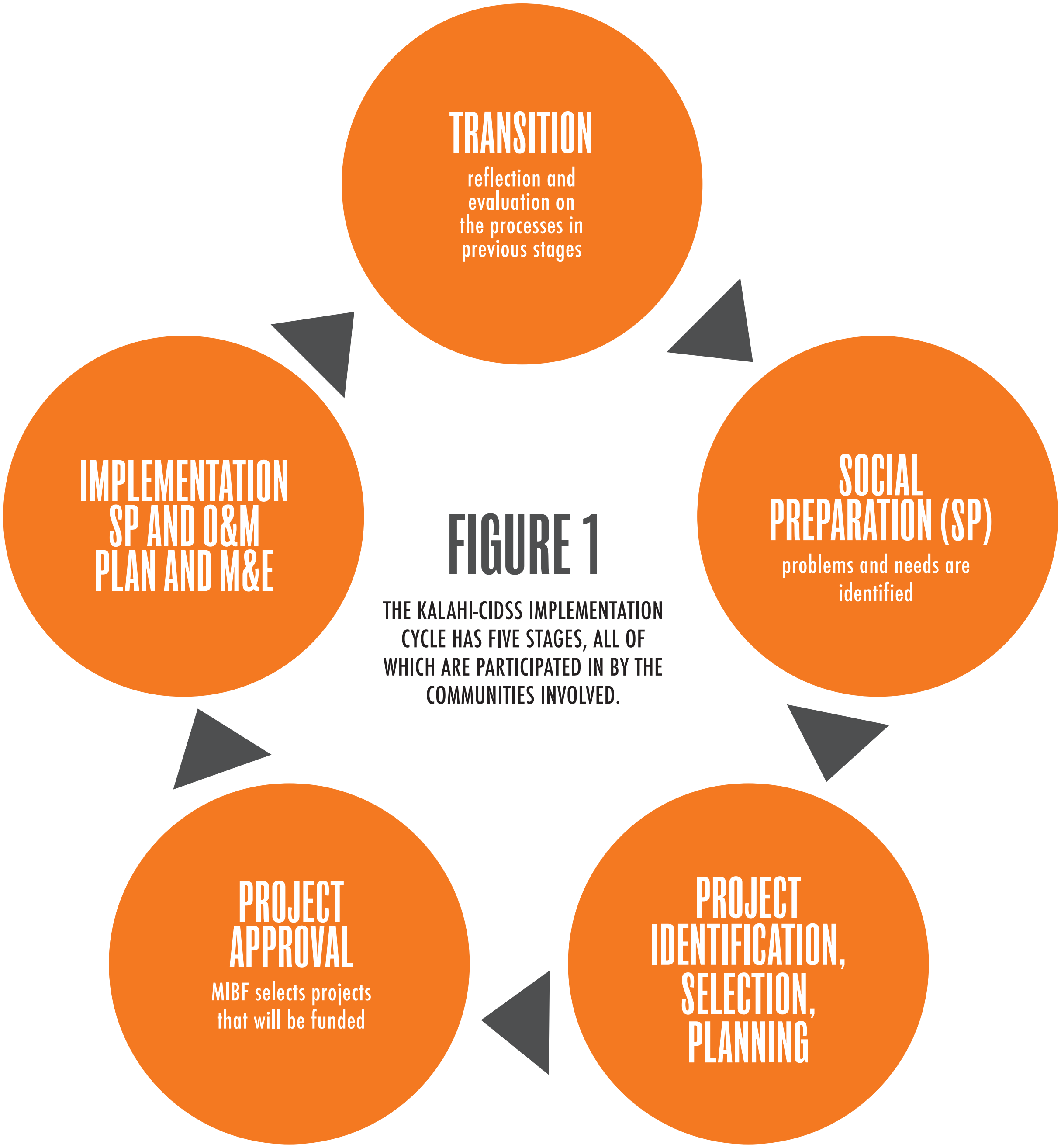


FIGURE 1

THE KALAHI-CIDSS IMPLEMENTATION CYCLE HAS FIVE STAGES, ALL OF WHICH ARE PARTICIPATED IN BY THE COMMUNITIES INVOLVED.

KALAHI-CIDSS BY THE NUMBERS

US$159 million from 2003 to 2010: Major funds that came from a World Bank load for Kalahi-CIDSS
US$120 million in 2013: additional fund contributed by the Millennium Challenge Corporation
US$15.86 million or **PHP 650.37** million: fund from government counterpart from the 2013 General Appropriations Act at prevailing exchange rates.
367: since its inception, number of municipalities Kalahi-CIDSS has covered in 48 provinces across the Philippines.
Est. P5.93 billion: amount used to fund 5,876 sub-projects. The top seven funded projects are: rural road access, rural water supply systems, school buildings, barangay health stations, day care centers, pre- and post-harvest facilities, and drainage systems.

PERFORMANCE CHALLENGE FUND (PCF)

The PCF is a financial incentive given to LGUs to jumpstart development initiatives. To qualify, LGUs must have attained a level of good governance and be awarded with the Seal of Good Housekeeping (SGH).

