

ADB's **First**
Climate Change
Policy Based Loan
Multisectoral Approaches in Action

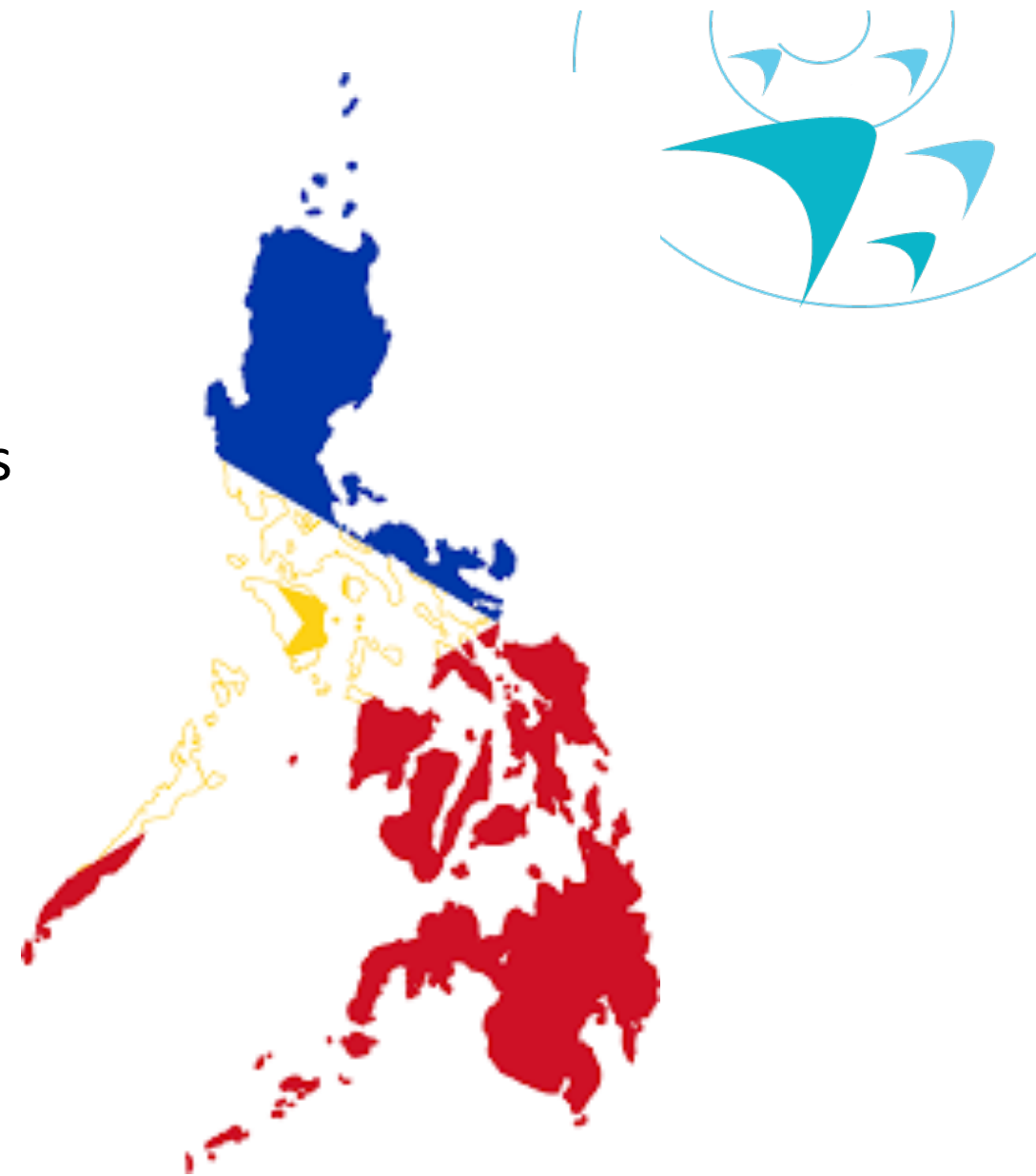
The Philippines
Climate Change
Action Program



20 Minutes

- Context in the Philippines
- Climate Change Challenges and Constraints
- Government's Reform Agenda
- The Multisectoral CCAP Program
- Collaboration

