

A Baseline Study on the State of Local Climate Change Expenditure Tagging (CCET) in the Philippines

XAVIER VENN ASUNCION

National College of Public Administration and Governance

ELEANGEL DAWN CORTEL

National College of Public Administration and Governance

Abstract. Local government units (LGUs) in the Philippines are situated at the forefront of climate change action. As they translate local plans into investment programs, LGUs are required to implement climate change expenditure tagging (CCET) to track budgeted items related to climate adaptation and mitigation. However, numerous LGUs in the Philippines have faced challenges in achieving sufficient compliance with CCET. This study, therefore, aims to contribute to this area by assessing the state of local CCET and subsequently identifying institutional and policy recommendations to improve its implementation. Using the evaluation criteria developed by the Organization for Economic Co-operation and Development (OECD), this study employs a qualitative descriptive design involving document analysis, literature review and key informant interviews (KII). In general, the findings highlight the need for supporting legislation to ensure sustainability and propose an expansion of the tagging mechanics. This expansion may involve indicating financing sources, integrating adaptation and mitigation objectives within programs, projects, and activities (PPA), applying degrees of relevance through corresponding weights, accounting for negative expenditures, and tracking PPAs' alignment with the five comprehensive development plan (CDP) sectors. To improve implementation effectiveness and efficiency, integrating CCET across LGUs' planning, budgeting, and legislative functions is recommended, alongside institutionalizing administrative reforms for sufficient institutional capacities for CCET implementation.

Keywords: climate change, climate budget tagging, climate change expenditure tagging, local government units, Organisation for Economic Co-operation and Development, evaluation criteria

Introduction

The enactment of Republic Act (RA) 9729, also known as the Climate Change Act of 2009, has placed local government units (LGUs) in the Philippines at the forefront of formulating, planning, and implementing climate change action programs, projects, and activities (PPAs). This aligns with the principle of

subsidiarity, prevalent in current climate change action frameworks and paradigms, which prescribes that government action should be taken primarily at the lowest tier, closest to the people (Burton et al., 2012). Among others, LGUs bear the responsibility of developing a local climate change action plan (LCCAP) and integrating climate change considerations into all local plans, particularly into their spatial and multi-sectoral development plans such as the comprehensive land-use plan (CLUP) and the comprehensive development plan (CDP). Furthermore, LGUs are mandated to incorporate climate change aspects into their risk assessments through the climate and disaster risk assessment (CDRA). This ensures that local plans are responsive to climate and disaster risks and that climate change impacts are considered in their policy responses to address disasters (Housing and Land Use Regulatory Board [HLURB], 2015).

In translating local plans into investment programs, LGUs are required to implement climate change expenditure Tagging (CCET) to track expenditures related to climate change (Department of Budget and Management [DBM], Climate Change Commission [CCC] & Department of the Interior and Local Government [DILG], n.d.). At the local level, CCET involves the prioritization and assignment of codes to PPAs during the preparation of their annual investment programs (AIP). These AIPs then feed into the preparation of the local budgets and are eventually authorized through appropriation ordinances. CCET was first initiated in the Philippines at the national level in 2013 and was later extended to the local level in 2014. This policy initiative reflects the growing global emphasis on climate finance following international discussions under the United Nations Framework Convention on Climate Change (UNFCCC) (Wen & Xun, 2016). CCET is the country's counterpart of climate budget tagging (CBT), which has already been adopted in many countries for tracking climate finance flows. This generally serves as a mechanism to monitor whether climate finance needs and commitments are being met and to enable governments to make informed decisions and prioritize climate-relevant investments (United Nations Development Programme [UNDP], 2019).

However, numerous LGUs in the Philippines have faced challenges in achieving sufficient compliance with CCET. As a result, while there are existing reports and studies on local CCET submissions that examine and describe climate change action investments, their generalizability is limited due to the low compliance of LGUs. Furthermore, a review of relevant research would indicate a lack of comprehensive assessments on the conduct of CCET in the Philippines. As such, there is a need to investigate the factors that affect the implementation of CCET, particularly at the local level where most climate change responsibilities are assigned. This study, therefore, aims to contribute to this area by assessing the current state of local CCET and, subsequently, identify institutional and policy recommendations to improve its implementation. This research specifically delves into existing policies and guidelines pertinent to CCET, along with relevant studies, supplemented by insights from recognized experts and practitioners.

Research Gap

There are already several studies that tackled CCET, but they often focus on the broader areas of climate change action such as on adaptation, resilience, climate governance, or climate finance. For example, Andreas et al. (2018) examined CCET as

a component of the Philippine government's institutional framework for multi-level climate governance. Meanwhile, Monsod et al. (2021) explored the country's efforts to enhance climate-risk resilience with a focus on mitigating global climate challenges, discussing CCET as part of the country's major policy interventions. Additionally, looking into the role of CCET, Manasan (2020) and Allan et al. (2019) primarily delved into the areas of fiscal policy and government budgeting. Manasan's study, on one hand, assessed fiscal policies in the Philippines with respect to the realization of the Sustainable Development Goals (SDG) and examined the lessons learned from the institutionalization of CCET for the purpose of putting in place a conducive system for SDG expenditure tagging in the government. On the other hand, Allan et al.'s work focused more directly on climate change, using the Philippines as a case study. This discussed CCET within the context of climate budgeting reforms and their impact on the country's national adaptation and resilience efforts.