The Department of the Interior and Local Government (DILG), through the General Appropriations Act,administers the PCF subject to the guidelines of the PCF Management Board, an inter-agency committee with the DILG as the head and the Department of Budget Management, DOF, and LGU representatives as the members. Regional Assessment Teams made up of the same agencies of the PCF Management Board have also been created to assess LGU's standing on good housekeeping.

DILG regional offices are also responsible for the preparation of quarterly financial and physical accomplishment reports. The report of the DILG includes 1) a list of LGU beneficiaries with their corresponding financial subsidies and projects undertaken; 2) fund utilization; and 3) program evaluation and/or assessment.

Eligible projects should be aligned with national government goals and involve initiatives that aim forthe following:
1. Attainment of Millenium Development Goals (e.g., school buildings, rural health units and centers, birthing facilities, water and sanitation systems, farm-to-market roads, housing, and settlements);
2. Local economic Development (e.g., local roads and bridges, tourism facilities, irrigation systems, post harvest facilities, cold storage facilities, ports and wharves, and other economic infrastructures and growth-enhancing projects, such as market, slaughterhouses, and water supply system);
3. Climate Change Adaptation (CCA) and preparedness for disasters or Disaster Risk Reduction (DRR) (e.g., flood control, reforestation, solid waste management facilities, storm drainage, dikes and related food protection measures, slope protection, evacuation centers, rain water collector, early warning devices, and rescue equipment);
4. Ecological solid waste management projects (e.g., sanitary landfills, material recovery facilities, and sewerage systems);
5. Promotion of transparency and accountability of local government units (e.g., creating a website).

This effort also aims to contribute to and collaborate with other processes, such as the Climate Public Investment Expenditure Review and the Adaptation Finance Accountability Initiative (AFAI).

PCF's annual allocation has increased substantially since it commenced to operate in 2010. Owing to high utilization, it was raised from the original P50 million to P500 million and P750 million in 2011 and 2012, respectively.

Increased PCF allocations raised the number of funded projects. The PCF's 31 funded projects in 2010 increased by almost 2000 percent in 2011, to 602. In 2012, PCF assisted in funding 501 projects.

Among the 31 projects funded in 2010, only three are classified as projects related to (Disaster Risk Reduction) and CCA (Climate Change Adaptation). Only 80 (13 percent) and 50 (10 percent) of projects in 2011 and 2012 were tagged as DRR-CCA initiatives, respectively.

However, projects undertaken with adaptation as the sole, primary, or secondary focus remain unknown. Distinguishing projects that address episodic disasters from those that respond to slow-onset impacts still has to be done.

The PCF allocation for 2013 amounted to P1 billion.

SUPPLEMENTAL FUND

The PCF is the 2010 amendment to the Local Government Code to supplement the internal revenue allotment (IRA) of LGUs. According to the PCF online portal, "Over the years it [has been] observed that LGU, especially the lower income classes are dependent on [their] IRA. Thus the national government deemed it imperative to establish a performance-based incentive policy that would help rationalize national government's intergovernmental transfers to LGUs toward improving local performance in governance and delivery of basic services."

"The Performance Challenge Fund is a facility envisioned to help stimulate local governments to put premium on transparency and accountability to enable them to avail themselves of financial support to jumpstart and sustain local socioeconomic development initiatives supportive of national government goals and priorities."

GETTING THE PCF

Qualified LGUs are asked to submit the following requirements:

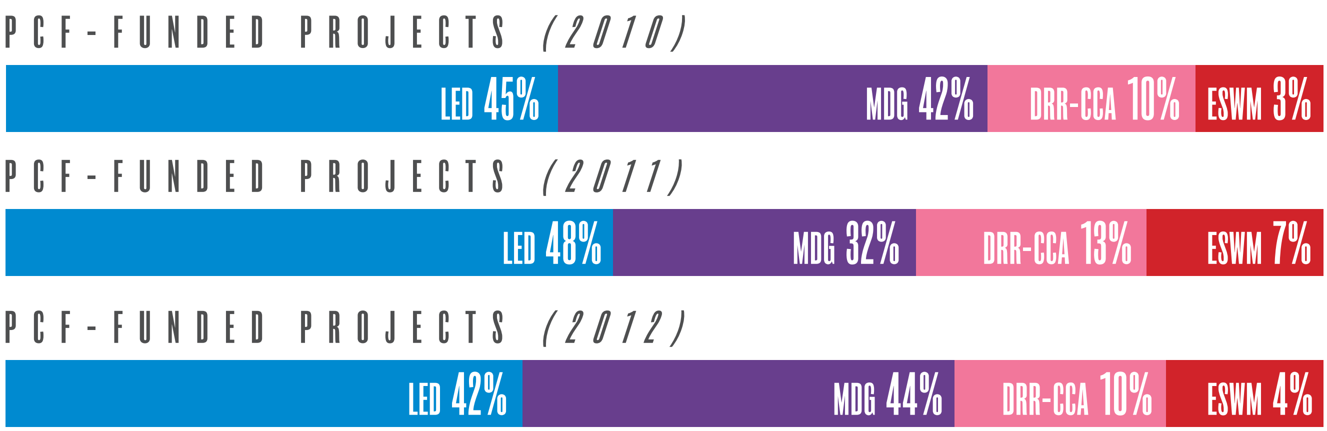
1. Project design
2. Sanggunian Resolution that states the following:
   - Authorization for the local chief executive to enter a Memorandum of Agreement (MOA) for the PCF grant;
   - Approval of allocating funds of LGUs to serve as a counterpart to the PCF grant; and
   - Certification that the project is included in the Annual Investment Program
3. Certification from the Municipal Treasurer that the project has a budget allocation ranging from 20 percent of the Development Fund to at least 20 percent of the total project cost.
4. The LGU shall also present a government bank-issued certificate proving that it has opened a trust account for the said PCF funding.