10 Minutes: Q&A





Country Context

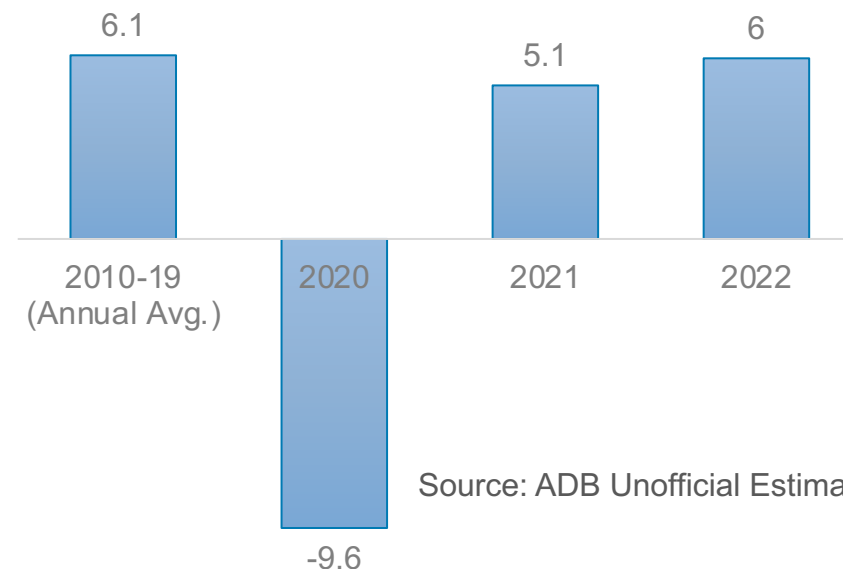
The Philippines is physically and economically **highly vulnerable** to climate change.

Severe COVID-19 impacts compound challenges

Economy hit hard by COVID-19



GDP growth (year-on-year)



Source: ADB Unofficial Estimates

- Gross domestic product (GDP) contracted by **9.6%** in 2020.
- Unemployment doubled from **5.1% in 2019** to **10.3% in 2020**, while poverty rates increased to 21.0% in 2020.
- Fiscal deficit widened from 3.4% of GDP in 2019 to **8.6%** in 2021.
- The Philippines has the highest inequality among ASEAN's large economies (41.6%)
- COVID-19 compounds social inequality and climate vulnerabilities

Critically vulnerable to climate change

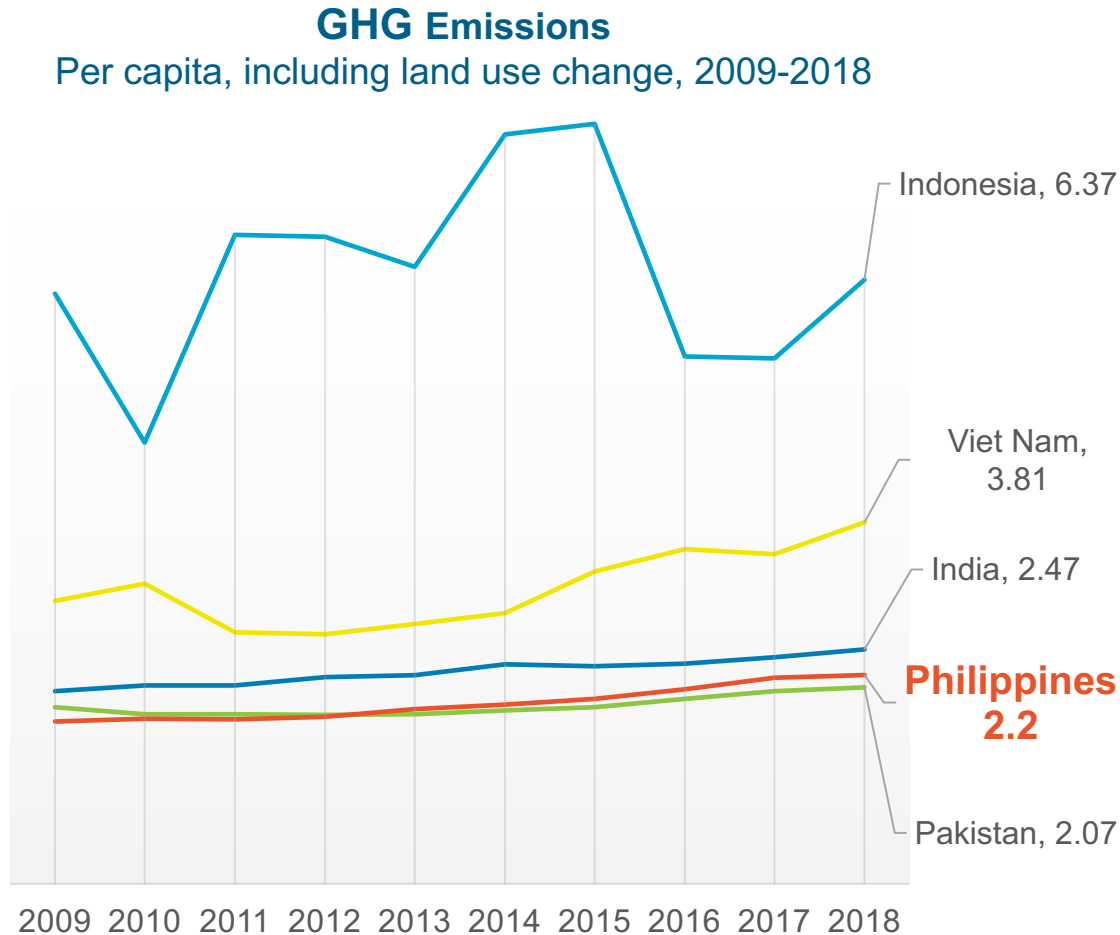


Global Climate Risk Index ranks Philippines **FOURTH** in economies **most affected** by extreme weather events in past 2 decades.

