

Climate Budgeting in the Philippines

Eight Tokyo Fiscal Forum

June 6-7, 2023

Tokyo, Japan

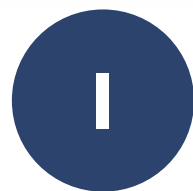


JOSELITO R. BASILIO

Budget Policy and Strategy Group

OUTLINE

- I. Legal Basis
- II. Developing the Climate Budgeting Framework
- III. Policy Instruments in the Integration of Climate Response in the Budget Cycle
- IV. Climate Change Expenditure Tagging
- V. Challenges and Ways Forward
- VI. Emerging Message



Legal Basis

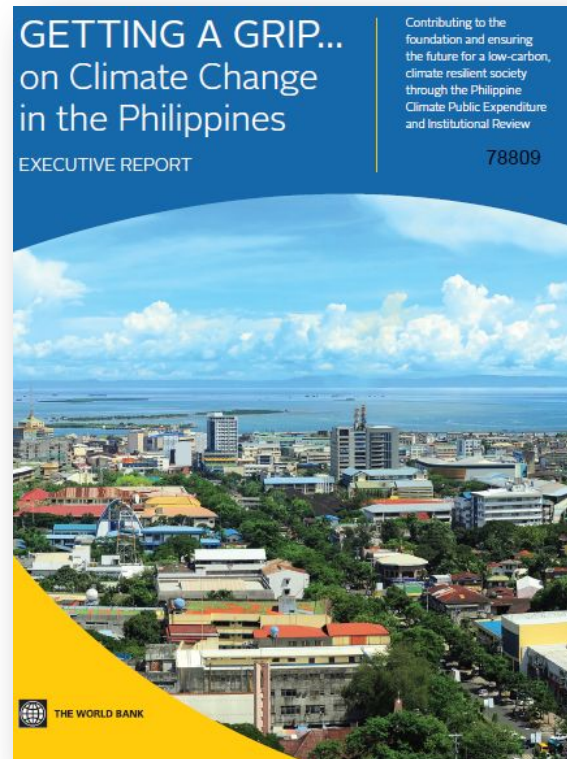
The development and implementation of a **climate budgeting system** is a strategic tool to support in *scaling* and *sustaining* the implementation of the Philippines' **transformative climate agenda**.

Climate Change Act

The Department of Budget & Management (DBM) shall undertake the formulation of the annual national budget in a way that ensures the appropriate prioritization and allocation of fund *to support climate change-related programs and projects* in the annual program of government.

Section 10 (g) of the Climate Change Act, as amended by Republic Act No. 10174 s. 2012

Emerging Platforms



Climate Public Expenditure & Institutional Review (CPEIR)

JOINT MEMORANDUM CIRCULAR

No. 2015-01
March 24, 2015

FOR : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Government-Owned and Controlled Corporations, and Other Instrumentalities of the National Government and all Others Concerned

SUBJECT : Revised Guidelines for Climate Change Expenditure Tagging (CCET) amending JMC No. 2013-01

1. OBJECTIVE

The Government of the Philippines has demonstrated leadership and strong commitment in implementing a comprehensive reform agenda to respond to climate change (CC). With the goal of using the budget process to plan, prioritize, and monitor CC expenditure, the Government has mobilized the National Budget Preparation Process to tag climate change expenditures using a common policy-based typology and guidelines. The Government also developed the Risk Resiliency Program (RRP), a program that constitutes a major part of the overall climate change expenditure.

Building on the lessons learned during the 2015 budget process, coupled with the developments in the budgeting system introduced by the DBM, e.g. the implementation of the Unified Accounts Code Structure (UACS) to strengthen the process for tracking, monitoring, and reporting of CC expenditures, and performance-informed budget-outcome based starting 2015, and the revision in the climate change typologies, the previously issued Joint Memorandum Circular No. 2013-01 dated December 27, 2013 is hereby amended.

To be consistent with outcome-based budgeting of the DBM, performance indicators specific to climate change expenditures shall also be formulated in sync with the National Climate Change Action Plan.

Department of Budget and Management - Climate Change Commission Joint Memorandum Circular No. 2015-01

Revised Guidelines for Climate Change Expenditure Tagging (CCET) amending JMC No. 2013-01

Department of Budget and Management - Climate Change Commission - Department of the Interior and Local Government Joint Memorandum Circular No. 2015-01

Revised Guidelines for Tagging/Tracking Climate Change Expenditures in the Local Budget (Amending JMC 2014-01, dated August 7, 2014)

REPUBLIC OF THE PHILIPPINES
Department of Budget and Management
Department of the Interior and Local Government

JOINT MEMORANDUM CIRCULAR No. 2015-01
Date: July 23, 2015

FOR : ALL PROVINCIAL GOVERNORS, CITY AND MUNICIPAL MAYORS, PRESIDING OFFICERS AND MEMBERS OF THE SANGGUNIANS, LOCAL DISASTER RISK REDUCTION AND MANAGEMENT COUNCILS, LOCAL FINANCE COMMITTEES, AND ALL OTHERS CONCERNED

SUBJECT : REVISED GUIDELINES FOR TAGGING/TRACKING CLIMATE CHANGE EXPENDITURES IN THE LOCAL BUDGET (AMENDING JMC 2014-01, DATED AUGUST 7, 2014)

The Philippines is considered as one of the most vulnerable countries to climate change. Impacts range from extreme weather events (such as Yolanda and Ondoy), sea level rise, increase in average temperature, drastic changes in rainfall patterns, and drought that can severely affect the country's food security, water sufficiency, human settlements, among others.

Anchored on the Climate Change Act (CCA) of 2009 and the National Climate Change Action Plan (NCCAP), the Climate Change Expenditure Tagging (CCET) supports mainstreaming of climate change adaptation and mitigation into the planning process of local government units (LGU), and provides the starting point from which to measure progress in the implementation of climate change initiatives.