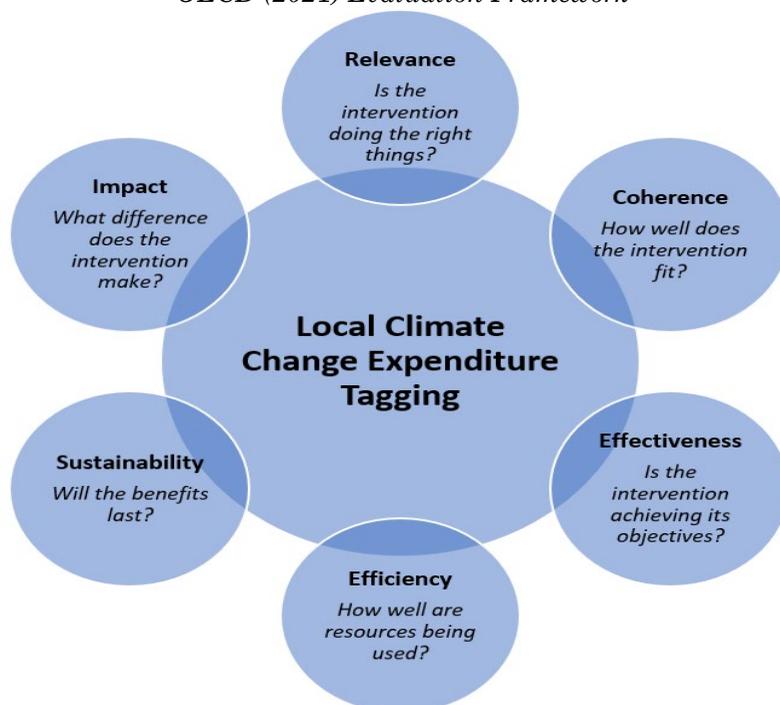
Other pertinent literature predominantly examined climate finance flows in the country, often utilizing CCET as a primary data source. For instance, Monsod (2022) explored expenditures tagged under national-level CCET and their coherence with the country's first nationally determined contributions (NDC). Another example is a study commissioned by Oxfam Philippines which scrutinized domestic and international climate finance flows in the country, as well as identified challenges, and presented some key recommendations (Pettengell, 2017). Lasco et al. (2018) also conducted an extensive literature review, providing an overview of the country's climate finance situation, including the institutional framework for CCET and an analysis of the government's climate-related expenditures using CCET data. However, as also noted by Lasco et al., there are still limitations in the current mechanics of CCET that could hinder the accuracy of results obtained from the data.

Given these, this study intends to fill in existing research gaps by focusing on CCET implementation and providing a thorough examination of critical factors influencing the institutional and policy environment of CCET. While there are studies by international organizations such as the World Bank (2021) and the UNDP (2019) that offer practical insights, they often discuss CCET in a global comparative context. These lack a comprehensive assessment within the setting of the Philippine administrative system. Moreover, this study also contributes to the existing body of knowledge on CCET by centering on the local level. Most relevant literature, such as those aforementioned, primarily concentrates on the national or the general implementation of CCET in the Philippines. This is also especially significant since, as mentioned, LGUs are at the forefront of climate change action in the Philippines.

Methodology

To guide this study, the six evaluation criteria developed by the Organisation for Economic Co-operation and Development (OECD) are employed as a normative framework for assessing the general merit and value of CCET as a policy, with focus on LGU implementation. This framework offers holistic guidance, facilitating a thorough evaluation of CCET while allowing flexibility to tailor the methodology to the study's requirements. The six criteria—relevance, coherence, effectiveness, efficiency, impact, and sustainability—are outlined in Figure 1, along with broad questions that capture their overall meaning as provided by OECD (2021).

Figure 1
OECD (2021) Evaluation Framework



For the evaluation of the state of local CCET based on the six criteria, this study employs a qualitative descriptive design. This approach essentially involves comprehensive and logical summarization and presentation of qualitative data from various sources (Lambert & Lambert, 2012). Within the study's context, the implementation of local CCET, including its governing institutional and policy ecosystem, is examined according to each criterion of the evaluation framework. An iterative process was followed in the collection, processing, and analysis of data. Preliminary results were obtained through a document analysis of policy issuances, guidelines, and relevant materials. These findings were then supplemented and compared with insights from a review of related literature.

To further validate the key takeaways from the document analysis and literature review, key informant interviews (KII) were conducted. A total of 11 key informants have been interviewed, including individual KIIs with a municipal planning and development coordinator (MPDC), a local fiscal administration specialist, and a disaster risk-reduction-climate change adaptation (DRR-CCA) consultant. Panel interviews were also conducted with four staff from the Climate Change Commission (CCC)-Local CCET Help Desk, two staff from the Department of the Interior and Local Government-Bureau of Local Government Development (DILG-BLGD), and two fiscal administration and budget tagging consultants. Their insights are also incorporated into the overall findings.

It is important to note, as pointed out by OECD (2021), that there are interconnected aspects among the criteria, resulting in recurring themes in the discussions across all sections covering each criterion. However, it is essential to emphasize that the evaluation framework primarily serves as a tool to facilitate the data collection, with a specific focus on identifying the various factors influencing the implementation of CCET at the local level. The intersections are addressed within the section for the proposed policy reform areas. These policy reform areas were developed to incorporate the common findings across all criteria of the evaluation framework, thereby pinpointing opportunities for enhancing the current policy and institutional landscape of CCET to promote more effective implementation.

Furthermore, it is also important to clarify that this study's primary focus is on the different aspects of CCET implementation as a CBT tool, specifically at the local level. Hence, it does not extensively look into the actual climate change expenditures or investments of LGUs. Additionally, as a baseline study, the primary objective is to lay the groundwork for further investigations into CCET, recognizing the critical need for more extensive research given the current limitations in the existing body of knowledge.

Results and Discussion

Relevance

The extent to which the intervention's objectives and design respond to beneficiaries' global, country and partner/institution needs, policies and priorities, and continue to do so if circumstances change (OECD, 2021, p. 38).

The Philippines is confronted with one of the highest levels of disaster risks worldwide, a situation expected to worsen with the changing climate. Its high exposure to disasters, coupled with its inadequate coping and adaptive capacity, placed the Philippines at the top spot among 193 countries when it comes to disaster risks (Institute for International Law of Peace and Armed Conflict [IFHV], 2023; World Bank Group, 2022). The projected extreme weather situations and slow on-set trends due to climate change are expected to result in increased economic losses and damages, disrupted lives, and casualties (World Bank Group, 2022). These climate-related disruptions exacerbate the development challenges that the Philippines faces. For the period 2010 to 2020, the Department of Finance (DOF) recorded an estimated annual average of PHP 48.9 billion in losses and damages from climate-related hazards (DOF, 2021). The impact of climate change in productivity may lead to a decrease of at least 3.2% to 3.7% in the gross domestic product (GDP) of the country in 2030. In addition, relative to the severity of the typhoons, the projected climate change impacts can reach up to 7.6% of the GDP in 2030 and 13.6% in 2040 (World Bank Group, 2022).