- By 2048, impacts could be 21- 35.0% of GDP.
- Climate change exacerbates income inequality, poverty, food insecurity, and threatens a fragile COVID-19 recovery.
- Climate impacts are highest on poor households, vulnerable communities and coastal settlements. Women and children are at disproportionate risk.
- Marine and terrestrial ecosystems are increasingly affected.



Low per capita Greenhouse Gas emissions, but increasing year-on-year



- Only 2.2 metric tCO₂e per capita in 2018, compared to global average of 6.5 tCO₂e.
- As a climate-vulnerable, developing country, the Philippines accounts for only 0.3% of total GHG emissions globally
- **Emission increased** 139% from 1990 and 2018
- **Energy and transport** sectors contribute majority of emissions (59% in 2018)
- Co-benefits and economic opportunities with low carbon transformation

Source: WRI 2021. Climate Watch Historical GHG Emissions.

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Challenges and Constraints

- National and sector climate actions don't align
- Investment gap for climate finance
- Insufficient adaptation capacity for food security
- Regulatory barriers stymie clean energy and transport

Weak institutional linkages

Misaligned climate and sector policy, and

Significant climate financing gap



- Clear **targets for climate action** needed in key sector agencies, such as:
 - Dept of Environment & Natural Resources
 - Dept. of Agriculture
 - Dept. of Finance
 - Dept. of Energy, and
 - Dept. of Transport.
- **Need for increased capacity** in Climate Change Commission and sector agencies, including for monitoring climate actions
- With decentralization of budgets and responsibilities to local governments, **local capacities** to plan, implement, monitor, and finance climate action needs support
- Financing needs are significant but **budget allocations remain modest** (5–6% of national budget in 2020 and 2021)
- Lack of **bankable projects**, and **access to climate finance** for project developers and cities



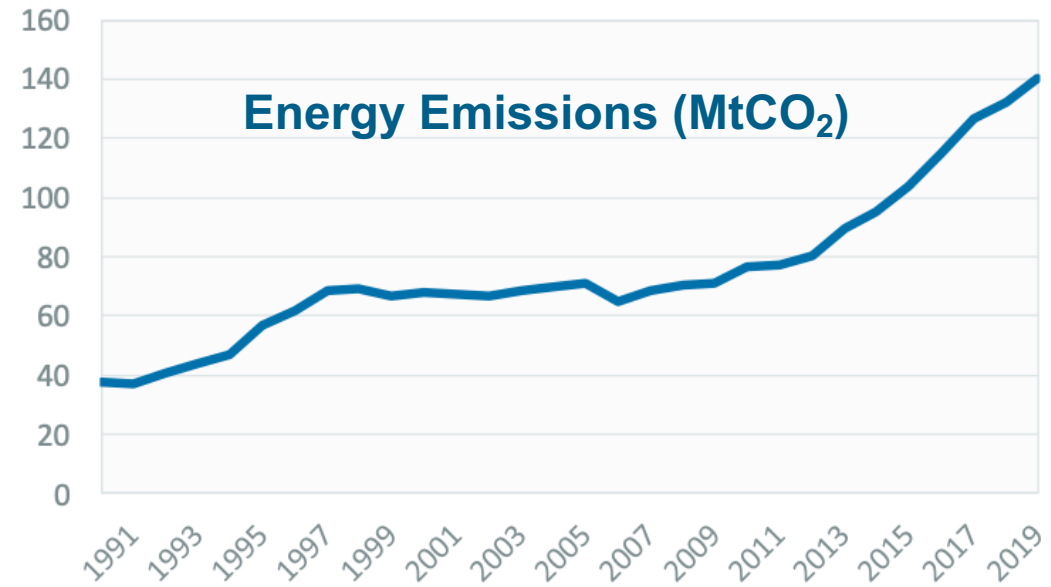
Adaptation and food security

- Without adaptation, annual agricultural losses could be significant by 2050:
 - cereal production projected to fall by 6.1%,
 - food prices to increase by 4%–24%, and
 - people at risk of hunger to increase by 13%.
- Adaptation in the agriculture, natural resources and environment sectors has been slow due to:
 - Absence of comprehensive policies
 - Insufficient institutional structures at central and local levels
 - Inadequate climate-related information
 - Lack of climate-resilient technologies
 - Significant degradation of ecosystems
 - Disconnect between adaptation and environmental sustainability



