

Achieving a Climate-Responsive Budget in the Philippines through Climate Change Expenditure Tagging

CASE STUDY

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The Philippines is gearing up to fulfill its climate commitments to the Paris Agreement. The country's National Climate Change Action Plan (NCCAP) 2011 to 2028 comprehensively outlines its adaptation and mitigation agenda across seven strategic themes.

The need to develop a climate-responsive budget is among the cross-cutting concerns identified in the NCCAP. This is also stipulated in Republic Act 9729, also known as the Climate Change Act of 2009. To this end, the Climate Change Expenditure Tagging (CCET) is employed to prioritize and assign codes to climate change programs, activities, and projects (PAPs) in annual budgets of national government agencies (NGAs) and local government units (LGUs.) The CCET can provide data and information for more effective climate investment programming. Analyzed data can help the national and local governments efficiently manage and leverage resources in areas where it can maximize potential benefits. The CCET figures are reported to the Climate Change Commission (CCC), which performs monitoring, acknowledging, and archiving functions. Once submissions have undergone quality assurance and review, these are uploaded into the National Integrated

Climate Change Database and Information Exchange System (NICCDIES), an online archiving and monitoring system of climate change actions in the country.

Context

The Philippines started its initial work on the CCET in 2013, commencing with consultations and test runs with several national government agencies (NGAs). The Republic Act 9729 or the Climate Change Act of 2009, amended the role of the Department of Budget and Management (DBM)¹ to “undertake the formulation of the annual national budget in a way that ensures the appropriate prioritization and allocation of funds to support climate change-related programs and projects in the annual program of government.”

To this end, the DBM and the Climate Change Commission (CCC) issued a joint memorandum circular (DBM-CCC JMC 2013-01 as amended by DBM-CCC JMC 2015-01) mandating all NGAs and Government-Owned and Controlled Corporations (GOCCs) to track their budget allocations for climate change-related PAPs. The DBM, CCC, and Department of the Interior and Local Government (DILG) issued a separate joint

1. The DBM is an executive body under the Office of the President mandated “to promote the sound, efficient and effective management and utilization of government resources as instrument in the achievement of national socioeconomic and political development goals.” (Source: DBM website accessible at www.dbm.gov.ph)

Key Take-aways

- **CCET enhances the transparency of tracking budget allotted by the government for climate change.** By identifying, reporting, and tagging climate change-related PAPs, monitoring climate change-related expenses becomes easier. Apart from promoting transparency, the initiative supports the Philippines' goal of crafting a climate-responsive budget. The budget tagging is conducted by different levels of government including national government agencies and local governments.
- **The procedure and guidelines on budget-tagging should be aligned with and anchored on national planning documents.** The CCET corresponds to the seven National Climate Change Action Plan (NCCAP) strategic priorities: food security; water sufficiency; ecosystem and environmental stability; human security; climate-smart industries and services; sustainable energy; knowledge and capacity development.
- **Consolidating all the climate-related information in one accessible platform makes monitoring, reporting, and evaluation of climate action easier.** The data generated from the CCET is envisioned to be reported in the National Integrated Climate Change Database and Information Exchange System (NICCDIES), which serves as the integrated climate information portal of the Philippines.
- **There should be continuous institutionalization of climate action into the budgeting system of both the national and local levels.** The CCET has promoted collaboration among national government agencies, working together to develop cohesive approaches, guidelines, and links in implementing the CCET.
- **Mandating the local government units (LGUs) as front-liners of the CCET is an opportunity for stakeholders at the grassroots level to be more involved in the budgeting process.**
- **The CCET has laid the foundation for mainstreaming climate change in the planning, budgeting, and implementation phases of government operations by enabling climate-resilience and low-emission development considerations in determining PAPs.**

memorandum circular (JMC), requiring sub-national governments (provinces, municipalities, and cities) to tag their climate change-related PAPs.

The CCET currently facilitates the monitoring of budget allocations for climate change-related PAPs considering that it will take some time before expenditure data of a given year is generated. A monitoring system for actual climate spending is yet to be developed and integrated in the CCET, but this is already a work in progress by the CCC in coordination with different NGAs.

The typology used in CCET corresponds to the NCCAP strategic priorities. The NCCAP, a translation of the National Framework Strategy on Climate Change (NFSCC), outlines the Philippines' long-term agenda for addressing climate change impacts. These interventions include both adaptation and mitigation across seven thematic priorities: food security; water

sufficiency; ecosystem and environmental stability; human security; climate-smart industries and services; sustainable energy; knowledge and capacity development.

