

POLICY BRIEF:



Increasing Environment and Natural Resource-Related Allocation for Poverty Reduction

Poverty and environment are closely connected; poor people that depend on Environment and Natural Resources (ENR) for their livelihood would have limited opportunities if their ENR are degraded. A degraded environment, on the other hand, lowers productivity and income, thus, the poor becomes poorer. Positively, a good environment would mitigate poverty by making the poor's livelihood opportunities more viable.

THE NAPC-PPEI PROGRAM

To uplift the lives of the poorest Filipinos, they should be mainstreamed in the poverty-environment development process. The widening inequitable distribution of the share from national wealth within and across communities may lead to a greater social conflict and an increasing rate of environmental degradation. There is a need to address these issues in terms of policy and fiscal responses and other initiatives that strengthen broader participation, greater opportunities and more of the poor in their own development process. While the average standard of living has risen, the gap between

the very rich and the very poor has widened. Poor people and communities suffer the effects of environmental damage more severely than the rich due to the following reasons:

- Opportunity declines when poor people who depend on ENR for their livelihoods can no longer do so because of environmental resource degradation and lack of viable alternatives;
- Capacity is impaired when poor people's health is affected by dirty water, polluted air or diseases related to the environment;
- Security is threatened by natural disasters and climatic variation. The poor tend to be more

physically vulnerable to natural disasters and have fewer resources to ride out the shocks.

The relationship between economic activity and the environment is complex. Economic activity is based mainly on ENR and any productive activity can deplete natural resources and cause environmental stress, which can prevent people reaching an acceptable standard of living. Poverty often causes people to put pressure on the ENR. Environmental problems cause more problems among the poor. Thus, poverty reduction requires an understanding on how poor people cope with and adapt to adverse conditions, without



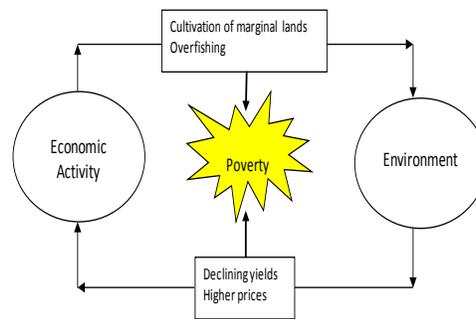
resulting in ENR exploitation.

With focus on poverty reduction and sustainable development by integrating pro-poor and environmental concerns into development planning and decision-making process, NAPC implemented the Philippine Poverty Environment Initiative (PPEI). It aims to facilitate the government, civil society and the business sector to utilize revenues and benefits from sustainable ENR management for poverty reduction. PPEI supports the national government's vision to promote sustainable development through wise use of natural resources for economic growth, environmental protection, and social equity.

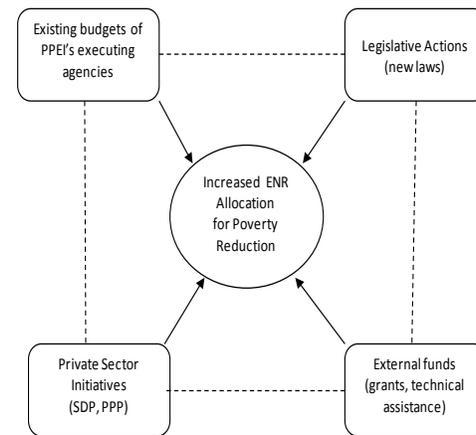
However, the introduction of PPEI is delayed due to the realization that PPEI requires the support and collaboration of many government agencies and other stakeholders. The issues on the delays of the introduction of PPEI into the administrative system of the government have deep implications on the planning and budgeting strategies of the local government units (LGUs) for ENR projects, livelihood opportunities and other socioeconomic projects that will address poverty in their respective constituencies. The national government realizes the problem of delayed releases of LGU shares in the national wealth and to address the problem, executive orders and circulars were issued. In spite of these efforts, gaps and issues still persist.

With more government spending on ENR projects and legislative plans, the PPEI will be attained.