As a state party to the UNFCCC, the Philippines enacted the Climate Change Act of 2009 and developed the National Framework Strategy on Climate Change (NFSCC) for 2010-2022 to respond to the climate crisis and concretize the country's commitment to climate action. Subsequently, the Philippines crafted its National Climate Change Action Plan (NCCAP) for 2011 to 2028, employing a whole of government approach and outlining the country's strategies including priority areas, outcomes, and implementation approaches. The identified key result areas

in the NCCAP include food security, water sufficiency, ecological and environmental stability, human security, climate-friendly industries and services, sustainable energy, knowledge, and capacity development. In 2017, the Philippines ratified the Paris Agreement, which was introduced at the UN Climate Change Conference (COP21) in December 2015 to reinforce international commitment towards climate action. The agreement aims to strengthen the adaptation and mitigation measures of developing countries through the mobilization and provision of financing (UN, n.d.). In addition, it requires countries to submit their updated national climate change action plan in the form of NDC every five years for monitoring (UN, n.d.). The Philippines, in its NDC, expressed its commitment to implementing climate change adaptation strategies that will also yield mitigation co-benefits (Philippines NDC, 2021). For mitigation, the Philippines pledged a 75% reduction in its greenhouse gas (GHG) emissions from 2020 to 2030, with 2.71% being unconditional and 72.29% conditional, primarily through bilateral, regional, and multilateral cooperation and mechanisms provided under the Paris Agreement (Republic of the Philippines, 2021).

In line with its national climate strategies and international obligations, the Philippines introduced CCET, its own version of CBT, in 2015 to track the government's climate-relevant investments both at the national and local levels (UNDP, 2019). Building on earlier initiatives and methodologies on climate finance reporting, CBT is integrated in the existing public financial management (PFM) system of a country. Broadly, it is used to identify, tag, classify, and in some countries, assign weights to specific PPAs that have climate action objectives (UNDP, 2019; World Bank, 2021). The implementation of CCET is also a government response to the results of the climate public expenditure and institutional review (CPEIR) in 2013, completed by the World Bank under the leadership of the Department of Budget and Management (DBM) and the CCC (DBM & CCC, 2016). One of the major challenges encountered in conducting the CPEIR, which CCET can help address, was the unavailability of information regarding the costs of climate change-related expenditures. This unavailability constrained the level of analysis the review could achieve (CARE, ACCORD, Institute for Climate and Sustainable Cities [ICSC], & Partners for Resilience [P4R], 2020).

The essence of CBT as a climate finance tool lies in its ability to facilitate the adequate mobilization of resources to finance climate strategies (UNDP, 2019). More specifically, it is intended to be used in matching tagged climate-relevant PPAs with existing funding sources and determining funding gaps. At the local level, this can potentially be done with the current design of CCET in the Philippines, which situates it in the investment programming stage. CCET can be used to track local government allocations, identify what funding sources will be used, and determine whether these can be translated into the budgeted items in the approved appropriation ordinances of LGUs. However, this may not necessarily be the case in the current implementation of CCET at the local level. Notwithstanding the low CCET compliance of LGUs, those that implement it may only be tagging PPAs, but not necessarily utilizing it to identify gaps in funding and tap different sources of financing. On a different note, budget tagging tools, in general, also regard the government budget as a metric reflecting a country's efforts in attaining its national goals and whether international commitments are being fulfilled (Manasan & Raquiza, 2023). This is particularly significant in the context of the Philippines, where anticipated financial support for

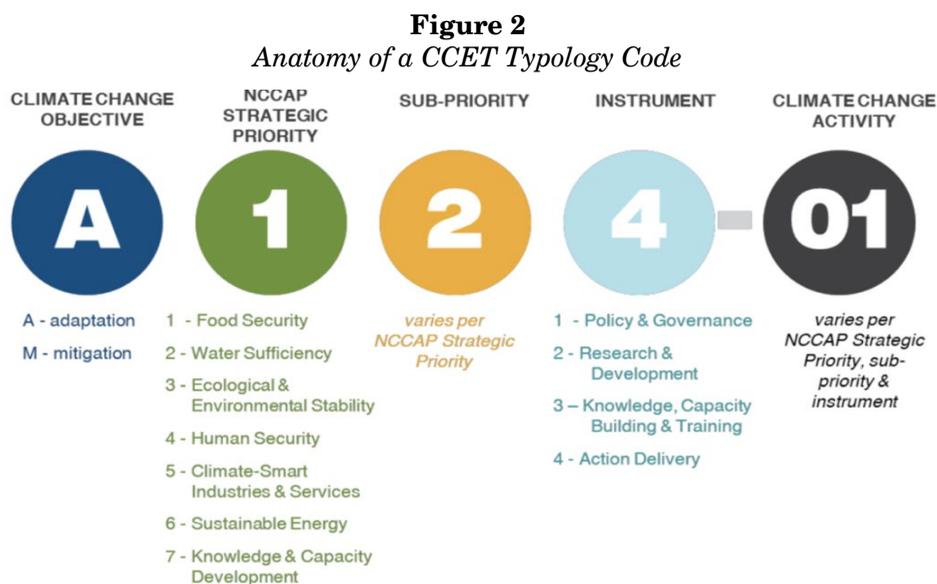
climate action from the international community often falls short, and numerous local adaptation plans remain unfunded (Pettengell, 2017).

Coherence

The compatibility of the intervention with other interventions in a country, sector, or institution (OECD, 2021, p. 45).

In general, the implementation of CCET aligns well with RA 9729, which broadly promotes the integration of climate change considerations into government policymaking, including at the local level. RA 9729 mandates that government agencies and LGUs allocate funds for the formulation, development, and implementation of climate change PPAs from their annual appropriations, a process that CCET helps facilitate. Notably, the establishment of CCET is not explicitly provided in RA 9729 or other national legislations. The highest-level policy guiding the CCET process is a joint memorandum circular (JMC) issued by national government agencies. It was initially introduced to LGUs in 2014 through DBM's Local Budget Memorandum No. 68, and received updates in 2015 through DBM-CCC-DILG JMC No. 2015-01, a memorandum circular jointly issued by the DBM, the CCC and the DILG (Local CCET Help Desk - CCC, 2021).

The typology codes used in CCET by both the national government and LGUs are generally consistent with the key result areas and outcomes indicated in the country's NFSCC and the NCCAP. This is particularly evident in the reflection of the strategic priorities, sub-priorities, and the various types of delivery instruments in the typology codes. Figure 2 presents the anatomy of a CCET typology code.