In 2017, the Philippine government allocated PHP 210.4 billion (USD 4.17 billion) for climate change expenditures, 91% of which were for adaptation and 9% for mitigation. Since 2015, there is an increasing trend in the allocation for climate change-related programmes and projects (PAP), which can be attributed to the infrastructure projects of the Department of Public Works and Highways (DPWH).

The Philippines is in the process of developing its Nationally Determined Contributions (NDC) as part of its commitment to the Paris Agreement. The CCET is an opportunity for the NGAs and LGUs to consider and identify the PAPs that have mitigation potential, therefore, indirectly contributing to the country's NDCs. As

a monitoring tool, data obtained from the CCET is reported in the National Integrated Climate Change Database and Information Exchange System (NICCDIES), which serves as the climate information portal of the Philippines. Launched in 2018, the NICCDIES archives necessary data and information for the country's reportorial obligations at the local, national, and international levels.

High-Impact Activities

The CCET framework “consists of policy-based definitions of climate change (CC) response, a detailed CC typology, a common method for tagging CC expenditure, a process of reviewing and reporting on results, and the assignment of roles and responsibilities to national government agencies (NGAs)” (CCC and DBM 2016). Moreover, it aims to “identify, report, and monitor PAPs related to climate change, making it easier to track and measure climate change-related expenses, enhance the effectiveness of projects, and ensure transparency” (DBM, 2016). It supports the Philippines' goal of crafting a climate-responsive budget.

The CCET can be summarized in two processes: 1) identification and monitoring of CC-related PAPs; and 2) analysis of results as input to climate investment programming and policy making to prioritize better the vulnerable and budget-deficient sectors. Climate investment programming is defined as the “systematic identification and prioritization of climate programs, projects and activities, and matching these with financial resources, to be implemented within a specified time frame” (DBM 2016). The analyses of these PAPs are essentially aimed at effectively implementing the NCCAP priorities, which include the country's specific programs and strategies on climate change adaptation and mitigation.

Stakeholders

The JMCs mandate not only NGAs and LGUs to comply with the CCET, but also strives to involve the GOCCs and State Universities and Colleges (SUCs). The CCET Help Desk Secretariat, which collects submissions, is currently lodged in the Implementation Oversight Division of the CCC.

It is important for a new concept such as the CCET to foster knowledge-sharing and continuous capacity development. On the other hand, having the LGUs on the front lines in the CCET can be an opportunity for stakeholders at the grassroots level (e.g., villages, youth groups, senior citizens, and other vulnerable sectors of society) to be more involved in the budgeting process.

Success Factors

A remarkable aspect of the CCET implementation is inter-agency collaboration at the national level. Since its conception, the CCC and DBM have been working closely together to develop cohesive approaches and guidelines for implementing the CCET. The DILG, which links this national initiative to the local level continuously provides assistance to cities and municipalities to encourage the CCET implementation. Their inclusion in this initiative can be considered as an enabler for multi-level climate governance.

In addition, the Cabinet Cluster on Climate Change Adaptation, Mitigation, and Disaster Risk Reduction (CCCAM-DRR) serves as a venue to discuss climate-related agenda including discussions on cluster budgeting and compliance. The CCCAM-DRR is mandated to “lead in pursuing measures to adapt to and mitigate the effects of climate change on the Philippine archipelago; and undertake all the necessary preparation for both natural and man-made disasters” (Republic of the Philippines, 2011). The Cluster consists of several key national government agencies.

The issuance of two JMCs were instrumental in the implementation of the CCET. The JMC guidelines outline specific roles and responsibilities of government agencies and institutions at the local and national levels (please see Box - 1).

The strategic link between the CCET and the NICCDIES presents a broader framework of the country's climate agenda. This nexus is expected to provide a clearer outlook on how the Philippines can monitor its climate actions. It also opens opportunities to implement the country's international commitments in a more efficient and effective manner. At the international level, this may mean accessing additional funding for implementation of climate actions.

BOX - 1

Excerpt from the DBM-CCC-DILG Joint Memorandum Circular No. 2015-01 Sections 5.1 to 5.4 re: Revised Guidelines for Climate Change Expenditure Tagging (CCET) amending JMC No. 2013-01

- 1. Provinces, cities, and municipalities shall:**
 - Ensure that climate change is integrated in the budget call issued by the local chief executive;
 - Identify climate change expenditures in the annual investment programs using the climate change expenditure typologies as guide;
 - Tag identified climate expenditures in the annual investment programs using the revised Annual Investment Programs (AIP) form;
 - Accomplish and submit to DILG and DBM the list of tagged climate change PAPs during the annual submission of budget proposals;
 - Submit an electronic copy of the tagged AIP form and accomplished QAR to the CCC
 - Ensure the integration of climate change PAPs in the LGU budget proposals of the departments during the technical budget hearings of the local finance committee and the local chief executive; and
 - For PAPs that do not qualify under the climate change typologies, request CCC through the CCET Help Desk to create a new typology.