Upon compliance of requirements, DILG regional offices will release the PCF grant. Support amounts of P7 million, P3 million, and P1 million may be given to provinces, cities, and municipalities, respectively.

FIGURE 2

ALLOCATION OF PCF ACCORDING TO THE CLASSIFICATION OF FUNDED PROJECTS.

ABBREVIATIONS: MDG (MILLENNIUM DEVELOPMENT GOALS); LED (LOCAL ECONOMIC DEVELOPMENT); DRR-CCA (DISASTER RISK RESPONSE-CLIMATE CHANGE ADAPTATION); ESWM (ECOLOGICAL SOLID WASTE MANAGEMENT)



COMPARING PHILIPPINE FUNDS TO OTHER NATIONAL CLIMATE FUNDS (NCFs)

The PCF implementation framework is simplified and direct. The performance-based incentive system ensures that proper systems are in place before funds are transferred, providing a good level of fiduciary standards.

Using the tool used by the UNDP to assess National Climate Funds, a paper by the UNDP in 2011 utilized a modified "term sheet" wherein usual components or decision points of National Climate Funds (NCFs) are combined to facilitate stakeholder engagement and consolidate stakeholder inputs. In the following matrix, four funds are presented using the parameters of the "term sheet" to provide a better comparison of two NCFs (from Indonesia and Bangladesh) and existing programs implemented by the Philippine government at the local level. (However, a deeper comparison of the PSF and the two NCFs requires a separate study.)

A COMPARISON OF THE INSTITUTIONAL ARCHITECTURE OF THE NATIONAL CLIMATE FUNDS OF BANGLADESH AND INDONESIA IN REFERENCE TO PHILIPPINES' PCF AND KALAHI-CIDSS.

PARTICULARS	INDONESIA	BANGLADESH	THE PHILIPPINES	
NAME OF FUND/ PROGRAM	INDONESIA CLIMATE CHANGE TRUST FUND (ICCTF)	BANGLADESH CLIMATE CHANGE RESILIENCE FUND (BCCRF)	KALAHI-CIDSS	PERFORMANCE CHALLENGE FUND (PCF)
CAPITALIZATION	ICCTF RESOURCES CAN BE COMBINED WITH RESOURCES FROM THE GOVERNMENT, MULTILATERAL ORGANIZATIONS, PRIVATE SECTOR, AND CIVIL SOCIETY.	THE BCCRF IS SET UP TO RECEIVE PUBLIC NATIONAL, BILATERAL, AND MULTILATERAL CONTRIBUTIONS.	GOVERNMENT FUNDS AND FOREIGN LOANS	GOVERNMENT FUNDS
GOVERNANCE STRUCTURE	- STEERING COMMITTEE - TECHNICAL COMMITTEE - SECRETARIAT	- GOVERNING COUNCIL - MANAGEMENT COMMITTEE - SECRETARIAT - EXPERT PANEL	- NATIONAL STEERING COMMITTEE - NATIONAL AND REGIONAL MANAGEMENT TEAMS - MUNICIPAL INTER-BARANGAY FORUM (MIBF) - BARANGAY ASSEMBLY AND BARANGAY DEVELOPMENT COUNCIL	- PCF MANAGEMENT BOARD - REGIONAL ASSESSMENT TEAMS - SECRETARIAT