Note. The figure presents the anatomy of a CCET Typology Code based on the Local CCET Guide of the CCC. Reprinted from "Local Climate Change Expenditure Tagging Guide" by the Local CCET Help Desk - CCC (2021, p. 13). Retrieved from https://niccdies.climate.gov.ph/files/documents/2021_Local%20CCET%20Guide.pdf

In contrast with the national CCET, the local CCET does not include *convergence planning and coordination* as a sub-priority for PPAs that cut across multiple strategic priorities. It only covers investments related to climate finance for cross-cutting PPAs. As such, PPAs with broad coverage that include climate change components like those that involve planning, capacity-building, and policy dissemination, among others, are either tagged under a different typology or are not considered at all. Additionally, the CCET typologies for cross-cutting PPAs only recognize potential intersections in terms of the strategic priorities; however, the integration of adaptation and mitigation objectives within PPAs is also possible. The synergy between adaptation and mitigation is actually promoted in the NFSCC, but it has not been incorporated in the NCCAP and consequently, into the CCET typologies. Nonetheless, the tagging mechanism of CCET allows LGUs to disaggregate the budget for PPAs with both adaptation and mitigation objectives based on these two components. DBM-CCC-DILG JMC No. 2015-01 also allows LGUs to request new typologies from CCC for PPAs that do not qualify under the existing CCET typologies.

Within the local fiscal administration system, CCET is carried out during the investment programming stage, specifically in the development of the AIP, which links planning and budgeting at the local level. The AIP represents the annual portion of the local development investment program (LDIP) which contains a list of priority PPAs alongside their corresponding budgetary requirements. Typically spanning at least three years, the LDIP operationalizes the CDP, the primary sectoral development plan of LGUs. The AIP serves as the foundation for the annual budget, which is formulated by local executive departments or offices. Subsequently, it must receive approval from the *Sanggunian* (local legislative councils) to become legally binding through an appropriation ordinance. Any expenditure item included in the budget must align with the AIP's contents. It is important to note, however, that there may be instances where there is a disconnect between local development plans and the AIP. Furthermore, the annual budget might not necessarily cover all items outlined in the AIP, as this depends on the yearly priorities of LGUs and the availability of funds. As a result, due to the challenges in harmonizing local planning, investment programming, and budgeting, local CCETs may not consistently and fully reflect the climate change strategies planned by LGUs and what has actually been implemented (DILG, 2008; Sicat et al., 2019). This is illustrated in Figure 3.

Figure 3
CCET Entry Point in the Local Planning-Budgeting System and Potential Disconnects



Based on the local CCET training manual developed by CCC (2017), CCET is integrated into the AIP form through columns seven (7) and eight (8) (see Figure 4). In column seven, the budget allocations for adaptation and mitigation components are specified, while column eight identifies the typologies. Additionally, along with the AIP, LGUs are instructed to complete and submit a Quality Review and Assurance (QAR) form to the CCC. This form serves as a reference for CCC to review the scientific or factual bases for tagging the PPAs. It requests information on the primary and climate change objectives of the tagged PPAs, the climate risks they intend to address; and the climate information used in formulating the PPAs. The QAR form also inquires about the alignment of each tagged PPA with relevant local development plans. In addition to the AIP and the QAR forms, LGUs may choose to submit optional attachments as additional references for CCC’s review. These include the CCET Analysis Tool, which allows for the processing and generation of figures, graphs, and analytics of local CCET data, and the Climate Budget Brief, a report on the LGU’s climate change expenditures based on the processed data from the CCET Analysis Tool.

Figure 4
Integration of CCET into the AIP For
CY _____ Annual Investment Program (AIP)
By Program/Activity/Project by Sector
As of _____

Province/City/Municipality: _____
 No Climate Change Expenditure (Please tick the box if your LGU does not have any climate change expenditure)

AIP Reference Code (1)	Program/Activity/Project Description (2)	Implementing Office/Department (3)	Schedule of Implementation		Expected Outputs (6)	Funding Source (7)	Amount (in Thousand pesos)				Amount of Climate Change Expenditure (in Thousand pesos)		CC Typology Code (14)	
			Start Date (4)	Completion Date (5)			Personal Services (PS) (8)	Maintenance and Other Operating Expenses (MOOE) (9)	Capital Outlay (CO) (10)	Total 8+9+10 (11)	Climate Change Adaptation (12)	Climate Change Mitigation (13)		
General Services (1000)														
Social Services (3000)														
Economic Services (8000)														
	1	2	3	4	5	6	7	8			7	8		

Note. The figure presents how CCET is integrated into the AIP Form based on the Local CCET Guide of the CCC. Reprinted from “Local Climate Change Expenditure Tagging Guide” by the Local CCET Help Desk - CCC (2021, p. 14). Retrieved from https://nicdies.climate.gov.ph/files/documents/2021_Local%20CCET%20Guide.pdf

A potential limitation of these forms is that they do not provide a breakdown or specific outline of the allocations for different climate change components within the tagged PPAs. This limitation becomes especially apparent in budgetary items where climate change expenditures are represented solely as attributions. A similar issue can be observed in other budget tagging requirements of LGUs, such as in tracking gender and development (GAD) expenditures, as reported by Alarcon et al. (2018). Consequently, it can be challenging to verify whether the allocations declared in the AIP accurately reflect the actual budgetary needs for the tagged PPAs. Additionally, identifying the specific climate change components within PPAs with broad titles may leave some room for LGUs to attribute climate change expenditures to any of their PPAs, even when these PPAs lack genuine aspects of climate change action. This issue may be linked to the limitations of the existing administrative system for local investment programming. It may also be connected to the aforementioned issue where local CCET does not extend to the actual budget as well as to the procurement plans of LGUs where budget allocations for PPAs are broken down into more specific expenditure items necessary for their implementation. These reaffirm a key point made by the World Bank (2021) that budget tagging is often constrained by the limitations of the budget system, and effective tagging is best achieved when budget classifications allow tagging at the level of program components, activities, and outputs.

In terms of alignment with other budget tagging initiatives, the local CCET mechanism is generally consistent with the national CCET. However, there is currently no integration of foreign-assisted PPAs into the CCET at both the national and local levels. These are presently tracked by the National Economic and Development Authority (NEDA) through the official development assistance (ODA) portfolio reviews, using their own system and corresponding forms (NEDA, n.d.). It is important, however, to integrate the monitoring of foreign-assisted PPAs into the CCET for a more comprehensive tracking of climate finance flows within the country and to better facilitate the reporting of international commitments, a key CBT objective (UNDP, 2019). Horizontally, the CCET is also not yet streamlined into the budget tracking system for other financial statutory obligations of LGUs such as for GAD mainstreaming, utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF), and programs for senior citizens and persons with disabilities. These obligations may involve separate investment programming and budget forms, or they may already be integrated into the overall documentary, reporting, and accounting systems governing LGUs, unlike CCET (DBM, 2023a; DILG-BLGD, n.d.).