Relationship between economic activity and the environment and poverty



Framework of increasing environment and natural resource-related allocation for poverty reduction in the national budget



Other possible sources for financial support for ENR allocation:

- 1) Internally from the existing budgets of PPEI's executing agencies
- 2) Legislative actions through Congress
- 3) Private sector initiatives
- 4) External funds (grants, bilateral/multilateral assistance, loans)

Government Implemented PAPs:

1. Climate and Risk Resilient Municipalities Within the 18 Major River Basins Program
2. National Greening Program
3. Promotion and development of organic agriculture
4. Climate Change Vulnerability Mapping in Agriculture and Irrigated Areas and its Watershed

5. Implementation of Ecological Solid Waste Management
6. Geohazard Mapping and Assessment
7. Environmental and Occupational Health
8. Enhancing LGU Capacity on CCA and Disaster-Risk Management Framework

GOVERNMENT EXPENDITURES TO ADDRESS POVERTY-ENVIRONMENT CONCERNS

Government expenditure to address poverty-environment is not specific; there are expenditures for poverty concerns and there are separate expenditures for environmental matters. On the other hand, there are no specific items environmental expenditures in the Department of Budget and Management (DBM) annual appropriations. As such analyzing the government spending on the environment is problematic in the absence of a clear definition of environment expenditure and the absence of details in the national government's annual budget.

The Department of Environment and Natural Resources (DENR) is the primary agency with environmental mandates. Other agencies and LGUs also has environmentally-related expenditures.

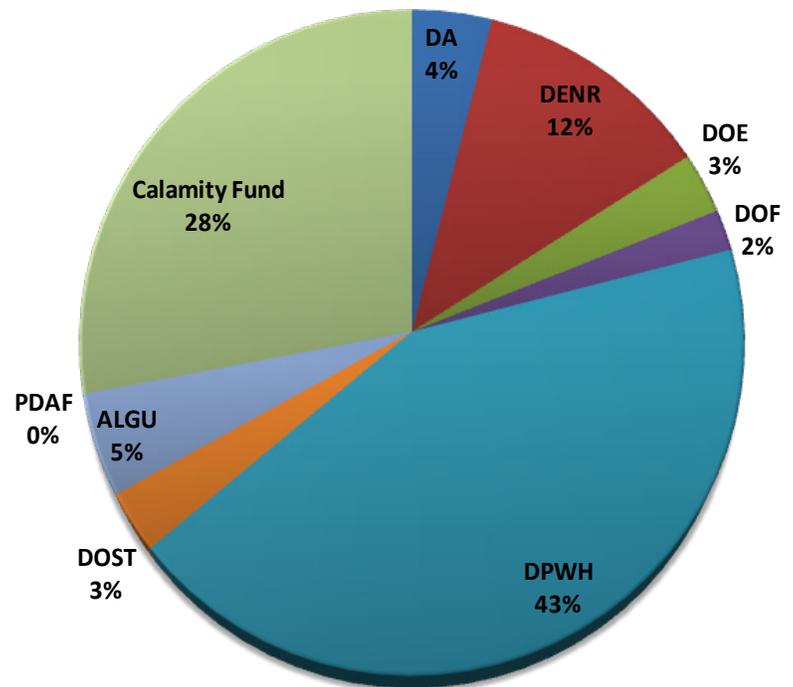
For fiscal years 2011 and 2012, DBM classified environmental expenditures under Key Result Area V (KRA V)- Integrity of the Environment and Climate Change Mitigation and Adaptation. Based

on KRA V analysis for 2011 and 2012, there is an increasing trend on the budget for Environment and Natural Resource-Related Allocation in the National Budget, but how this redound to poverty reduction and still needs to be felt by the poor?

Percentage distribution of allocations for KRA V 2011 and 2012

Department/ Agency	Year (Percent)		
	2011	2012	Average
1) DPWH	54	43	48.5
2) Calamity Fund	24	29	26.5
3) DENR	8	12	10
4) ALGU	5	5	5
5) DA	4	4	4
6) DOST	3	3	3
7) DOE	2	3	2.5
8) DOF	-	2	1
TOTAL	100	100	100
Budget (billion pesos)	21.13	25.96	23.55

2012 National Budget Allocation - KRA V



IDENTIFIED ISSUES AND RECOMMENDATIONS ON THE RELEASE OF SHARE FROM THE NATIONAL WEALTH FROM MINING

To address the issues on delayed fund releases, recommended solutions for each of the identified issues were presented.