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PARTICULARS	INDONESIA	BANGLADESH	THE PHILIPPINES	
IMPLEMENTATION ARRANGEMENT	ICCTF HAS THREE PRIORITY FUNDING WINDOWS: ENERGY AND ENERGY EFFICIENCY, SUSTAINABLE FORESTRY AND PEAT LAND MANAGEMENT, AND RESILIENCE. INITIALLY, SECTORAL MINISTRIES MAY APPLY FOR FUNDING. LATER, LOCAL GOVERNMENTS, NON-GOVERNMENT ORGANIZATIONS (NGOS), UNIVERSITIES, AND EVEN PRIVATE FIRMS MAY APPLY THROUGH A PUBLIC–PRIVATE PARTNERSHIP. EVENTUALLY, THE PRIVATE SECTOR CAN DIRECTLY ACCESS THE TRANSFORMATION FUNDS.	GOVERNMENT LINE MINISTRIES PROVIDE IMPLEMENTATION, WITH TECHNICAL SUPPORT PROVIDED BY THE WORLD BANK. APPROXIMATELY 10 PERCENT OF FUNDING WILL BE DIRECTED AT NGOS AND CIVIL SOCIETY WILL BE MANAGED BY THE PALLI KARMA-SAHAYAK FOUNDATION, A MICROFINANCE INSTITUTION ESTABLISHMENT BY THE GOVERNMENT IN 1990.	PROJECTS ARE IDENTIFIED BY THE COMMUNITIES. THE MIBF SELECTS WHICH PROJECTS ARE FUNDED UNDER KAPIT-BISIG LABAN SA KAHIRAPAN-COMPREHENSIVE AND INTEGRATED DELIVERY SOCIAL SERVICES.	THE DILG ADMINISTERS THE PCF SUBJECT TO THE GUIDELINES OF THE PCF MANAGEMENT BOARD. FUNDING IS PROVIDED TO LOCAL GOVERNMENT UNITS (LGUS) THAT ARE CONFERRED WITH THE SEAL OF GOOD HOUSEKEEPING.
FIDUCIARY MANAGEMENT	THE UNDP ACTS AS THE ICCTF'S INTERIM FUND MANAGER AND SUPPORTS DEVELOPING CAPACITY SO THAT A NATIONAL ENTITY CAN TAKE OVER THIS RESPONSIBILITY. A NATIONAL TRUSTEE IS IDENTIFIED THROUGH AN OPEN COMPETITIVE PROCESS.	THE WORLD BANK SERVES AS THE INTERIM TRUSTEE. THE GOVERNING COUNCIL PLANS FOR THE TRANSFER OF FIDUCIARY MANAGEMENT RESPONSIBILITY TO THE GOVERNMENT.	THE MIBF SERVES AS A VENUE FOR THE RESOLUTION OF GRIEVANCES RELATED TO THE VIOLATION OF POLICIES.	THE DILG SUBMITS REPORTS ON THE FINANCIAL AND PHYSICAL ACCOMPLISHMENT OF THE PFC TO THE DEPARTMENT OF BUDGET MANAGEMENT, THE HOUSE OF APPROPRIATIONS, AND THE SENATE COMMITTEE ON FINANCE OR POST ON ITS WEBSITE, AT LEAST ON A QUARTERLY BASIS.

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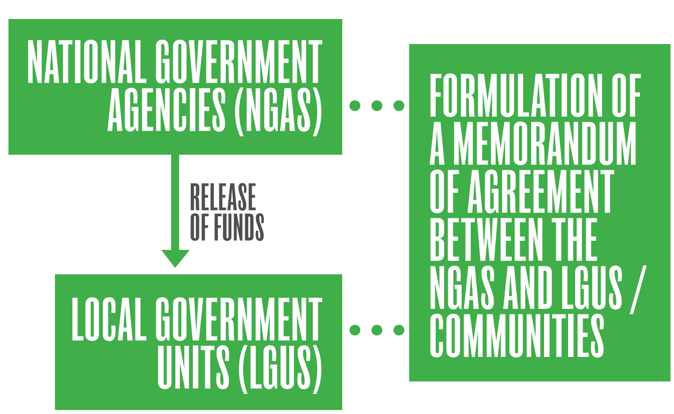
PARTICULARS	INDONESIA	BANGLADESH	THE PHILIPPINES	
MONITORING, REPORTING, AND VERIFICATION	ONCE A YEAR, THE SECRETARIAT ORGANIZES MISSIONS TO MONITOR AND EVALUATE PROJECTS. REPORTS ARE DEVELOPED ON THE STATUS OF PROJECTS AND PRESENTED TO THE GOVERNING BODIES. THE ICCTF UNDERGOES AN ANNUAL AUDIT THAT WILL BE PRESENTED TO THE STEERING COMMITTEE.	BASELINE, MID-TERM, AND ANNUAL EVALUATION OF OUTCOMES ARE BASED ON AGREED RESULT INDICATORS.	IN ADDITION TO THE DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT INTERNAL MONITORING, THE PROJECT PROMOTES TRANSPARENCY AND ENCOURAGES COMMUNITY MONITORING AND EXTERNAL MONITORING BY INDEPENDENT GROUPS, NGOS, AND LOCAL MEDIA.	THE DILG REGIONAL OFFICES SUBMITS REPORTS ON THE FINANCIAL AND PHYSICAL ACCOMPLISHMENTS OF THE PROJECTS UNDERTAKEN BY LGUS TO THE FINANCE AND MANAGEMENT SERVICE AND BUREAU OF LOCAL GOVERNMENT DEVELOPMENT OF THE DILG CENTRAL OFFICE EVERY FIFTH DAY OF THE MONTH FOLLOWING EACH QUARTER.