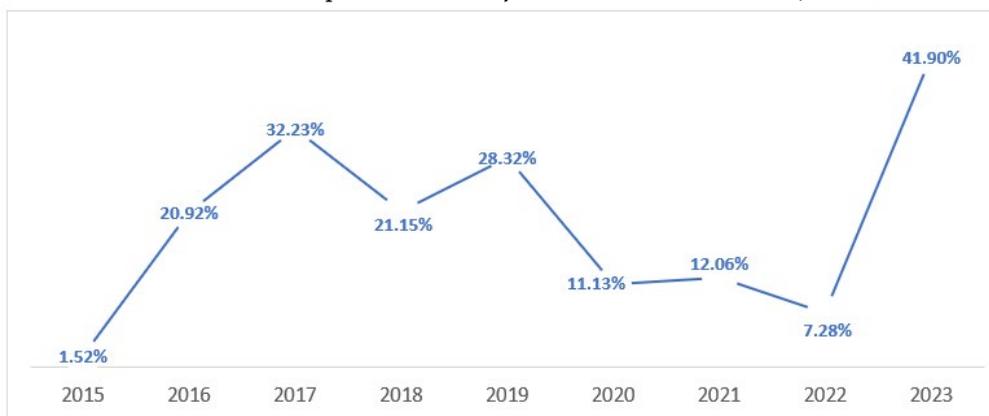
Effectiveness

The extent to which the intervention achieved, or is expected to achieve, its objectives and its results, including any differential results across groups (OECD, 2021, p. 52).

When evaluating CCET as a CBT tool in the Philippines, one of the primary indicators to consider is the compliance levels of LGUs. This may reflect the extent to which the current policy framework and institutional setup for CCET enable LGUs to effectively implement and adhere to the budget tagging mechanism. According to data from the CCC (2023), LGUs generally exhibited low compliance levels, averaging

only 19.61% from 2015 to 2023. The highest compliance levels were observed in 2019, 2017, and 2023 with rates of 28.32%, 32.23%, and 41.90%, respectively (see Figure 5). In contrast, the average compliance rate for the other years during the same period was a mere 13.09%. In absolute terms, only an average of 337 out of 1,618 cities and municipalities managed to comply with CCET. Hence, when it comes to establishing a conducive policy and institutional environment for LGUs to tag their climate change expenditures, CCET has shown relative ineffectiveness.

Figure 5
LGUs' CCET Compliance Levels from 2015 to 2023 (CCC, 2023)



Given the low compliance levels of LGUs with CCET, as a CBT tool, the external validity of the consolidated processing and analysis of local CCET data is very limited. In addition to the widespread low compliance levels across LGUs, inconsistencies in data submissions have also been reported. On top of the generally poor compliance across LGUs, there have also been documented inconsistencies in submission practices. This means that not all LGUs, even if they manage to submit data at least once, are able to consistently comply on an annual basis. Consequently, this has led to instances of missing data in the consolidated reports on local CCET, as prepared by the CCC. As a result, in the most recent *Local Climate Change Investment Brief* published by the CCC in 2022, covering the years 2016-2020, the CCC had to resort to sampling to provide summaries of investments at the provincial level. To fill in the data gaps within the monitoring period, the CCC also had to use average amounts based on years with available data. It is important to note, however, that even the representativeness of the samples used is highly constrained due to the fact that in several regions and provinces, very few cities and municipalities are able to comply with CCET (CCC, 2022).

The primary objectives of CBT can be succinctly summarized into two key aspects. Firstly, it involves tracking, monitoring, and evaluating expenditures related to climate change in order to support the formulation of financial strategies, development of policies, and mainstreaming of climate change considerations across various sectors. Secondly, it also aims to raise awareness about climate action investments along with enhancing budget transparency, and accountability (Choi et al., 2023).

With regard to the first objective, the current mechanics of the CCET already allows for a comprehensive analysis of fiscal data from AIPs to broadly assess climate change investments of LGUs. The CCET employs a combination of objective-based and policy-based tagging, meaning that PPAs are categorized based on their intended climate change objectives and alignment with the government's climate action policy directions. This is particularly done through the typology codes which identify, among others, the national strategic priorities of the government and their corresponding sub-priorities, as well as categories of policy instruments. However, in terms of objectives, the typologies in CCET only indicate whether a PPA has an adaptation or a mitigation objective. They do not provide information on the degree of relevance and corresponding weights. This is a component that can be found in objective-based CBT practices in some countries and in international CBT system guidelines such as those provided by the United Nations Office for Disaster Risk Reduction (UNDRR, 2023). The inclusion of relevance levels and weights is an important consideration, as it allows for the prioritization of PPAs and standardizes the measurement of investments. This is particularly crucial when using monetary terms, since some PPAs may involve substantial spending but have minimal contributions to climate change action. Additionally, the CCET does not currently account for "negative expenditures" or PPAs that may counteract climate change objectives. To gain a more holistic and realistic understanding of the government's contributions to climate change goals, a reverse scoring system for such PPAs could be integrated into the CCET mechanics. This integration can help in better capturing the extent to which government actions hinder or support climate change objectives, thereby improving the effectiveness of the tagging system (UNDRR, 2023; World Bank, 2021).

As to the mainstreaming of climate change-related expenditures across different sectors, the CCET typologies currently lack a code for identifying which of the five development sectors (social, economic, environmental, infrastructural, and institutional) used in the CDP formulation the tagged PPAs belong to. While this organization may exist in AIP forms, its absence in typology codes can make the processing and assessment of data within the CCET a bit more challenging. Regarding the role of CCET in aiding the decisionmaking of policymakers, there is currently a lack of clear evidence to assess this aspect. At the very least, the local CCET process, as outlined in manuals and guidelines, does not offer explicit step-by-step procedures for using CCET data to support decisionmaking. At the local level CCET primarily reflects PPAs for operationalizing local development plans, which may or may not be integrated into the annual local budgets. There is no specific guidance on how CCET data should contribute to the formulation of subsequent development plans, or how local legislators can use them as references for budget allocation. Although DBM-CCC-DILG JMC No. 2015-01 instructs LGUs to submit electronic copies of the tagged climate change PPAs along with their budget proposals and integrate them during technical budget hearings, the level of integration is not specified. The CCET manuals or guides do not explicitly explain how the tagged PPAs should be included in budget forms, so AIPs with tagged PPAs may only serve as attachments and not necessarily integrated in the budget proposals. It can, therefore, be difficult to account for the actual climate change-related investments supported by local legislative councils.