Building on the lessons learned from the national and pilot implementation of the Tagging/Tracking Climate Change Expenditures in the Local Budget for FY 2015, the previously issued Joint Memorandum Circular (JMC) 2014-01 issued by the Department of Budget Management (DBM), Climate Change Commission (CCC), and the Department of the Interior and Local Government (DILG) is hereby amended. Amendments to the previously issued JMC 2014-01 include the following:

- Submission by the local government unit (LGU) of electronic copy of their climate change (CC) expenditure tagged Annual Investment Program (AIP) directly to the CCC, in addition to their submission to the DBM and DILG during the budget preparation process;
- Transferring the responsibility of operating the CCET helpdesk from the DILG to the CCC;



Developing the Climate Budgeting Framework

Climate Budgeting Framework

Objectives

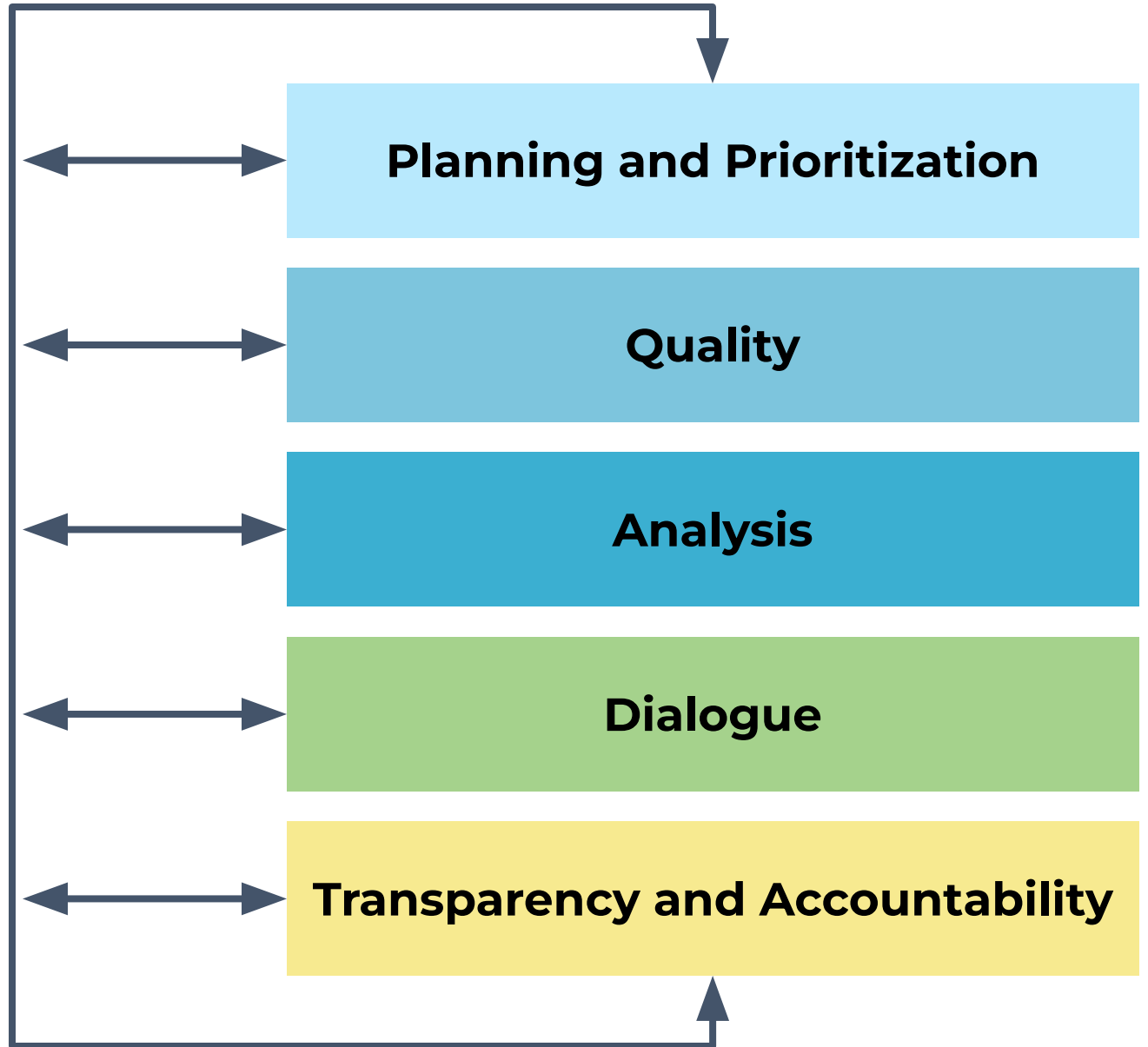


The Climate Budgeting Framework aims to strengthen the planning, execution and financing framework for the government's climate response through:

- Focusing on identifying the public CC response included in the national and local government budget; and
- Putting in place institutional arrangements to strengthen and mainstream the planning of the public climate response.

Climate Budgeting Framework

Key Features



National Climate Change Action Plan

Priorities



**Food
security**



**Water
sufficiency**



**Ecosystem and
environmental
stability**



Human security



**Climate-smart
industries and
services**



**Sustainable
energy**



**Knowledge
and capital
development**

National Climate Change Action Plan

Priorities

PRIORITIES	OUTCOMES
1. Food security	The objective of the national strategic priority on food security is to ensure availability, stability, accessibility, and affordability of safe and healthy food amidst climate change.
2. Water sufficiency	In light of climate change, however, a comprehensive review and subsequent restructuring of the entire water sector governance is required. It is important as well to assess the resilience of major water resources and infrastructures, manage supply and demand, manage water quality, and promote conservation.
3. Ecological and Environmental stability	Ecosystem resilience and environmental stability during the plan period is focused on achieving one immediate outcome: the protection and rehabilitation of critical ecosystems, and the restoration of ecological services.
4. Human security	The objective of the human security agenda is to reduce the risks of women and men to climate change and disasters.
5. Climate-friendly industries and services	NCCAP prioritizes the creation of green and eco-jobs and sustainable consumption and production. It also focuses on the development of sustainable cities and municipalities.
6. Sustainable energy	NCCAP prioritizes the promotion and expansion of energy efficiency and conservation; the development of sustainable and renewable energy; environmentally sustainable transport; and climate-proofing and rehabilitation of energy systems infrastructures.
7. Knowledge and capacity development	The priorities of the NCCAP on knowledge and capacity development are: <ul style="list-style-type: none">• Enhanced knowledge on the science of climate change;• Enhanced capacity for climate change adaptation, mitigation and disaster risk reduction at the local and community level; and• Established gendered climate change knowledge management accessible to all sectors at the national and local levels.