FIGURE 3

Disbursement flow of Kalahi-CIDSS and PCF. What may be instructive to the PSF Board are the mechanisms used by Kalahi-CIDSS and the PCF in providing access to funding requests. In the case of the DSWD and DILG funds, the main enabling instrument is an MOA between the national government agencies (in this case DSWD and DILG) and the LGUs/communities involved. The MOA defines the rules and regulations for the implementation of the project, including the disbursement of funds. Once the MOA has been signed and specific bank accounts of the LGUs and communities have been established, the funds will be directly transferred to the accounts of the LGUs and communities.

DISBURSEMENT FLOW (KALAHI-CIDSS AND PCF)



TESTING LOCAL READINESS TO ACCESS THE PSF

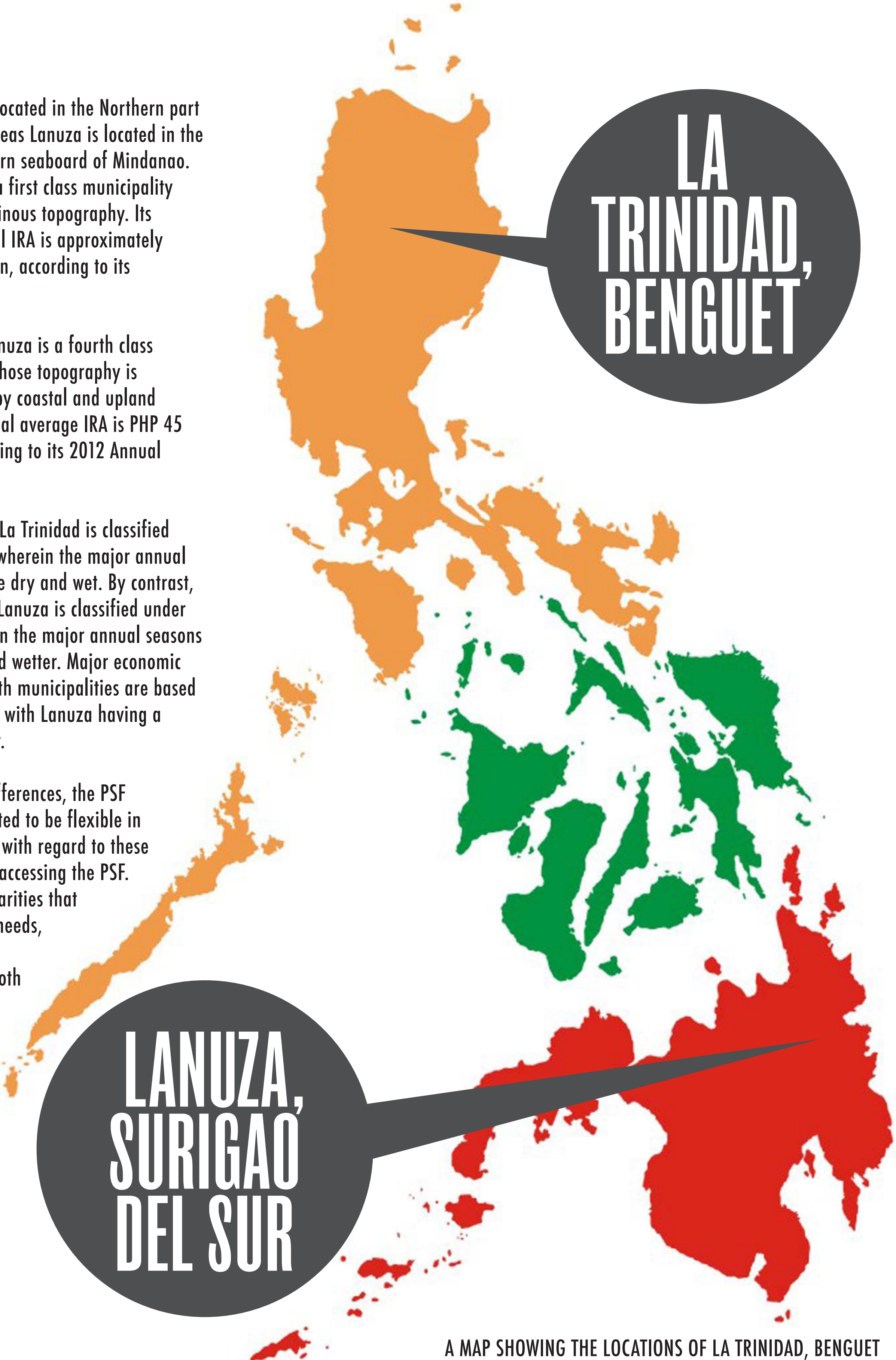
Lanuza, Surigao del Sur and La Trinidad, Benguet have been chosen to test local readiness in accessing the PSF through enhanced modalities because they share common characteristics that serve to underscore the necessary balance between access and standards. They are also very different in terms of challenges and local circumstances; these differences allow this paper to improve its discussion parameters.

La Trinidad is located in the Northern part of Luzon, whereas Lanuza is located in the Northern Eastern seaboard of Mindanao. La Trinidad is a first class municipality with a mountainous topography. Its average annual IRA is approximately PHP 180 million, according to its budget report.