Finally, with respect to the second objective of raising awareness about climate action investments and enhancing budget transparency and accountability, these aspects are promoted in local CCET manuals or guides. However, there are also no specific guidelines in this regard except for the generation of a consolidated report through the climate budget brief, which is an optional attachment to the CCET. Additionally, there are no instructions for the posting of the climate budget brief or any related reports. Currently, the full disclosure policy (FDP) by the DILG also does not require the posting of the AIP in at least three conspicuous places, in the websites of LGUs, and in print media of general circulation unlike other financial documents (DILG, n.d.). The FDP only requires the posting of budget documents such as the annual budget reports, statement of receipts and expenditures, and annual procurement plans where CCET is not necessarily reflected. Furthermore, there are no provisions in the CCET that explicitly provide for citizen participation in the tagging process. This is particularly important in planning for climate change as different people, groups, or communities may have varying vulnerabilities that governments can most effectively account for through citizen participation (Patel et al., 2022). Currently, the entry points for the public to participate are in other institutional avenues for participation. These include joining the local development council (LDC) and local special bodies through civil society organizations (CSO) for local development planning, or by attending public hearings of local legislative councils for local legislation. However, how CCET fits in within these institutional avenues for participation is not provided in existing pertinent policy issuances.

Efficiency

The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way (OECD, 2021, p. 58).

As an institutional intervention, implementing CCET does not require substantial mobilization of financial resources or a major overhaul of existing administrative structures and procedures. Therefore, in terms of implementation inputs, the current system has relatively low requirements. However, it is unclear whether these requirements are sufficient to effectively achieve the intended outputs, outcomes, and impacts. CCET, or CBT in general, is a highly technical process (UNDP, 2019). Proper execution necessitates adequate knowledge and awareness of climate change and the technical aspects of various taxonomies of PPAs used in CCET. Currently, there are no legislations, including RA 9729, mandating the creation of a local department or office responsible for climate change-related matters. Consequently, many LGUs face challenges in fulfilling their climate change mandates, as they lack a designated climate change department or focal persons to coordinate and facilitate climate change-related activities (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH [GIZ GmbH], 2020). As a result, the institutional capacity of LGUs for climate change action is often spread across various relevant departments and offices.

In the context of CCET, there may be a need to enhance the capacity of officials or members of key bodies such as the LDC, local finance committee (LFC), Local Planning and Development Office (LPDO), and the Local Budget Office (LBO) as they play crucial roles in facilitating LGUs' planning and budgeting activities. However, their ability to ensure high-quality implementation might be hindered by the

additional responsibilities of CCET alongside their primary duties. This challenge is particularly pronounced in many low-income LGUs which face constraints in terms of budget and human resources (Domingo & Olaguera, 2017). Furthermore, while the CCC can review CCET submissions through the QAR form, the current CCET mechanism lacks an internal quality control aspect. As reported by World Bank (2021), such problems can undermine compliance with tagging and data quality, especially in the absence of a validation process. This is especially important because if tagging is done at the department or office level, the LPDO, LFC, or LBO may need to review the tagging to ensure consistent application of typologies. However, even the roles of different local departments and offices in CCET are not clearly defined within the current CCET mechanisms, which might lead to potential variations in practices.

While there have been capacity development initiatives on the implementation of CCET, it is evident that the low compliance levels among LGUs, as discussed, indicate that these efforts have not been sufficient. This may be attributed to a range of factors, including possible issues with the design of the capacity development programs. At the LGU level, capacity-building, in general, has proven challenging due to human resource constraints. Even when LGUs have the budget to hire additional personnel, the absence of permanent positions and low compensation fail to attract qualified applicants, resulting in high turnover and a lack of personnel with the necessary background and experience (Gabriel et al., 2021). This issue must be addressed to ensure the efficient implementation of CCET along with the other climate change action mandates of LGUs. As discussed by Yanquiling (2020), many LGUs with highly vulnerable communities have low administrative capacities and human resource capital. This is further compounded by what she refers to as a “governance gap” in local climate change action, where the current institutional architecture at the local level lacks a coordinating body for climate change-related activities, similar to the CCC at the national level.

The inefficiencies of the current CCET system, at least at the local level, also result from the manual nature of the tagging mechanics. Currently, the AIPs and CCET are produced through template spreadsheets and manual data input. However, human data entries are prone to errors and may compromise data quality (Barchard & Pace, 2011). Some LGUs may have adopted information systems to streamline their processes, but the quality and level of integration and interoperability of these systems across and within LGUs still vary. For instance, in the study of Macalinao et al. (2023) on the quality of accounting information systems (AIS) used by LGUs in Isabela, they mentioned that while many have implemented AIS, the quality of these systems remains a concern that may impact the quality of financial reports produced. Other studies, such as those by Roldan (2022) and Asuncion (2023), also point to the general need to further diffuse, harness, and standardize the use of Information and communication technologies (ICT) for effective DRR-CCA among LGUs in the country. In the case of CCET, an information system to automate tagging may, to some extent, address the current capacity limitations of LGUs and potential inefficiencies while preserving the quality of CCET data. However, such an information system may need to be integrated across all local government processes involving the formulation and implementation of PPAs, from planning and investment programming to budgeting

and accounting, to ensure that tagging results are drawn and applied consistently across all stages of the PPA management cycle.

The World Bank (2021), the UNDP (2019), and the UNDRR (2023) advocate for the inclusion of the CBT codes into the Integrated Financial Management Information System (IFMIS) of governments. IFMIS is essentially a system to facilitate the budgetary, financial, and accounting operations of the government, making use of a centralized registry of public revenues and expenditures (Uña & Pimenta, 2016). At the national level, the CCET typology codes are already linked with the general budget codes used by national government agencies in the Philippines (UNDP, 2019). As to the adoption of an IFMIS, it was only recently, on June 1, 2023, that the President issued Executive Order No. 29, instructing the reengineering of existing PFM processes through an IFMIS to which CCET will also be integrated (DBM, 2023b; Executive Order No. 29, 2023). However, as it is not a congressional legislation and given the local autonomy of LGUs, at the local level, the Executive Order can only encourage LGUs to do the same.

Sustainability

The extent to which the net benefits of the intervention continue or likely to continue (OECD, 2021, p. 71).

