

PEI Philippines

Theory of Change

2014-2017



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ASIA-PACIFIC

Context and Problem Statement

Considered to host 70-80% of the world's biodiversity, the Philippines is one of the 17 mega diverse countries in the world. However, the Philippines suffers from severe deforestation, declining fish production and overflowing solid waste. One quarter of its 103 million population is estimated to be poor. Ranking 115 out of 187 on the Human Development Index (2015), 75% of the poor live in the rural areas and are dependent on the environment and natural resources for their livelihoods. The country also ranks as the 5th most mineralized country in the world. Nevertheless, the poorest communities have often suffered from negative environmental impacts of mining activities and benefitted very little from the revenues generated by the mining industry. In addressing the P-E nexus, it is essential to ensure that revenues generated from mining and other natural resources are equitably shared with communities and invested back to preserve social and natural capital.

Barriers Analysis

1. Lack of policy coherence and coordination mechanisms between government institutions responsible for pro-poor ENR management.
2. Insufficient regulation and incentives to direct private investment toward supporting pro-poor ENR use.
3. Weak coherence between national P-E objectives and sector/district budget allocations, including due to inadequate institutional capacity and management systems for coordinating budget allocations and other investments with national objectives to address climate change and improve natural resource management.

Project Objective and Assumption

Objective

Improve management of environment and natural resource revenues for financing pro-poor environment and climate change investments in support of SDGs 1, 8, 9, 10, 15, 16, 17.

Assumptions

The new government continues to prioritize poverty eradication and commits to the 2030 Sustainable Development Agenda. Local government units and national agencies use capacity building and tools developed with participation of civil society and private sector groups to prioritize investments in environment and natural resources for pro-poor environment and climate change responses.

PEI Interventions

In response to identified challenges, PEI Philippines focuses on three key areas with capacity building as a crosscutting objective:

Strengthening transparency in the management of environment and natural resource revenues through use the Environment Natural Resources Revenues and Expenditures Data Management tools to improve local government transparency and accountability in the collection and use of revenues from extractive industries.

Advocating national policy reforms to adopt benefit-sharing mechanisms that enable equitable sharing of environment and natural resource revenues.

Progress

With PEI support, the Bureau of Local Government Finance of the Department of Finance established the Electronic Statement of Receipts and Expenditures (eSRE) and the Environment and Natural Resources Revenues and Expenditures Data Management Tool (ENRDMT).

eSRE endorsed as official reporting and monitoring system on LGU's fiscal and financial operations. Financial statements indicate for the first time source, specific amount and use of the amount received as share from national wealth.

The establishment of a Mineral Statistics Information Management System (MSIMS) and Mining Tax information Management System (MTIMS) has improved the monitoring and reporting of mineral production and export data, including better computation of excise taxes and other fees.

ENRDMT captures detail of direct payments made by extractive industries to the LGUs, such as local taxes and fees and user charges. It provides detailed account of the shares from national wealth received by LGUs and the tagging of expenditure items from such proceeds. ENRDMT also serves as an additional reporting avenue to the Philippines Extractive Industry Transparency Initiative (EITI).

Administrative Order on P-E mainstreaming implemented in four pilot LGUs. The Order integrates priorities of the Ancestral Domain Sustainable Development and Protection Plan into the development plans and budgets of LGUs. LGUs will disclose for the first time financial statements on the use of their shares from national wealth.

Remaining Interventions

Support the roll-out and institutionalization of the ENRDMT database. Conduct public expenditure reviews of local government units using data from ENRDMT to track local government spending on environment and to promote investments in sustainable natural resource management such as eco-tourism.

Improving local planning and budgeting systems to finance environment and climate change investment needs of poor communities to better manage social and environmental risks of extractive industries and other natural resource sectors.

Enhanced participation of civil society and private sector in the policy dialogue on natural resource management.

Support the formulation of a larger extractive industry programme in the UNDP country office for sustainability of the work already carried out.

Explore the creation of a sub-committee on environment and natural resource revenue management within the inter-government body for Coordinating Committee on Decentralization (CCD) and assist the CCD in the development of policy reforms that promote transparency in the management of environment and natural resource revenues.

Partner with the World Bank's Wealth Accounting and Valuation of Ecosystem Services Initiative (WAVES), EITI and UNDP's Biodiversity Finance Initiative (BIOFIN) to advocate the formulated reform agenda with new administration to ensure results and sustainability.

Annex: ToC Diagram

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