DBM

**Public expenditure
management**



CCC

**Coordinate and monitor
government climate change
policy and response**



DILG

**Improve and monitor
performance of local
governments**

NATIONAL GOVERNMENT AGENCIES

Incorporate climate response in planning; Track, tag and report climate expenditure, and monitor and report climate response

LOCAL GOVERNMENT UNITS

Identify, tag and track climate expenditure in the Annual Investment Program, and report climate response

2013

January
Initial work on CCET by DBM and CCC

June
CPIER was launched

December
Issuance of DBM-CCC JMC 2013-01

2015

January
Issuance of the amended DBM-CCC JMC 2015-01

July
Issuance of revised DBM-CCC-DILG JMC 2015-01

2017

February
CCET typologies were revised
CCC designated CCET Helpdesk

May
LGU submissions were analyzed

August
CC expenditures were reported in DBM BESF

2019

February
DBM mandated national agencies to secure CCC approval of their QAR

September
DILF issues Memorandum to its Regional Offices on the submission of CCET AIPs

2021

February
CCC delivered CCET deep-dive sessions for SUCs and GOCCs with CHED & GCG

May
CCC conducted its first CCET webinar for LGUs

2016

April
Orientation seminar on CCET

October
Capacity building for LGUs on CCET

November
Quality Assurance Review (QAR) was introduced

2014

August
Issuance of the DBM-CCC JMC 2014-01

October
DBM issued a Circular to tag NEP and GAA

November
Review of pilot implementation and updating of JMCs

2020

January
CCC updated Local CCET in NICCDIES

April
CCC delivers first Virtual National CCET Orientation

May
DBM integrated Local CCET Virtual Process Guide in the Local Budget Memorandum

2018

May
National and Local CCET integrated in the CCC NICCDIES (PH online MRV platform)

2022

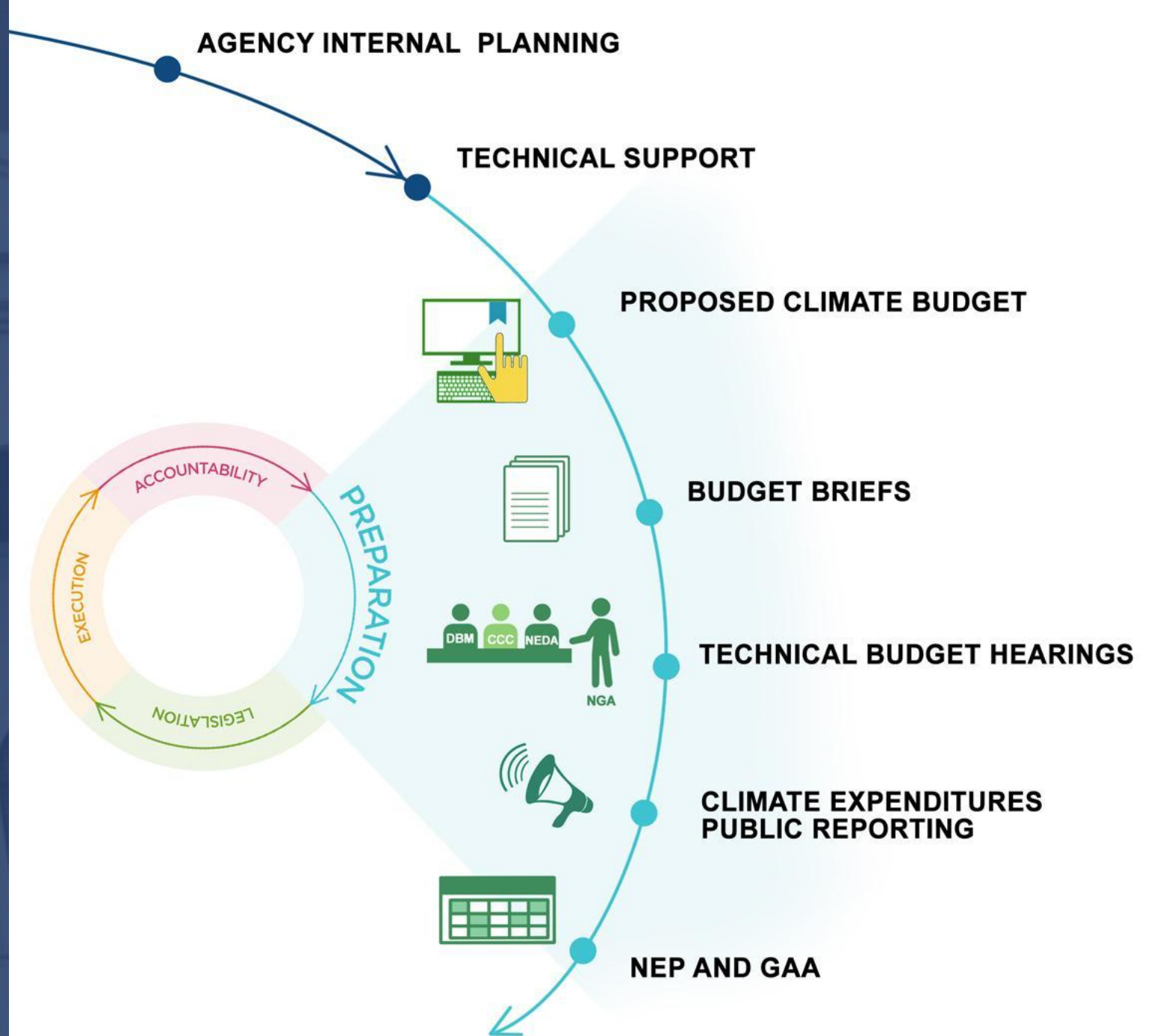
January
CCC launched CCET instruction videos for NGAs, LGUs, SUCs, GOCCS, and LGUs in English, Filipino, and Bisaya