Like other budget tagging interventions, CCET was implemented to track the country's progress in investing in climate adaptation and mitigation PPAs. Eight years into implementation, LGU compliance with CCET remains low and inconsistent. Despite its limitations, CCET's potential to translate the country's climate action goals and objectives into PPAs highlights the need for an enabling environment to support its implementation. This is crucial for improving LGU compliance and ensuring sustained practice.

The technical nature of CCET may be a contributing factor in the reluctance or inability of local governments to implement it. Simplifying the process for LGUs and equipping them with the necessary technical knowledge could then facilitate increased compliance. The DBM, CCC, and DILG, the three lead national government agencies (NGAs) for local CCET, acknowledge this need in DBM-CCC-DILG JMC No. 2015-01, which stipulates that they shall provide various technical assistance to LGUs. The DBM has incorporated CCET and the revised AIP form in the local budget operations manual, while the DBM, the CCC, and the DILG have jointly developed the Primer for Local Government on Climate Change as a guide for local implementers (UNDP, 2019). Additionally, the CCC has established a help desk that would assist and inform LGUs regarding CCET implementation. To complement this, the CCC also conducts capacity building programs to roll out the intervention to LGUs nationwide. However, given the large number of LGUs and the limited personnel at the CCET helpdesk unit, considerable challenges remain in providing adequate guidance and technical assistance to LGUs (Andreas et al., 2018).

Furthermore, as CCET constitutes additional responsibility for LGUs on top of the competing priorities at the local level, the lack of immediate consequences for them makes climate tagging the least of their priorities. LGUs are already expected to develop 22 NGA-mandated plans and 11 thematic plans alongside the CLUP and the CDP (DILG, 2017). Currently, the implementation of CCET is supported only by a JMC. In the Philippine government system, LGUs enjoy autonomy, and the

President, through the NGAs, only hold supervisory power—not control—over them (Judge Mercedes Dadole et al. v. Commission on Audit, 2002). Thus, in the absence of any legislation requiring CCET and imposing corresponding penalties, enforcing compliance is challenging. Comparably, the introduction of gender budget tagging in Australia faced challenges in sustainability due to the absence of supporting legislation (Choi et al., 2023). With the enactment of an enabling law and the imposition of sanctions, implementers may weigh in between the perceived benefits of non-compliance and the risk and severity of penalties (OECD, 2000).

In addition to the absence of penalties, there are no incentives for LGUs to implement CCET. The World Bank (2021) identifies this as another reason that makes the adoption of CCET less compelling for LGUs. Financial incentives or government recognition are crucial for encouraging policy compliance (OECD, 2000). The inclusion of CCET as one of the indicators for the Seal of Good Local Governance (SGLG) may be explored. The SGLG is a national program that awards, recognizes, and provides incentives to LGUs that demonstrate commitment to development and strive for performance improvement in line with the performance indicators set by the inter-agency Council of Good Local Governance (Diokno-Sicat, et. al., 2022; The Seal of Good Local Governance Act, 2019, §3). Currently, only the submission of the LCCAP to the CCC, along with the LGU's approved Local Disaster Risk Reduction and Management Plan (LDRRMP) and budget, are included in the SGLG indicators (DILG Memorandum Circular 2022-026).

Besides incentives and penalties, the willingness of LGUs to implement CCET may be attributed to their appreciation of its value in attaining climate action goals (CCET Helpdesk, 2023). Increased awareness among local officials regarding the climate vulnerability of their respective localities and the benefits of climate action strategies can therefore motivate LGUs to participate. Like in any other policy, political buy-in among implementers is crucial for successful CCET implementation (Choi et al., 2023). In addition to the long-term and broader impacts of climate budget tagging, immediate and tangible benefits for LGUs need to be identified. In consultation with the CCET helpdesk regarding the design of the tool, they shared that CCET was primarily lodged at the AIP level with the intention of tracking the climate finance needs of local governments (Local CCET Helpdesk, personal communication, November 10, 2023). In relation to this, exploring how climate-tagged PPAs can help secure supplementary climate finance sources and communicating these examples to LGUs may be beneficial.

As discussed earlier, CCET is only carried out during the AIP development, meaning climate-tagged PPAs may not always be appropriated with funding. In its ongoing assessment of the CCET, the CCC identified the review process carried out by the *Sangguniang Panlalawigan* (provincial legislative council) and the DBM over the appropriation ordinances of component cities and municipalities, provinces and, cities within Metro Manila, respectively, as an entry point in ensuring climate-tagged PPAs in the AIPs are included in the local budgets (Local CCET Helpdesk, personal communication, November 10, 2023). Leveraging this review power could support the sustainability of CCET implementation and enhance its integration into the local budgeting process.

Impact

The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects (OECD, 2021, p. 64).

The relatively recent adoption of CCET as a climate tool and the low submission level of LGUs make it challenging to comprehensively assess its impact not just on local budgeting but also on the overall climate situation of the country. The same can be said about CBT in general. There remains no conclusive assessment of its impact on budget allocations, as well as on climate policy and outcomes (World Bank, 2021). The incomplete data from the climate-tagged AIPs submitted to the CCC presents a challenge in establishing clear links between CCET implementation and the annual climate investments of LGUs. In the Local Climate Investment Brief (2016-2020), due to inconsistent year-on-year submissions, regions, and provinces were sampled, missing values were averaged, and allocations were aggregated per key result area for the entire period. The absence of data disaggregated per year and the use of average values make it difficult to see changes and trends in LGUs' annual priorities and allocations. Since the data is currently not generalizable, it may only serve as a snapshot of certain LGUs' climate allocations.

While CBT is said to have raised awareness regarding climate investments among line agencies, there is no definite indication of CCET affecting the attitudes of local authorities in the Philippines regarding climate investment (UNDP, 2019; World Bank, 2021). The climate tagging of PPAs starts at the department level, where PPAs with climate-relevant objectives are identified. At this level, department heads and concerned LGU personnel need to be informed regarding the value of the tool and capacitated to meet the technical requirement of the task. The lack of awareness regarding the merit of CCET may result in either token tagging or non-compliance. Fundamentally, the idea of implementing CCET at the local level is to involve the different stakeholders in climate budgeting (Recabar et al., 2019). While the department heads seem to have a hand in the identification and tagging of climate-relevant PPAs, CCET can create value when the *Sanggunian* is informed about the identified climate-relevant PPAs.