Low carbon bottlenecks

- **Energy** and **transport** are key sectors to promote low-carbon solutions
- Inefficient regulations stymie investments, even with **most expensive electricity** in the region
- **Limited knowledge and experience** inhibits entry and scale-up of new technologies
- Complex regulatory environment often lacks alignment of incentives, coherence, and accountability
- **Misaligned financial risks** limit clean energy technologies, such as geothermal and storage
- **Poor grid strength** and limited interconnection constrain clean energy developments
- Uncoordinated public transport and insufficient electric vehicle policies lead to increasing transport sector emissions

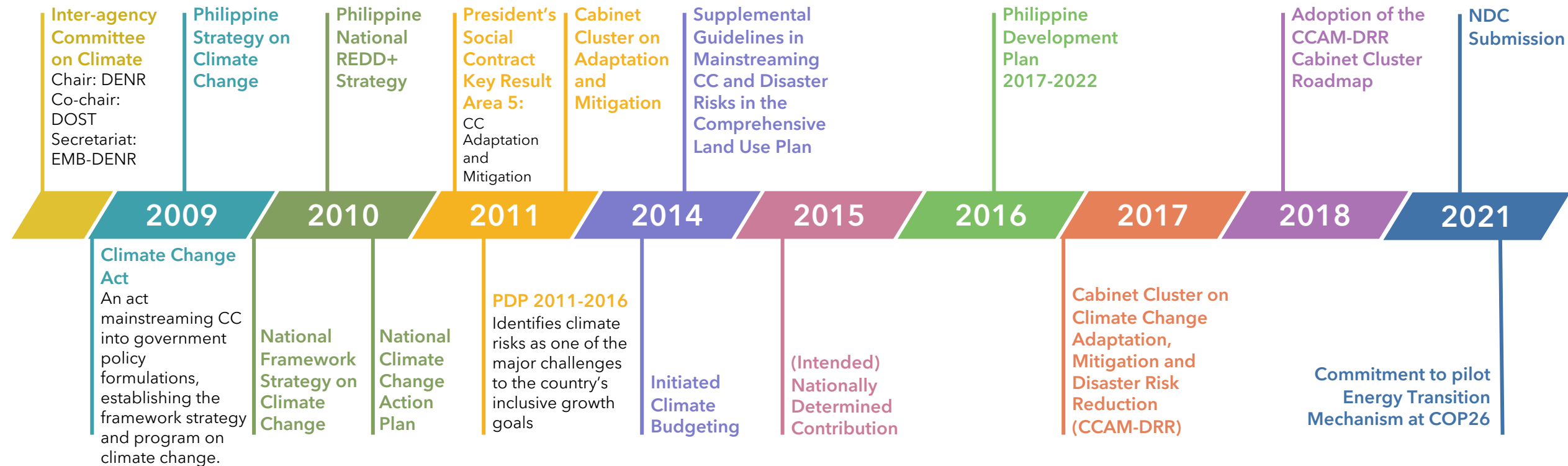




Government Reform Priorities

First Nationally Determined Contribution (NDC)
presents cross-cutting climate change targets
and priorities

Strong foundations of national climate policy



But not yet cascaded to sectors or local governments

The Philippines' first NDC

Nationally Determined Contribution (NDC)

Whole-of-government-and-society approach, to be driven by local governments, private sector and civil society

Adaptation

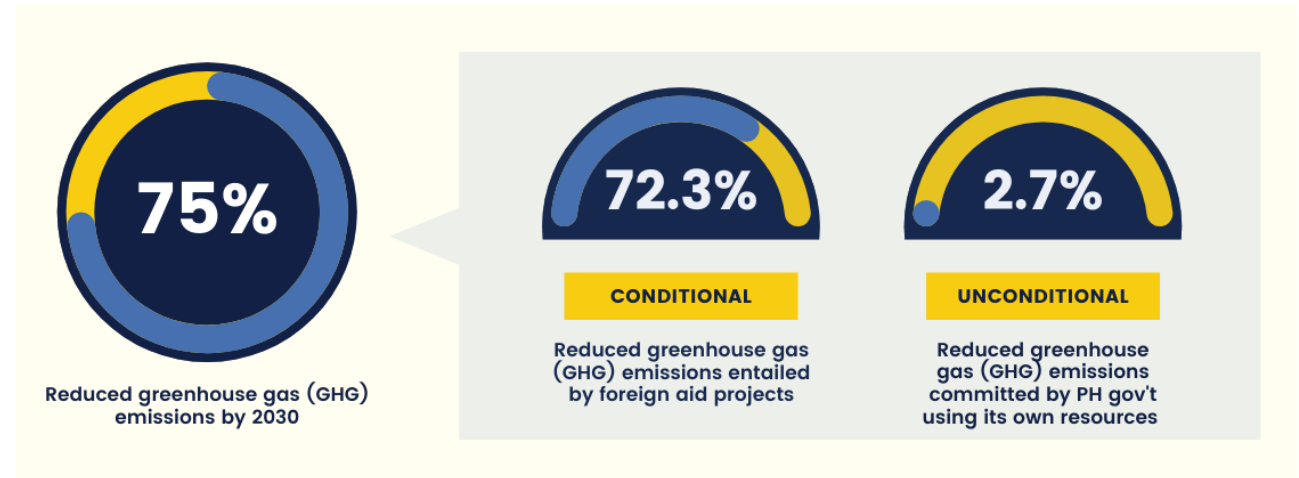
- Promote **adaptation and resilience in agriculture, forestry, coastal and/or marine ecosystems**, health and human security; reduce vulnerability to climate-related and geological hazards