- 2. The Department of Budget and Management shall:**
 - Include in the Local Budget Memorandum the tagging of climate change expenditures in the AIP and changes and developments in related policies;
 - Include the CCET and the revised AIP Form in the updating of the Budget Operations Manual for LGUs.

- 3. The Climate Change Commission shall:**
 - Assess and ensure the quality of the climate-tagging of the AIP against the climate change expenditure typology listed in Annex A and duly accomplished Quality Review and Assurance (QAR) Form;
 - Provide a help desk to provide the LGUs with information and support related to CCET;
 - Review and approve LGU requests for new climate typologies; and streamline the typologies when necessary;
 - Review and consolidate the CC tagged AIPs submitted by LGUs and monitor developments in coordination with oversight agencies and stakeholders.

- 4. The Department of the Interior and Local Government shall:**
 - Provide continuous capacity building programs for LGUs to institutionalize and sustain the CCET in LGU annual investment programming and budget planning processes, in partnership with DBM and CCC;
 - Monitor compliance by LGUs.

Overcoming Challenges

The biggest challenge in the CCET is implementation at the local level. Introducing a new concept from a national directive requires continuous capacity building and knowledge sharing. Although the guideline, manual, and tools are already available, a mechanism to

engage the LGUs to grasp the purpose of the CCET needs to be institutionalized. Cities and municipalities need to understand that the CCET should go beyond their Annual Investment Programs and that this exercise should not be seen as an additional task, but an opportunity to fulfill their mandate to implement climate actions within their jurisdictions. At present,

the key agencies - CCC, DBM and DILG - are implementing a series of consultations and trainings on CCET for local governments. Results of this strategy may be evident in succeeding budgeting cycles.

Development Impacts

It is too early to draw a conclusion about the impact of CCET. However, going back to its purpose, the short-term goal of identifying, reporting, and monitoring climate change related PAPs looks promising. In 2017, analysis showed that the Philippine government allocated PHP 210.4 billion (USD 4.17 billion) for climate change expenditures; 91% of which were for adaptation and 9% for mitigation. Since 2015, there is an increasing trend in the allocation for CC-related PAPs, which can be attributed to

the infrastructure projects of the Department of Public Works and Highways (DPWH).

The commitment of the Philippine government in moving towards a climate-responsive budget can be seen in its expenditure priorities. The figures below show the trend of climate expenditures by various departments² (Figure 1) and by NCCAP priority (Figure 2). In 2018, the allocation for CC expenditures is PHP 276.08 billion (USD 5.48 billion).

Best Practices and Lessons Learned

The key learning in implementing the CCET so far is the continuous institutionalization of the system at the national and local levels. At the national level, the DBM is integrating CCET in the new planning budgeting process wherein

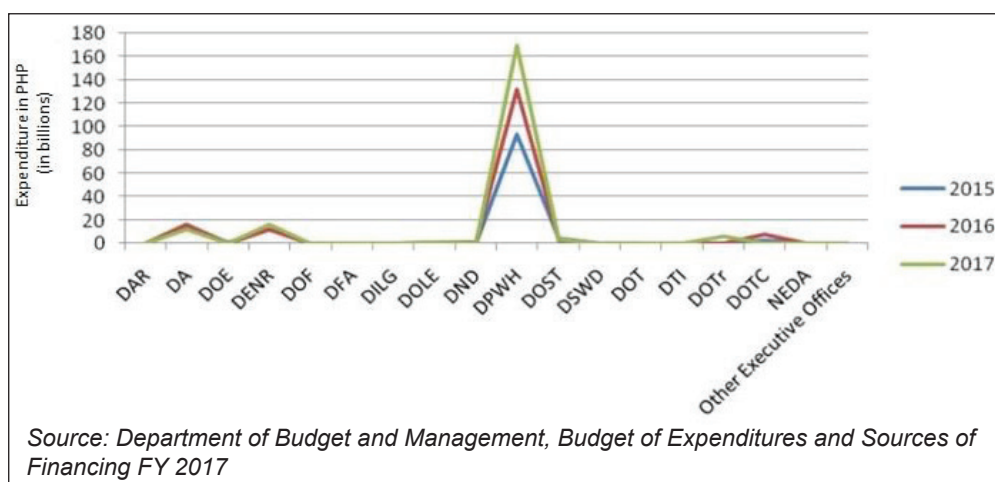


Figure 1: Trend of Climate Change Expenditure by Department, 2015-2017 (in billion PHP)