Additionally, these PPAs need to be in line with the climate action strategies of the LGUs, as indicated in the plans primarily developed by the LDCs and spearheaded by the local chief executives (LCE). CCET aims to highlight the importance of prioritizing climate action and inform local authorities through its inclusion in the AIP. However, either the limited regard or low awareness of local authorities regarding climate change as an issue hinders them from utilizing this tool. While public officials may recognize it as an issue, their limited regard towards climate action may be attributed to its inability to generate immediate and tangible results that voters will appreciate (Healy & Malhotra, 2009, as cited in Thomas, 2023). In addition, the lack of public awareness and appreciation regarding climate change result in the lack of public clamor that could influence the priorities of local officials (Thomas, 2023). This results in a recursive dilemma that impedes the effective integration of CCET in the local planning and budgeting process. Therefore, the execution of CCET should be complemented by other climate action approaches, including initiatives to raise awareness on climate change.

Synthesis and Recommendations: Policy Reform Areas

The following presents a synthesis of the discussions in the form of recommendations, outlined as policy reform areas, to improve the implementation of local CCET. These also serve as potential areas for further research. Additionally, as a baseline assessment, this study only provides a general sensing of current issues with the implementation of CCET at the local level. As such, future researches can also build on the findings of this study through case studies with more detailed insights into the specific experiences of LGUs in implementing CCET.

Supporting Legislation. As Choi et al. (2023) pointed out, legislation plays a pivotal role in helping ensure the sustainability of budget tagging initiatives. Congressional legislations are relatively more difficult to amend than executive issuances like a JMC in the case of CCET. As such, even with potential shifts in leadership or administration, maintaining CCET as a national policy can be more effectively secured through the enactment of supporting legislation. Furthermore, considering that the President, through the national government agencies, possesses only supervisory authority over LGUs, a JMC by itself lacks the power to enforce the implementation of CCET unless grounded in national legislation explicitly requiring the conduct of CCET. In such cases, the JMC serves only as a guide for operationalization. Enabling legislation for CCET must cover key components to guarantee effective implementation. These may incorporate, among several other aspects, details related to taxonomy, procedures, the roles of national government agencies and local departments/offices, quality control mechanisms, and standards for transparency and accountability. Legal frameworks governing CCET may also include penal provisions or incentives. While these need not be explicitly stated within a law specifically for CCET, they could be seamlessly integrated into the existing mandates of LGUs or other policies, such as through local development planning requirements or the indicators employed in the awarding of the SGLG.

Tagging Mechanics. Generally, based on related literature and the KIIs, the taxonomy and typologies employed in CCET already appear to be comprehensive, integrating both objective-based and policy-based tagging. However, for a more holistic approach that can better capture the overall direction of local climate change investments, certain considerations may be explored. These could involve, as discussed, reform areas incorporating the indication of the source of financing (domestic or foreign); integration of adaptation and mitigation objectives within PPAs; application of degrees of relevance with corresponding weights; accounting for negative expenditures; and tracking of the tagged PPAs' alignment with the five CDP development sectors. It is important to note that these may not necessarily require altering the existing taxonomy or typologies, but may be integrated instead in the AIP forms or by tweaking the procedures for the encoding, processing, or analysis of data for CCET. For a more streamlined process and to minimize the errors in tagging, as well as to facilitate the comprehensive

integration of the aforementioned considerations, the development of an information system tailored for LGUs is also recommended. This system, ideally covering LGU planning, investment programming, and all stages of budgeting, could automate CCET, contributing to increased efficiency in the encoding and application of the typologies.

Institutional Placement. It may not be strategically advantageous for investment programming, specifically through the formulation of AIPs, to serve as the sole entry point for CCET in the local fiscal administration system given its objectives. This is because potential discrepancies between planning, investment programming, and budgeting could lead to mismatches in the planned, tagged, and executed climate change-related PPAs. In this regard, as recommended by the World Bank (2021), there is a need to incorporate CBT throughout all stages of budgeting. Consequently, CCET could be used in the budget reviews of the *Sanggunian* and integrated into the reports submitted to and reviewed by relevant government agencies such as the Department of Finance-Bureau of Local Government Finance (DOF-BLGF) and the Commission on Audit (COA). Additionally, considering the link between local development planning and budgeting, it is also important to integrate CCET into how LGUs plan for climate change. This would cover the development of risk sensitive CLUPs and CDPs as well as the formulation of LCCAP. A key informant also suggests the importance of embedding climate change objectives into the project development stage. This ensures that tagging is not an afterthought, but rather a conscious effort to plan for climate change PPAs. Beyond planning and budgeting, there might also be a need to integrate CCET into the local legislative process, especially in determining how CCET data should inform the policy or decision-making of the *Sanggunian*. Ultimately, the implementation of PPAs at the local level depends on the enactment of policy instruments to enforce and authorize them — a responsibility of the *Sanggunian*. All these aspects should be clearly and explicitly defined in the implementation guidelines and manuals for local CCET.

Capacity Development. CCET generally involves a highly technical process that necessitates a comprehensive understanding of typology codes, as well as an accurate estimation of budgetary requirements for tagged PPAs. Proficiencies in basic concepts and principles related to climate change, along with various strategies, are important for its effective implementation. It is therefore crucial to sufficiently develop the institutional capacities of LGUs for the conduct of CCET. This highlights the role of government agencies such as the DILG and learning resource institutions (LRI) in capacitating LGUs. However, as discussed, there are critical aspects that merit attention beyond just capacitating LGUs. One such aspect includes designating a specific department or office within LGUs to oversee climate change-related activities, including the facilitation of CCET. As recommended by one of the key informants, this could involve establishing a dedicated department or office forming an inter-departmental committee,

creating a local special body, or appointing a focal person or unit within an existing department or office. Such measures not only enhance the focus of capacity-building activities but also provide a clear direction for institutional development in the area of climate change action at the local level. Moreover, there is a need to strengthen the regional presence of the CCC to coordinate and facilitate climate change-related activities among LGUs. Although the CCC is already a member of the regional development councils (RDC) in certain regions, there is a suggestion to upscale this presence to cover all regions alongside clearly defining their role and dynamics with regional offices and LGUs. Additionally, there might also be a need to review existing policies related to human resource management at the local level such as on position classification and compensation schemes, qualification standards (QS), and limitations in personnel service (PS) allocations.

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Xavier Venn Asuncion is Assistant Professor at the National College of Public Administration and Governance.

Eleangel Dawn Cortel is University Researcher I at the Center for Local and Regional Governance of the University of the Philippines-National College of Public Administration and Governance.