May
CCC to launch its first publication of Local Climate Investment Brief



Integration of Climate Response in the Budget Cycle

Integration of Climate Response in the Budget Cycle





Policy Instruments

*Budget Proposal
Prerequisites*

A Certified QAR ensures:

- Enhancement of the effectiveness, quality, and value of the climate budget submissions
- Alignment the identified climate actions to the output and outcomes of the National Climate Change Action Plan (NCCAP)
- Identification of opportunities, recommendations for improvements and conformation to standards



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA



NATIONAL BUDGET MEMORANDUM

No. 147
Date: March 29, 2023

For : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Other Instrumentalities of the National Government, and all Others Concerned

Subject : **BUDGET PRIORITIES FRAMEWORK FOR THE PREPARATION OF THE FY 2024 AGENCY BUDGET PROPOSALS UNDER TIER 2**

2.7 Accelerate Climate Action and Strengthen Disaster Resilience

The 2022 Philippines Country Climate and Development Report (CCDR)³⁰ highlighted that if no action is taken, climate change will pose substantial economic and human costs, affecting the poorest households the most. The CCDR estimates that economic damages in the country could reach up to 7.6 percent of GDP by 2030 and 13.6 percent of GDP by 2040. Nonetheless, economic losses could be reduced by two-thirds if appropriate adaptation actions will be enforced.

Key adaptation measures in agriculture and climate-proofing of infrastructure must be prioritized. It is important to protect vulnerable infrastructure from typhoons to avoid a large proportion of climate-related damages. Meanwhile, for agriculture, resilience must be improved through diversification of production and the adoption of improved practices such as the Alternate Wetting and Drying (AWD)³¹ method.

The enhancement of ecosystem resilience to climate change shall also be prioritized. Support must be provided to accelerate the rehabilitation of degraded ecosystems and strengthen the management and sustainable use of natural resources using integrated and ecosystem-based³² approaches and nature-based solutions (e.g., storm buffers and carbon sink).

Policy Instruments

Prioritization

In the review of budget proposals, climate projects that are responsive to the national government priorities and show evidence of proper planning are given higher priority for funding under the fiscal space.



Policy Instruments

*Institutionalization in
Budgeting and
Planning*

Sections 29 and 30 General Appropriations Act for Fiscal Year 2023

The following shall be observed in the implementation of infrastructure projects:

- Structural strength and climate and disaster resilience in all areas and zones; and
- Climate data and risk assessment and green building standards in the planning, designing, construction, engineering, and renovation of government buildings and facilities.

Installation of Rainwater Collection System in public markets, school sites and government buildings and sites

No government facility shall be located on a *No-Build Zone*.



Policy Instruments

*Institutionalization in
Budgeting and
Planning*

Section 40

General Appropriations Act for Fiscal Year 2023

- Projects should be implemented, incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.
- Projects should be subjected to multi-scenario, probabilistic analysis.
- Integrate energy-saving solutions and consider climate resilience in the planning and implementation of all infrastructure projects, office programs, and activities.



Policy Instruments

*Institutionalization in
Budgeting and
Planning*

Section 41

General Appropriations Act for Fiscal Year 2023

- National government agencies shall tag their budgets for climate change adaptation and mitigation
- Local government units (LGUs) shall tag their climate budget in their Annual Investment Plans.
- The results of the budget tagging shall guide the formulation of subsequent budgets to mainstream climate change adaptation and mitigation strategies in the national development process.