One major focus wherein budgetary increases can be translated into efficient and effective means of solving the delayed releases of LGU share from national wealth is to provide financial support to DENR-Mines and Geosciences Bureau (MGB) and Department of Finance-Bureau of Internal Revenue (DoF-BIR) towards maintaining a state-of-the-art Information Technology (IT)-based decision support system and the corresponding capacity strengthening programs.

Given office automation and the many applications of information technology, there may be room to reduce or convert some of MGB's

ISSUES	RECOMMENDATIONS
<ol style="list-style-type: none"> Problems in the implementation of some provisions of both Joint Circular (JC) No. 2009-1 and JC No. 2010-1 <ol style="list-style-type: none"> DILG-BLGS does not automatically and regularly give the updated master list of LGUs to the BIR. This leads to wrong certifications which are returned by DBM to BIR; Estimates given by MGB to BIR on the volumes and values of metallic mineral production for the current year mostly come from the mining companies; Verification of actual collections from mining taxes and computation of shares of beneficiary LGUs take a long time because the data are not readily available and the process is not computerized. There is only 1 person in BIR doing the computation for mining taxes, and Per DBM, some of the Joint Certifications prepared by MGB are several years old. Inadequate provisions for the MGB to give BIR estimates of the volumes and values of non-metallic mineral production for the current year. 	<ol style="list-style-type: none"> Improve implementation of JCs 2009-1 and 2010-1 <ul style="list-style-type: none"> Designate one agency to oversee the implementation of the circulars' provisions particularly those related to the sharing of information; Secure funds and consensus to create a common database or electronic data sharing system to facilitate gathering and verification of raw information and computation of National Government and LGU shares; and Consider automatic appropriation of LGUs' shares in national wealth. The LGC states that these should be released in the same manner as the Internal Revenue Allotment (IRA) which was declared to be automatically appropriated in the coming years by R.A. 9358 or the Supplemental Budget Act of 2006. Revise JC 2009-1 to increase LGU shares in mining taxes from non-metallic mineral products <ul style="list-style-type: none"> Include a provision for MGB to submit to BIR annual estimates of volumes and values of non-metallic mineral products, and Set an earlier deadline for MGB to submit to BIR actual volumes and values of non-metallic mineral products.

administrative and support positions to more technical or IT-related positions that can be utilized to develop and maintain the proposed decision support system. In addition, other agencies do not have enough resources (staff, expertise, and the budget) to effectively implement PEI. There is a need to systematically integrate the concept of initiatives PEI in various phases of policy formulation, implementation and budgeting.

The recommendations must be considered by the executing agencies namely, the Department of Interior and Local Government (DILG), DoF-BIR, DENR-MGB and DBM, which are targeted for advocacy assistance for poverty reduction.



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Advocacy for Legislative Actions and Adoption of Other Policies in Increasing ENR-Related Allocation for Poverty Reduction in the National Budget that Support the PPEI

In the immediate years, there must be a strong support for the passage of a new mining law (for a sustainable approach to utilization and protection of the country's ENR). The current administration is banking on new legislation to allow the government to impose higher excise taxes and royalties on new mining contracts. Several mining laws are being proposed in Congress:

- House Bill 4315 (People's Mining Act of 2012) with Rep. Teddy Casiño as the main author. There are provisions to increase shares for the government (from 2% to 10% of gross revenue) and IP share will be 10% of gross revenue;
- Alternative Minerals Management Bill being endorsed by Catholic Bishops Conference of the Philippines (with 41 congressmen & four senators supporting it).
- Ten other congressmen have pending proposals for a new mining law.

In the light of Executive Order (EO) No. 79 (Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources. Signed by President Aquino on July 6, 2012), some of the issues and

recommendations that came out in PPEI's Year 1 four components studies are somewhat addressed by the EO 79.

Conclusion

The review of the budgets from 2011-2013 indicated that these were allocated without an integrated and overarching framework, that is, the allocation is done by agency. While the intent of the government agencies to address PEI is seen, there is no unified approach to integrate the budgets based on an overall development strategy. There is a need for a framework to help guide, prioritize and harmonize the various mechanisms for funding environment and poverty reduction.

Poverty reduction and environmental integrity are closely linked and are governed by a complex system of institutions and policies at the national and local levels. One effective way to mainstream PPEI in the planning and budgeting of the national government agencies is to allocate funds for its eventual institutionalization.

To realize an integrated poverty-environment initiative to be felt by the poor Filipinos, all agencies concerned must work together and must get continuous legislative support from congress.