Mitigation

- Target to peak emissions by 2030; **reduce 75% of emissions by 2030** (contingent on external support); focus on energy, waste, transport, agriculture; low carbon option for green recovery

Finance

- NDC actions heavily reliant on external financing (mitigation **96.4% contingent on external support**)
- Aim to optimize national and local government financing, and **mobilize private finance** and capital markets. Climate finance as a blended approach of grants, investments and subsidies.



This PBL supports NDC and other climate policy implementation through policy and institutional reforms that directly address constraints to climate adaptation, mitigation and finance.

The NDC provides a platform for dialogue with the government on increasing ambition and coverage of climate action over time.



The Philippines Climate Change Action Program

Program design



Three reform areas

Strengthening **planning, financing and institutional linkages** for climate action

Enhancing **resilience** to climate impacts

Strengthening **low-carbon pathways**

Subprogram 1
(2020–2022),
\$250 million ✓

Subprogram 2
(2022–2024),
\$400 million

Possible
Subprogram 3
(dependent on
SP1 and 2)

Outcome

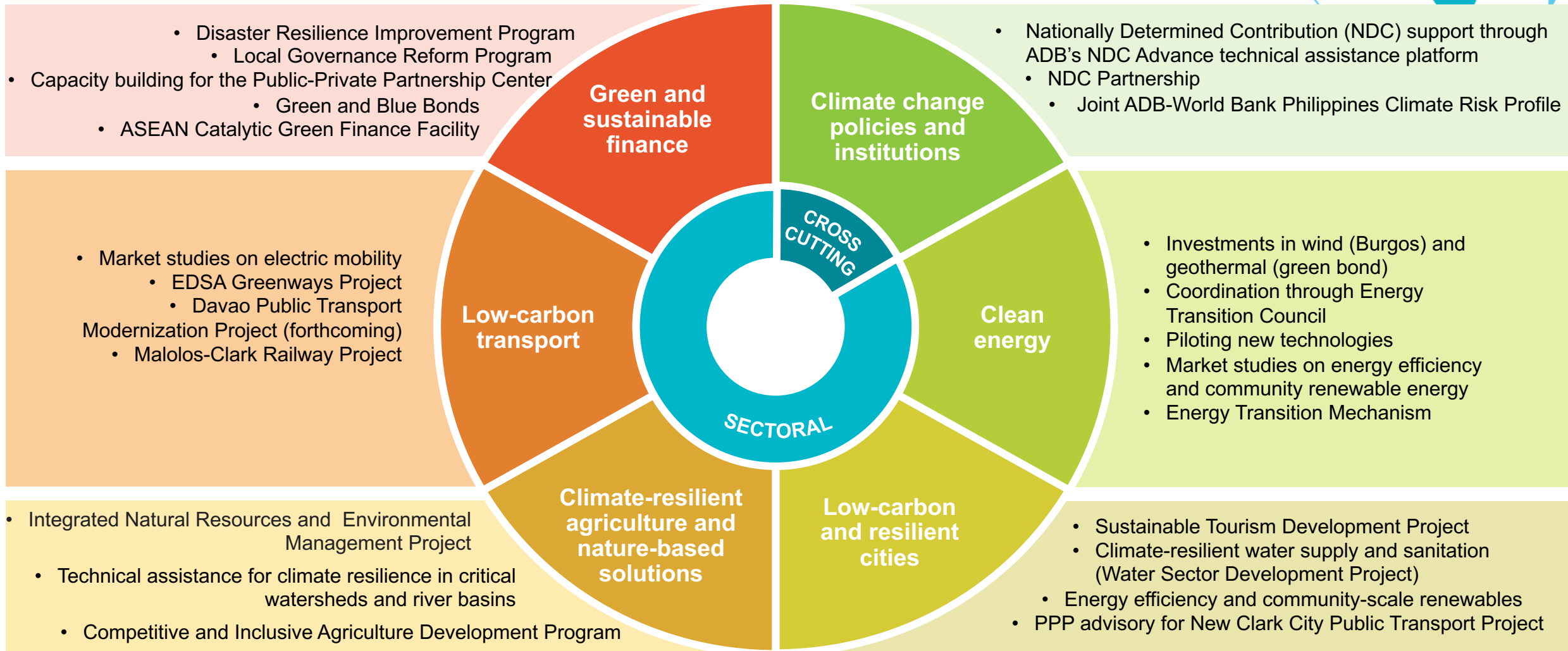
Actions to transform
key sectors towards a
climate resilient and
low carbon economy
increased and
intensified