Policy Instruments

*Institutionalization in
Budgeting and
Planning*

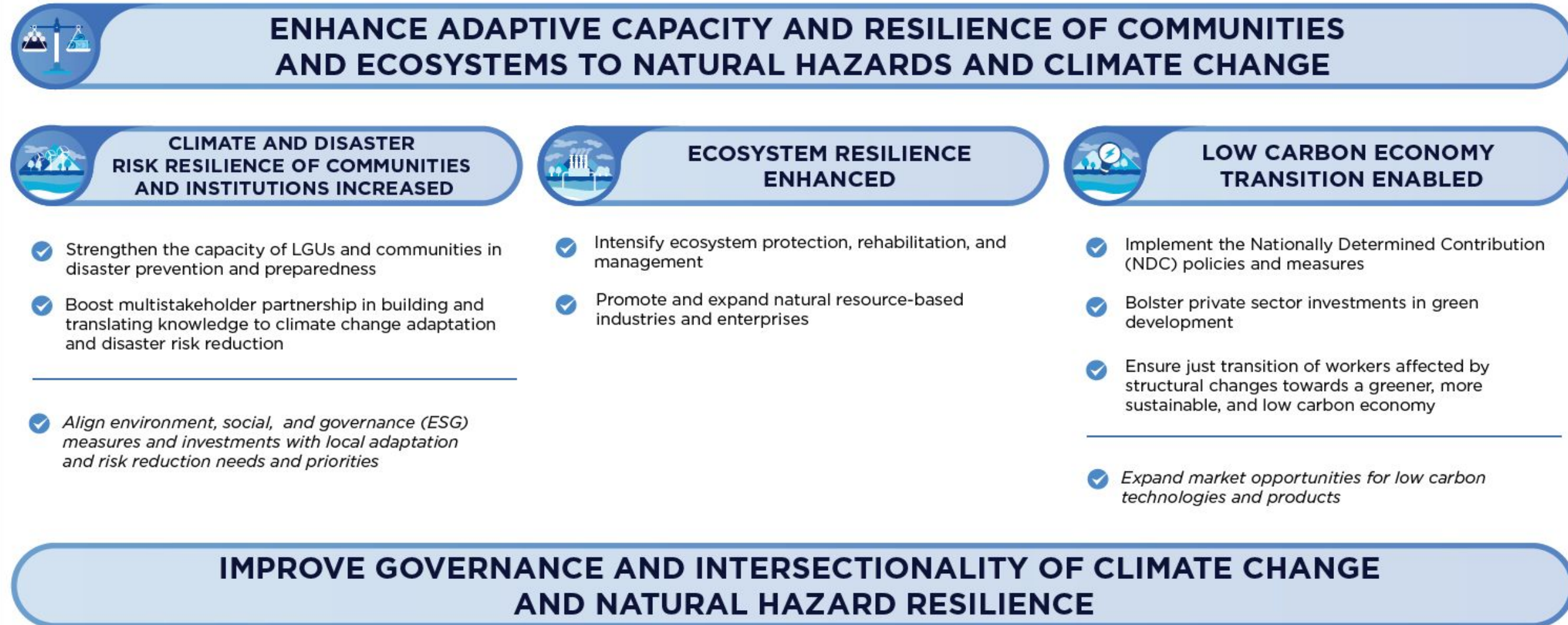
Section 44

General Appropriations Act for Fiscal Year 2023

- Promote the establishment of multi-hazard impact-based forecasting and early warning systems and services, to prevent and minimize loss and damage from impacts of extreme weather and slow onset events in communities.
- Such instrumentation, communication, and implementation protocols should be actionable and verifiable, to the last mile, reaching the most vulnerable.

Philippine Development Plan 2023-2028

Figure 15.1 Strategy Framework to Accelerate Climate Action and Strengthen Disaster Resilience



Note: Strategies above the dashed lines require action by government entities, and those below by non-government entities.



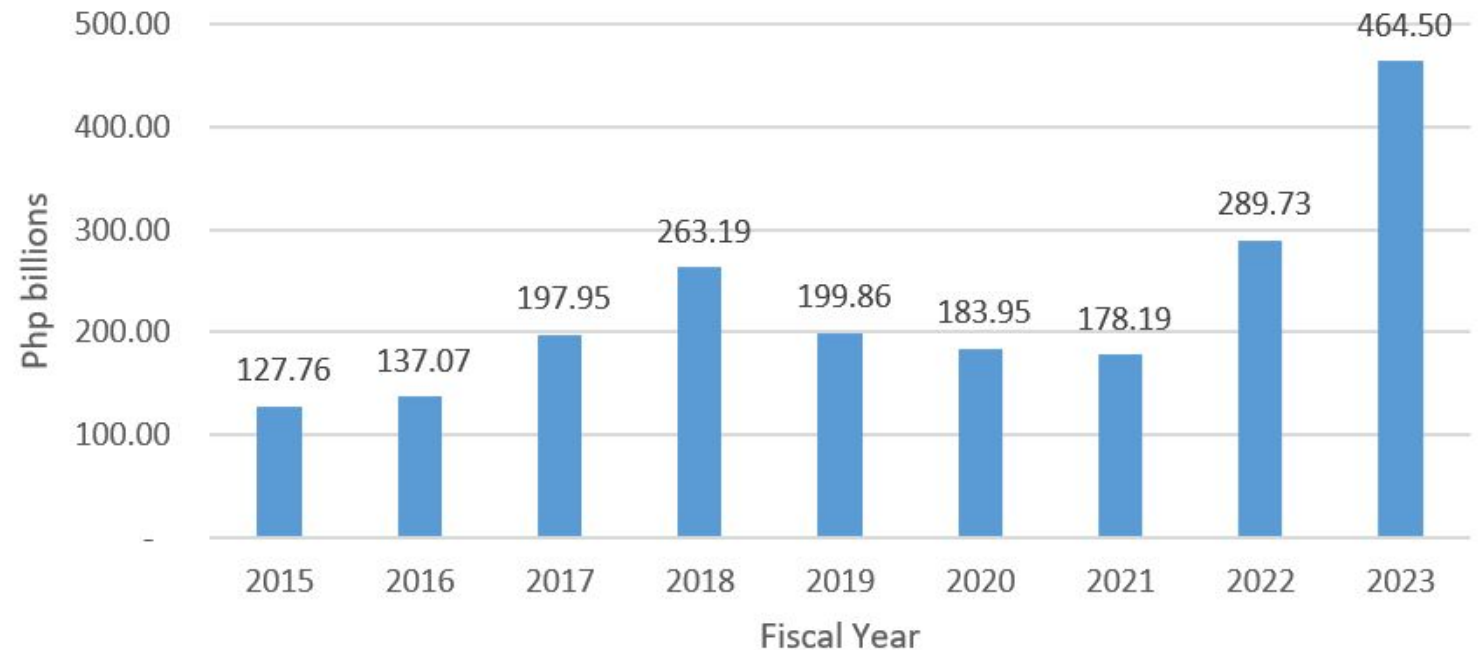
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Climate Change Expenditure Tagging (CCET)