Meanwhile, Lanuza is a fourth class municipality whose topography is characterized by coastal and upland areas. Its annual average IRA is PHP 45 million, according to its 2012 Annual Budget Report.

The climate in La Trinidad is classified under Type 1, wherein the major annual seasons include dry and wet. By contrast, the climate in Lanuza is classified under Type II, wherein the major annual seasons include wet and wetter. Major economic activities in both municipalities are based on agriculture, with Lanuza having a fisheries sector.

Given these differences, the PSF Board is expected to be flexible in their decisions with regard to these municipalities accessing the PSF. However, similarities that can prove the needs, readiness, and suitability of both municipalities are also observed.



A MAP SHOWING THE LOCATIONS OF LA TRINIDAD, BENGUET AND LANUZA, SURIGAO DEL SUR

CASE STUDIES' VULNERABILITY TO CLIMATE CHANGE

Both municipalities are highly vulnerable to the impacts of climate change, particularly to slow-onset impacts, such as varying average temperatures and shifting of regular seasons. According to a study commissioned by the Benguet State University-Institute of Social Research and Development entitled "Vulnerability and Adaptation Capacity Assessments in Benguet", an average temperature increase/decrease of 0.4 °C was observed during the dry/wet season in the periods of 1979 to 2003 and 1999 to 2009, respectively. This small variation in average temperature in La Trinidad steadily decreased the production of cash crops (e.g., strawberries, vegetables, and cut flowers) in the municipal area, as reported in the Baguio Sunstar.

The average crop yield data of Lanuza for 2009 to 2011 shows a decrease in production in the municipal agricultural barangays in both seasons, primarily because of changes new to the existing local farming experience. During the wet season in 2010, Lanuza experienced severe flooding and excessive rainfall despite the low severity of typhoons. After the recovery of the wet season yield in 2011, another decline was recorded in 2012. The reason for this decline is the same as that found in 2010, that of the slow but steady increase in average temperature.

INDICATORS FROM DILG'S LOCAL GOVERNANCE PERFORMANCE MANAGEMENT SYSTEMS (LGPMS)

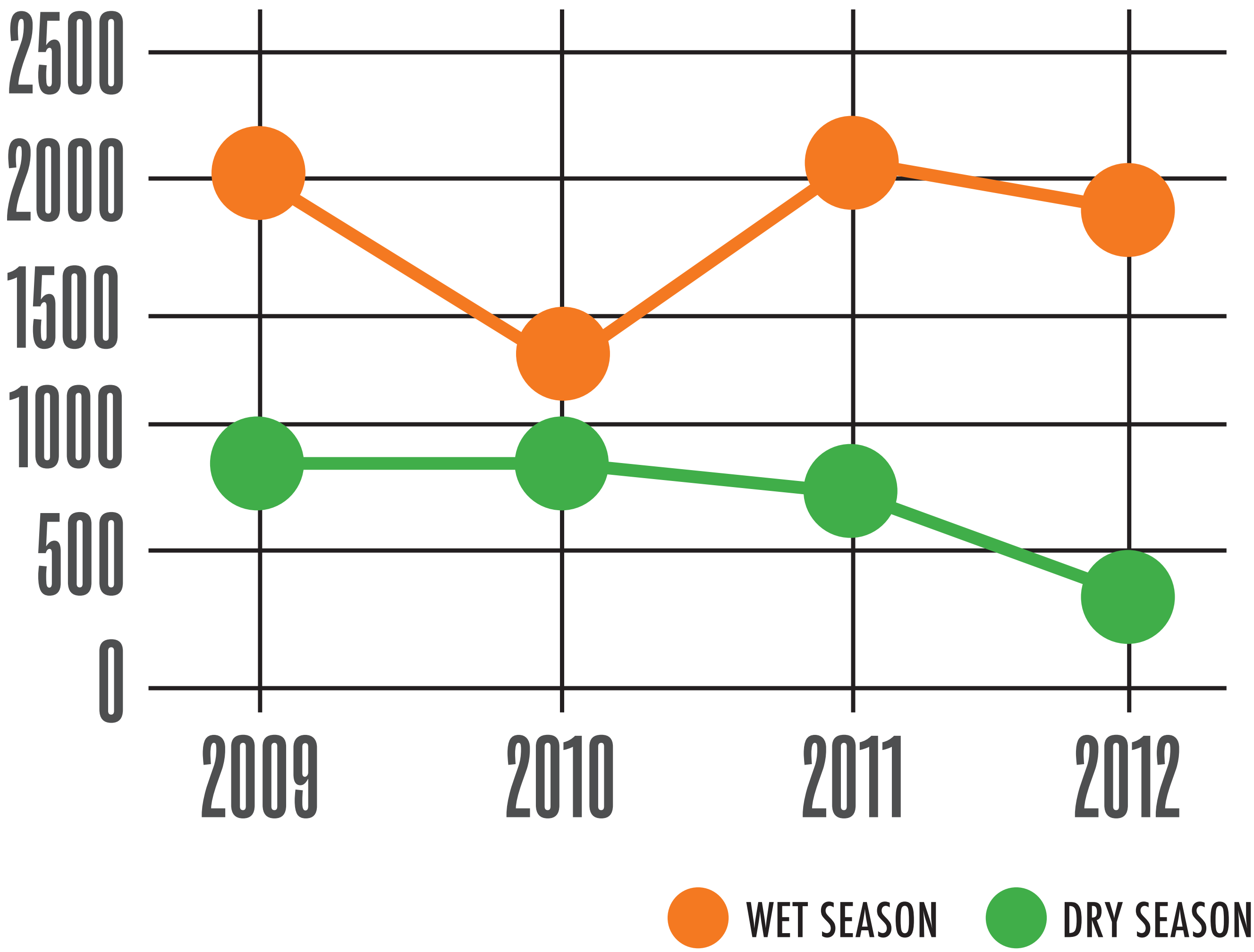
On Economics. According to the new index-based measurement by DILG, La Trindad as a first class municipality has an economic profile that is very exposed to the impacts of climate change. Currently, the continuing efforts by the local leadership in resource management and development planning can still control losses incurred because of climatic impacts. However, Lanuza's limited resources and climactic impacts can strain the delivery of basic services in isolated areas in the uplands.