Impact

Just transition to a green
economy, and increased
resilience of
communities to climate
impacts

Post-program partnership opportunity

ADB's Climate Change Support in the Philippines



Program areas based on national climate priorities, development partner coordination and ADB's experience

The Programmatic Approach

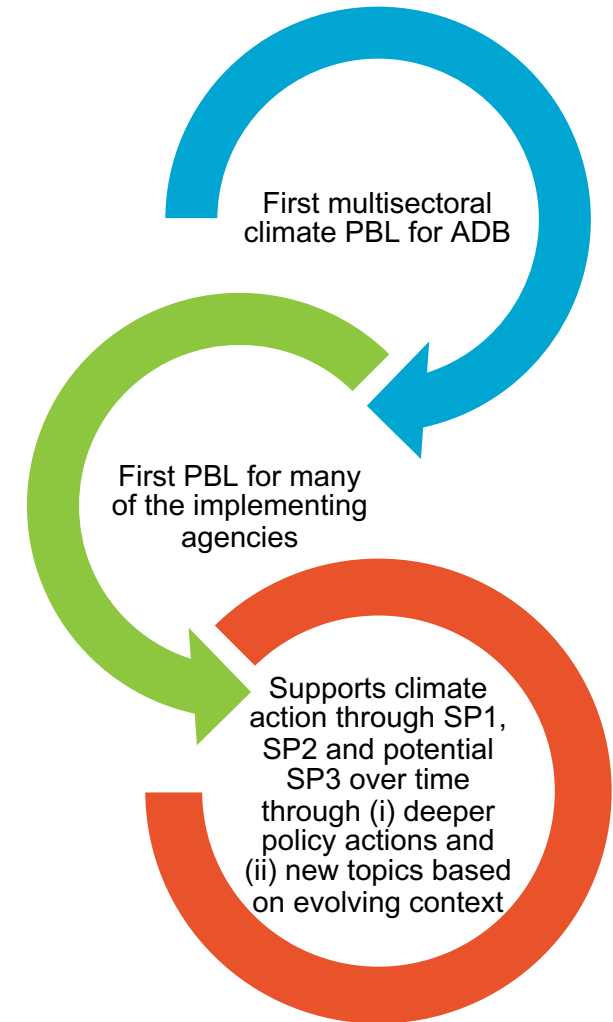
Subprogram 1 Q2 2022

- NDC approved, institutional upgrades, LGU linkages established, and inclusive monitoring/ reporting
- Greening the financial sector, climate response and tagging, and climate-friendly public-private partnerships
- Climate-resilient agriculture, climate adaptation in environment and natural resources programs, agricultural risk management, organic agriculture, climate-smart agricultural technologies
- Energy Transition Mechanism, new renewable energy technologies, grid strength for renewables, and electric vehicles for public transport

Subprogram 2 Q1 2024

- SP2 policy actions deepen, expand, and implement SP1 actions. SP2 actions are indicative in nature and expected to be strengthened based on policy dialogues with the incoming administration, and technical assistance outcomes.
- This flexible approach will allow for increasingly ambitious climate actions to be agreed and implemented, in line with evolving conditions, commitments made under the Paris Agreement, and reinforced at the 26th United Nations Climate Change Conference in 2021
- Most SP2 policy actions are supported by ADB TA and driven by line agencies, providing a stable platform for a new administration to prioritize climate actions

Learning and Improving



Reform Area 1: Planning, financing and institutional linkages for climate action strengthened



Subprogram 1

- ✓ First NDC approved, committing to reduce GHG emissions, adaptation, and mainstreaming gender.
- ✓ Strengthened CCC linkages with agencies (e.g. DOF, DBM), improved monitoring and reporting systems
- ✓ Joint DOE-Department of Interior and Local Government (DILG) rule to support LGUs to integrate clean energy in planning and procedures
- ✓ GAA 2021 mandated inclusion of climate and allocated 6.2% of 2021 national budget for climate-related activities
- ✓ Reforms to enable green finance including (i) 'GreenForce' established, (ii) framework for and issued the country's first sovereign green bond (iii) BSP regulations to integrate climate risks in credit and operational risk management