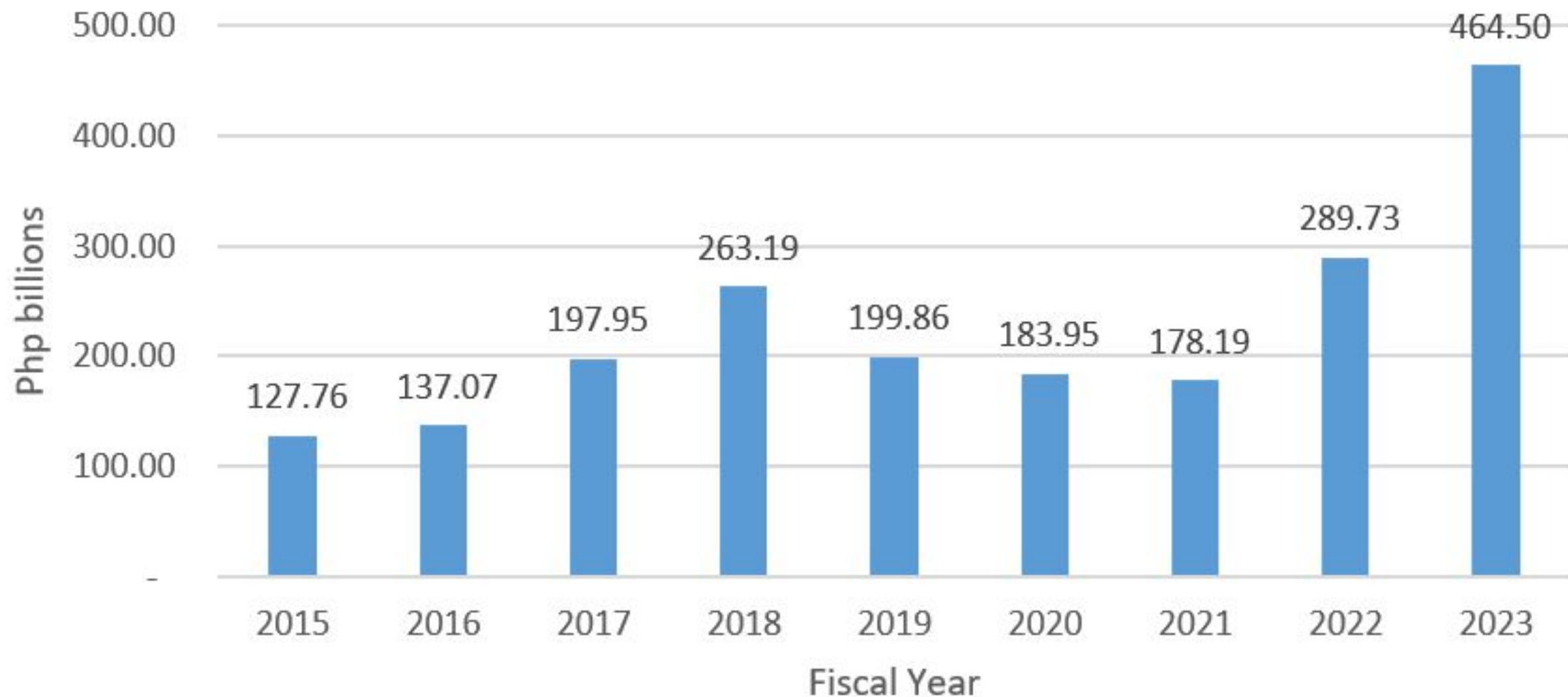
Climate Change Expenditure Tagging (CCET)

The government was able to track and report the Climate Change (CC) budget by mobilizing the national budget process to identify, classify, and tag CC Expenditures using a common-policy based typology based on the strategic priorities of the NCCAP.

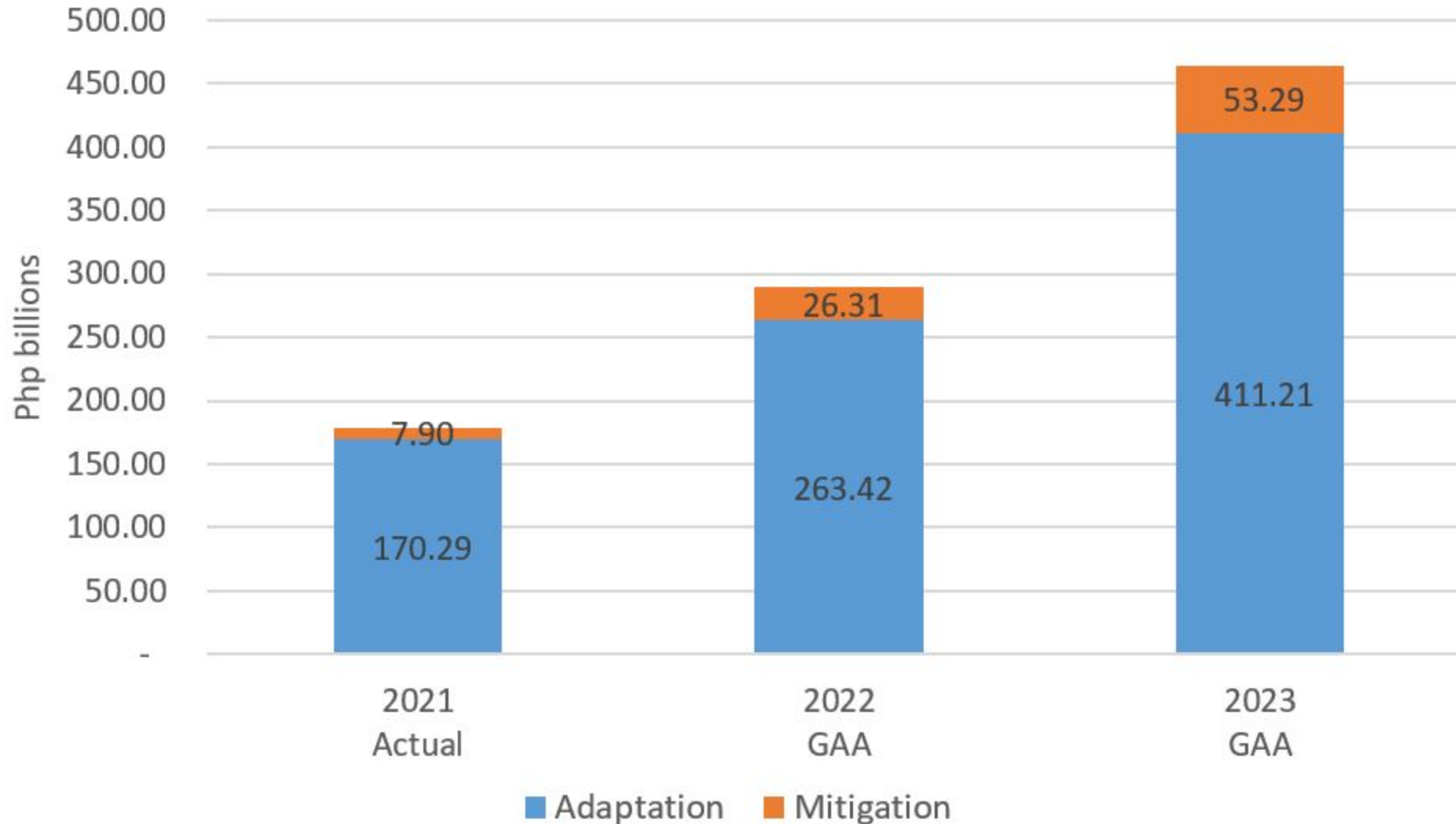
Climate Change Expenditures (FYs 2015-2023)