On Environment. According to LGPMS, both municipalities should further institutionalize climate adaptation efforts in their development plans. In response to this recommendation, leaders of both municipalities have formulated plans that can anchor adaptation in their jurisdictions. The local leadership of La Trinidad is currently operationalizing the Disaster Risk Reduction and Management Plan to jumpstart climate adaptation projects, while Lanuza's is using its Forest Land Use Plan in framing the projects included in their comprehensive adaptation umbrella project,"Ridge to Reef Adaptation."

On Social Governance. Both municipalities have been awarded with the SGH (Seal of Good Housekeeping), which appraises excellent performance and sound fiduciary standards by the local leadership. SGH is a good indication that the local leadership will uphold these standards in accessing the PSF.

These indicators are a small part of what is already present in current government-led projects. These and their respective circumstances are what the PSF Board can consider when these municipalities attempt to access the PSF in the future.

A GRAPHICAL REPRESENTATION OF LANUZA'S AVERAGE CROP YIELD FROM 2009 TO 2102 AS PLOTTED IN THE X-AXIS WITH THE CORRESPONDING YIELDS IN KILOGRAMS IN THE Y-AXIS. (NOTE: WET IS "WETTER" AND DRY IS "WET" AS LANUZA IS CLASSIFIED AS A TYPE II CLIMATE.)



CONCLUSION

Over the years, contributor countries (developed nations that bear greater historical responsibility for climate change) have fallen short in adequately and predictably channeling funding to developing countries as grants and not as loans. Thus, additional means of generating, delivering, and utilizing CCA funds have become highly necessary. This funding is channeled through appropriate modalities in the scale demanded by science and consistent with commitments formally signed up in the UNFCCC.

This inadequacy has largely paved the way for the creation of NCFs, which seek to promote more meaningful country ownership of projects that coincide with national level priorities. Countries that have established NCFs include Bangladesh, Indonesia, and Brazil. With the PSF, the Philippines has now joined the ranks of countries that desire to take greater control of formulating and implementing effective responses to climate change by strategically using domestic financial institutions.

One particular challenge that appears to be common among countries with established NCFs, including the Philippines, is the effort to find the right balance between fund accessibility and adherence to fiduciary standards.

This paper has the following observations about the PSF:

1. Combining effective and responsive institutional arrangements is critical to deliver the right balance for the PSF. How-ever, identifying the correct institutional arrangements does not automatically suggest a productive working relationship between agencies and localities. A few ideas to arrive at productive and collaborative outcomes include the following:
- Communicate. Climate change provides a huge opportunity for agencies to plan together, compare notes, share research, and combine efforts.
- Innovate. Consider blending funds in ways that optimize both what specific agencies have to offer and what localities actually need. Develop genuine strategies that address both broad and critical development challenges and individual problems or issues.
- Collaborate. Feasibility studies that map out opportunities and threats to localities are often the most effective means by which LGUs can integrate approaches to both individual issues and development needs. However, credible feasibility study efforts often require collaboration across sectors, as well as considerable technical expertise and resources. For these, more formal PCF and PSF arrangements can be considered. The former can support feasibility study initiatives that are responsive to the potential adaptive needs of a locality. The PSF can then be used to support the provisions in a locality's development plan, which requires adaptation or resilience-building intervention. The effort becomes more than just fund blending; it allows available resources to be deployed optimally in a highly integrated manner.
- Prioritize. Blending of funds can also help the Board prioritize proposals in ways that enhance the realization of other, equally important goals which relate to other funding precepts required by law. For instance, rather than apply the rule to the entire P1 billion fund, the PSF Board should consider integrating in its criteria something that encourages PSF applicants to demonstrate compliance with the five percent Gender and Development (GAD) budget rule, as provided in the Women in Development and Nation Building Act or RA 7192.