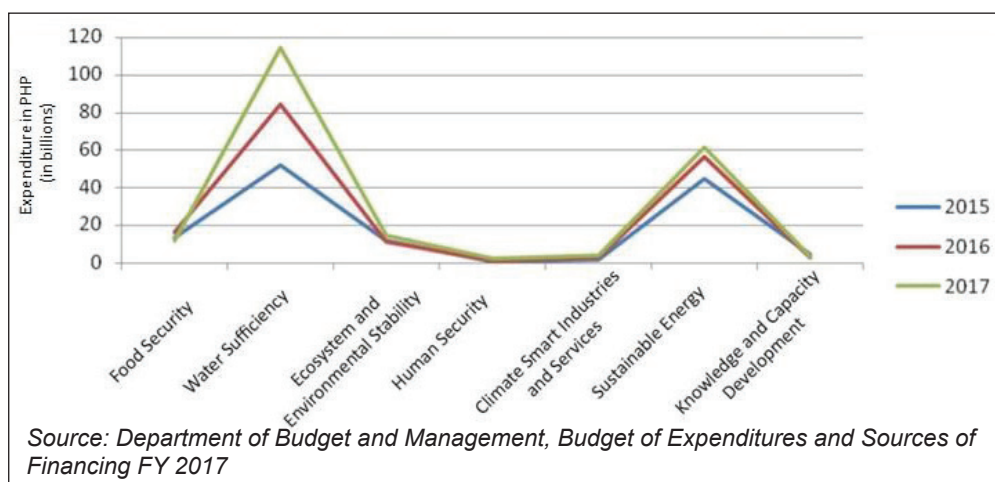


Figure 2: Trend of Climate Change Expenditure by NCCAP Priority, 2015-2017 (in billion PHP)

DAR: Department of Agrarian Reform; DA: Department of Agriculture; DOE: Department of Energy; DENR: Department of Environment and Natural Resources; DOF: Department of Finance; DFA: Department of Foreign Affairs; DILG: Department of the Interior and Local Government; DOLE: Department of Labor and Employment; DND: Department National Defense; DPWH: Department of Public Works and Highways; DOST: Department of Science and Technology; DSWD: Department of Social Welfare and Development; DOT: Department of Tourism; DTI: Department of Trade and Industry; DOTr: Department of Transportation; DOTC: Department of Transportation and Communication; NEDA: National Economic and Development Authority

allocation of resources is shifting towards specific programs and strategies across agencies rather than individual agencies' performance, thereby reducing inefficiencies and overlaps. On the other hand, DILG regional offices continue to capacitate LGUs on CCET. In fiscal year 2017, a total of 334 LGUs have submitted their AIPs to the CCC Help Desk, which only represents 20% of the whole LGUs in the country. The quantity and quality of the submission are expected to improve in the next few years, following the capacity building activities that the national government conducted with 58 provincial governments; 78 cities and municipalities in the country from 2017 to 2018. The key to institutionalizing the local CCET is the strong ownership of LGU executives and personnel. Also, the DBM and DILG regional offices' commitment to provide orientations and technical support to local governments enhances the cooperation across different levels of government in implementing the CCET.

Available Resources and Assistance

CCET Help Desk under the Implementation Oversight Division, Climate Change *Commission - The CCC Help Desk is responsible for providing local governments with information and support related to CCET. This includes review and approval of LGU requests for new climate typologies; streamlining the typologies when necessary. The Help Desk also reviews and consolidates climate change tagged AIPs submitted; monitors developments in coordination with oversight agencies and stakeholders. The CCET Help Desk may be reached through: lguhelpdesk@climate.gov.ph

National Integrated Climate Change Database Information and Exchange System (NICCDIES) - NICCDIES serves as the primary enabling platform of the CCC in consolidating and monitoring, among other things, data and information on climate change and climate action from sources and actors coming from public and private sectors; other stakeholders, allowing for decision-makers to access, distribute, and exchange these data for use in policymaking; development planning; investment decision making. Available at: <https://niccdies.ph/climate-finance/climate-change-expenditure-tagging>

Climate Budgeting for Local Government Training Manual - A part of a series of instructional training modules designed by the CCC to enhance the competence and proficiency of national and local policymakers; planners in risk governance, particularly in policy development, planning, programming, and budgeting for climate change adaptation and mitigation; disaster risk reduction. Available at <http://climate.gov.ph/images/knowledge/4-CCET-022418.pdf>

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