Climate Change Expenditures (FYs 2015-2023)

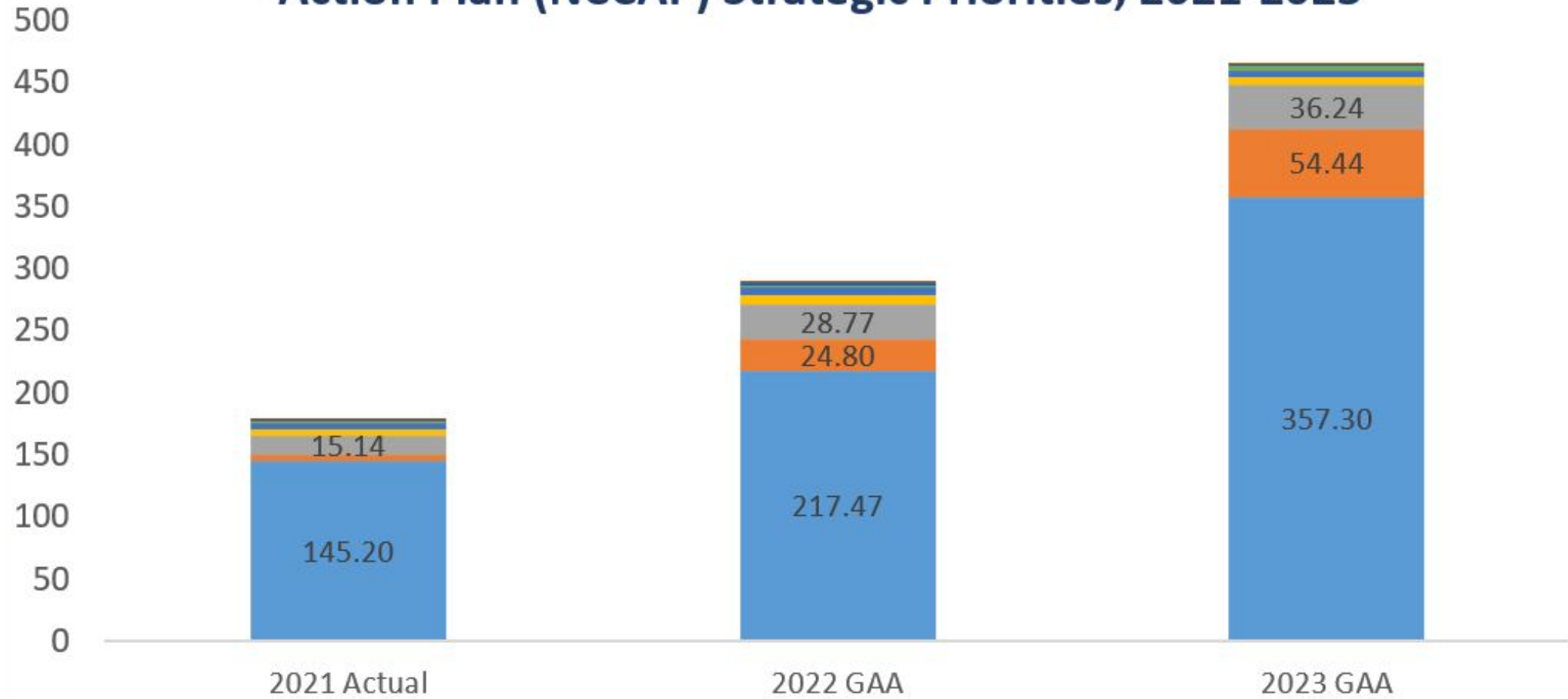


Climate Change Expenditures, By Type of Response (FYs 2021-2023)



The government prioritizes adaptation measures due to the vulnerability of the country to the impacts of climate change.

Climate Change Expenditures by National Climate Change Action Plan (NCCAP) Strategic Priorities, 2021-2023