2. Learning from the Kalahi-CIDSS and PCF experiences, where the implementing agencies effectively utilize the presence of regional offices, the PSF Board should consider making arrangements with regional or specialized offices in the DILG or National Economic and Development Agency. Such arrangements are important not only with the different stages of implementation but also with the monitoring and evaluation phases to secure the fund's fiduciary integrity.
- Direct access as a funding modality can work in the Philip-

pine setting based on its generally accepted purpose—the delivery of adaptation funding "in an expedited, efficient, and effective manner that is consistent with [local] priorities, needs, and circumstances."

• Direct access is actually already in practice, albeit under different conditions and aims, and governed by distinct institutional arrangements, which the PSF Board should consider. The more appropriate term to use might even be *Enhanced Access*, insofar as the Kalahi-CIDSS and PCF experience and goals are concerned.

3. Use what is already available. Establish a process that encourages consultation with the CCC's panel of experts to;

• Determine the options of counterpart and co-financing arrangements that can be established between the PSF Board and LGUs, or community organization applicants. Although RA 10174 encourages co-financing arrangements, counterpart LGU funding need not be entirely monetary or excised from a locality's annual budget.

• Help set the initial range of portfolio allocations that individual LGUs or local organizations can access based on a set of activities, plans, leadership indicators, risks, and so on. Setting a range of funding thresholds will also help guide the implementing body in programming the fund. Initial range sets can be adjusted later as experience is gained.

4. The PSF Board should consider innovative funding arrangements that reflect the nature of adaptation. Adaptation requires locally driven, if not parochial, interventions. For instance, interventions that involve water resources can be severely and unnecessarily circumscribed if funding is limited to supporting only municipalities or individual, separate municipalities. Adaptive interventions that involve management of water resources may prove more effective and efficient if undertaken from a provincial point of view, for example. Conversely, adaptation might also require a proposal from a cluster of municipalities, so long as clear lines of accountability are delineated. The PSF should discourage further fragmentation of efforts.

5. Local interventions need not mean separate programs, and imposing ceilings on funding might not lead to more effective and efficient delivery of adaptation support. Imposing funding ceilings based on types of local governments or a rigid menu of adaptation action may prove excessively prescriptive and arbitrary, given the broad range of interventions across widely differing local circumstances in different parts of the country.

6. The PSF Board should consider encouraging civil society organizations (CSOs) to participate and help in the fulfillment of the PSF law's mandate. The reasons?

• CSOs have a distinct role in assisting the government in monitoring and evaluating progress and outcomes in PSF-supported activities.

• Tie-ups with CSOs can also extend technical support to local governments and community groups who wish to develop credible proposals that may require considerable levels of technical expertise.

The huge and growing need to localize interventions with respect to the local impacts of global climate change presents considerable opportunities for the PSF Board to innovate and formulate new approaches. With fund access and fiduciary standards in mind, the PSF Board should consider applying international aid effectiveness principles to a local context. More adaptation-responsive domestic institutional arrangements can be pursued by promoting the objectives of ownership, harmonization, alignment, mutual accountability, and results-driven initiatives. The only difference will be that the relationship will be between national bodies and local governments or local NGOs, rather than between contributor and recipient countries.

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Greenpeace Philippines, and Third World Network (TWN) affirmed the need to pursue and further deepen discussions that can expedite PSF operationalization through inter-agency cooperation and multi-sectoral knowledge-sharing.

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INSTITUTE FOR CLIMATE AND SUSTAINABLE CITIES

The Institute for Climate and Sustainable Cities (iCSC) is a non-profit organization working on sustainable energy solutions and fair climate policy.

iCSC is behind the Climate-Friendly Cities (CFC) initiative, which integrates sustainable transport with clean energy generation. iCSC helped lead the campaign that established the People's Survival Fund, the country's first direct access-driven financial mechanism dedicated to supporting the adaptation programs of local governments and communities.

iCSC launched the electric jeepney revolution in July 2007 and, together with partners among national agencies, local government, the academe and civil society, has since produced significant milestones such as the first domestically manufactured eJeepney (2008), the first e-vehicle battery-swapping program (2011), and the first commercial eJeepney fleet franchise in 2012 (issued to the private consortium formed by iCSC).

The eJeepneys won the top transport solutions prize in a global contest run by the Ecopolis Program of Discovery Channel in 2009 and were awarded the grand prize in the 2012 Inclusive Mobility Challenge organized by the Ateneo School of Government and the Rockefeller Foundation.

iCSC's climate policy agenda is focused on climate adaptation finance and low carbon development, pioneering long-term policy transformation and sustainable social enterprise.

iCSC contributes to Philippine climate policy development by championing in the international arena the inclusion and enforcement of environmental and social safeguards with direct access climate finance while pushing the So-FiT initiative, or Socialized Feed-in Tariffs, which aims to leverage international and domestic financial mechanisms to address costs arising from the transition to renewable energy-led development.

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