Subprogram 2 (indicative)

- ✓ Roll out **NDC implementation plan**, including NDC Gender Action Plan, and develop **Long-Term Strategy**
- ✓ Will improve cross-sector coordination and regularize **climate reporting**
- ✓ Guidance to support **LGUs** to plan, procure, and finance small-scale renewables and energy efficiency
- ✓ Will implement **green finance taxonomy** and issue a Sustainable Central Banking Roadmap
- ✓ Will streamline access to climate funds from multilateral and bilateral sources, and design a green finance vehicle to **mobilize financing for local government climate projects**

Reform Area 2: Resilience to climate impacts enhanced



Subprogram 1

- ✓ Institutional reforms in DA, decentralized climate services, and integrated climate risk assessments.
- ✓ DENR institutional reforms, performance indicators, and climate-responsiveness scorecards
- ✓ Strengthened oversight of agricultural insurance for cost-effective services to producers, and implemented a satellite technology pilot for parametric insurance
- ✓ Modernized organic agriculture through a certification system, incentives for producers, and a guaranteed annual budget allocation for programs
- ✓ Public and private research and development (R&D) of climate-smart technologies streamlined [for non-genetically modified organism (non-GMO) crops]

Subprogram 2 (indicative)

- ✓ Gender-sensitive action plan for climate-resilient agriculture and **expand climate service delivery across the supply chain**
- ✓ Will integrate climate impacts into environment programs, scale up **coverage of vulnerable communities**, and develop **biodiversity plans**
- ✓ Will improve insurance for high value crops and fisheries, and develop a **parametric insurance** product for better climate risk management
- ✓ Will establish a new secretariat and develop the public expenditure program for **organic agriculture**
- ✓ Increase funding for **R&D of climate-smart crops**, livestock, fisheries and diversified farming systems (no—GMO)

Reform Area 3: Low-carbon pathways strengthened



Subprogram 1

- ✓ Launched the Energy Transition Mechanism Partnership with Secretary of Finance at COP26
- ✓ Increased investment opportunities for renewable energy technologies through (i) new approaches to geothermal resource identification and financing, and (ii) Floating Solar PV (FPV) on the largest lake in the Philippines.
- ✓ Enhanced electricity grid stability with increasing shares of renewables by allowing end-users to source renewables directly and requiring competitive and transparent procurement of grid services.
- ✓ Reduced fossil fuel use in transport and supported markets for electric vehicles by establishing regulatory structures for: (i) implementing fuel economy standards, (ii) classifying and registering electric vehicles, and (iii) electric vehicles charging stations.

Subprogram 2 (indicative)

- ✓ Policy framework to support implementation of the **Energy Transition Mechanism**
- ✓ Will implement new rules, including (i) mechanisms for financial **derisking of geothermal**, and (ii) precedent-setting environmentally and socially responsible procedures for **local government body to host FPV**
- ✓ Will help transition **grid services to a competitive market** with improved transparency, accountability, and competition
- ✓ Will adopt a design standard for **electric buses** as part of integrated e-mobility public transport system, which can be replicated and scaled across the Philippines



Robust collaborations

It takes a village!

Diverse Implementing Agencies



Executing Agency

The Department of Finance (DOF)

Steering Committee

Co-chaired by the DOF and Climate Change Commission (CCC)

Reform Area 1

Planning, financing, and institutional linkages for climate action strengthened

Implementing Agencies: CCC, DOF, Dept of Budget and Management, Bangko Sentral ng Pilipinas (BSP), Dept of Energy (DOE)

Reform Area 2

Resilience to climate impacts enhanced

Implementing Agencies: Dept of Agriculture, Dept of Environment and Natural Resources, Philippine Crop Insurance Corporation

Reform Area 3

Low-carbon pathways strengthened

Implementing Agencies: DOE, Energy Regulatory Commission, Dept of Transportation, Laguna Lake Development Authority

Key elements of Subprogram 1:

Loan amount	\$250 million (regular OCR) Cofinancing: AFD (€150 M)
Safeguards	Proposed category C for ENV, IR, IP
Gender	Effective Gender Mainstreaming (EGM)
Climate financing	\$250 million (\$133.9m adaptation, \$116.1m mitigation)

Development Partner Coordination



Cross-cutting and climate finance

- Overall program developed jointly with AFD
- Coordination with UK-funded ASEAN Low Carbon Program (green finance support for DOF) and ASEAN Catalytic Green Finance Facility (green bonds and green financing vehicles)
- Through NDC Partnership, coordination with