Water Sufficiency

Food Security

Climate Smart Industries and Services

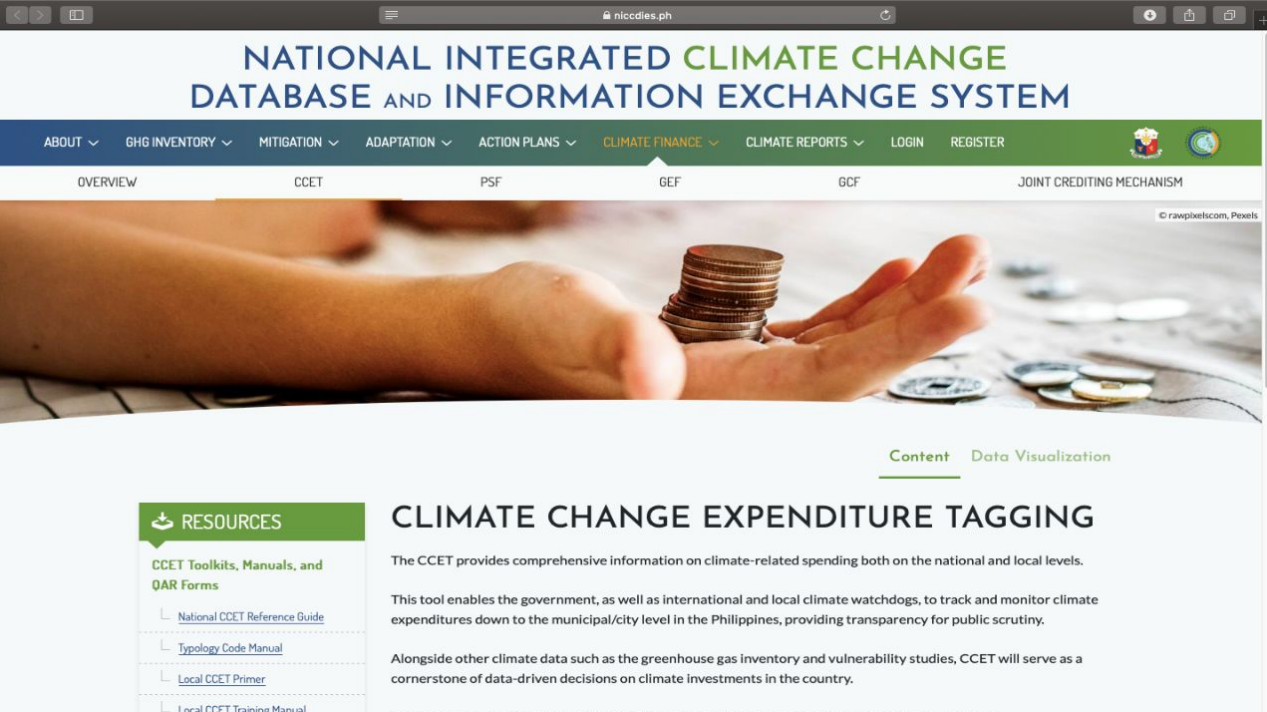
Knowledge and Capacity Development

Sustainable Energy

Ecosystem and Environmental Stability

Human Security

Cross-Cutting



Climate Change Commission's Domestic Climate MRV Portal

www.niccdies.ph

Department of Budget and Management's Budget of Expenditure and Sources of Financing Portal

www.dbm.gov.ph



Budget of Expenditures and Sources of Financing

[Print](#)

- The **Budget of Expenditures and Sources of Financing (BESF)** mandated by the Constitution, this document contains macroeconomics assumptions, public sector context (including overviews of LGU and GOCC financial positions), breakdown of the expenditures and funding sources for the budget year, the current and the previous years.





Challenges and Ways Forward

Challenges

- **Capacity Building.** Continuous training must be conducted to ensure the proper on-boarding of new personnel as well as knowledge updating for current staff.
- **Increasing tagging compliance and accuracy.** Continuing efforts to increase tagged projects among Government-Owned and -Controlled Corporations (GOCCs) and State Universities and Colleges (SUCs).
- **Synchronizing National and Local Climate Budgeting.** The climate budgeting process for both the national and local level will be harmonized in both timeline and project planning to ensure complementary support between the two units.

Ways Forward

- **Synergy between SUCs and LGUs.** Policies and capacity building activities will be directed toward determining the contribution of SUCs in improving the PAPs and tagging of LGUs.
- **Monitoring & Evaluation.** Efforts on climate budgeting beyond the planning and legislation phase of the budget cycle, providing information to improve the planning, prioritization, design and reporting of climate programs to improve effectiveness.
- **Linking Climate Budgeting and Gender Mainstreaming.** Meaningful participation of women and men must be ensured in the development of climate-tagged PAPs .
- **Connecting CCET Results and Decision-making.** Data such as the actual changes in budget re-allocations and incremental expenditure must be identified in order to inform policymakers of the connection between impact of climate investments and economic return.



VI

Emerging Message

Emerging Message

- **Climate budgeting** is recognized in the **Philippines' Nationally Determined Contribution as a means of implementation** to enhance resilience and promote mitigation efforts.
- **Enhancing convergence in all levels of government financing is a top priority.** There is recognition that a shift is needed to go beyond sector-based mainstreaming as the primary entry point for action.
- **Investing more effectively and at scale is a critical priority.**
- Strengthening of the climate budgeting framework, coupled with enhanced **planning, implementation, and operational frameworks** to ensure climate response is delivered on the ground.

The DBM and CCC lead the implementation and institutionalization of the climate budgeting system within and across national and local government units.

- ✓ **Government Leadership:** Leadership at the highest levels of government, along with a vision to act, was the primary factor in catalyzing systematic effort and sustaining the leadership at the oversight level to strengthen the public sector climate response.
- ✓ **Design Flexibility:** A flexible design based on real-time application and the incorporation of feedback loops was the cornerstone for rapid progress in establishing a climate budgeting system.
- ✓ **Capacity Building and Training:** Building the capacity of NGAs, LGUs, and oversight agencies was a critical step in ensuring that all stakeholders remain engaged in the development and implementation of the climate budgeting system.
- ✓ **Engagement:** Engaging all stakeholders throughout the implementation was a key factor in sustaining the momentum.
- ✓ **Technical Assistance and Targeted Advisory Services:** The WB technical assistance was critical in defining the overall scope and the evolution of the incremental tasks under a flexible design.

The implementation
of the Philippine climate budgeting over the years has
enhanced government's capacity to implement the system.

This process has begun to
***transform* climate policy and programming decisions**
at the NGA, inter-agency, LGU and
national oversight agency levels.

Climate Budgeting in the Philippines

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