Climate adaptation

- Coordination with World Bank (WB) on coastal and/or marine resources, disaster management, climate adaptation, land administration, environment and natural resources
- Coordination with International Fund for Agricultural Development on climate-sensitive value chains, environment, watersheds, natural capital; with Japan International Cooperation Agency on forestry and sustainable agriculture; with Korea Economic Development Co-operation Fund on water resources

Climate mitigation

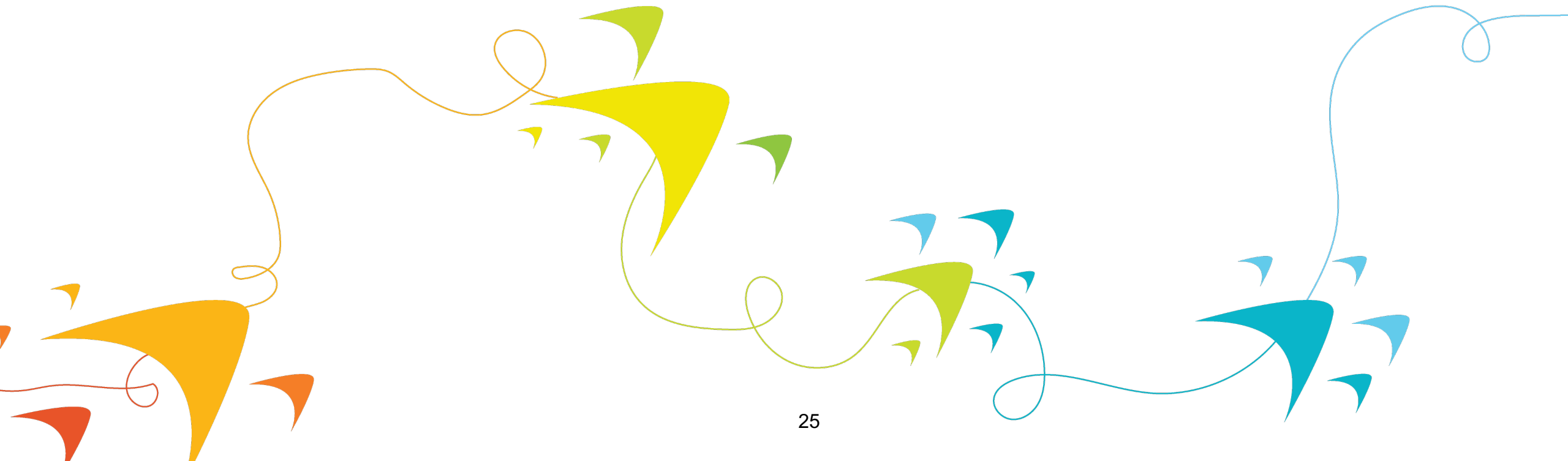
- Development of the ETM, for a just transition from coal to clean and/or renewable energy, with multilateral development banks, bilateral partners, investors, and philanthropies
- Participation in the Energy Transition Council to coordinate energy and/or transport NDC priorities with the World Bank, International Finance Corporation, European Union, AFD, U.S. Agency for International Development, United Nations Development Programme, International Renewable Energy Agency, and others
- Coordination with World Bank on geothermal derisking; with AFD on LGU energy efficiency and small-scale renewable energy development

Robust inter-ADB Collaboration



Unit	Topic
SEEN	Low carbon developments – energy
SEER	Climate adaptation – agriculture, natural resources, environment
SEOD	Climate finance (under SERD Innovation Hub)
SEUW	Low carbon developments – urban
SETC	Low carbon developments – transport
SDCC	NDC partnership; climate science; and cross-cutting knowledge resources
SPD	Program structure
PSOD	Private renewable energy projects
OPPP	Public-private partnerships support
PHCO	Overall country-level guidance

Salamat Po!



Effective Gender Mainstreaming



Program contributes to the promotion of gender equity and empowerment of women by improving access to assets, resources, services and representation as part of climate action

Key issues

- Gender issues not mainstreamed across sector climate action
- Lack of information on gender-related information related to climate change
- Accounting systems for climate actions in the budget do not reflect gender issues
- Project preparation does not include gender analysis
- Climate resilience actions for farmers do not reach female farmers
- Sanitation planning and policymaking does not specifically account for women or vulnerable groups

Key actions under the proposed program:

- Integrates gender-related indicators and collection of sex-disaggregated data into the National Climate Change Database (SP1)
- Will implement a NDC Gender Action Plan (SP2)
- Improves the quality of climate change accounting, including for gender-related activities
- Mainstreams gender issues into climate resilience actions for flagship 'Adaptation and Mitigation Initiative' farming communities

Multicriteria Optimization for Policy Actions

