



FACT SHEET Philippines

Prepared by the Small Enterprises Research and Development Foundation (SERDEF) and Association of Development Financing Institutions in Asia-Pacific (ADFIAP), Manilla, Philippines

The Republic of Philippines is an island country in Southeast Asia, situated in the western Pacific Ocean. Geographically, it borders with South China Sea on the west, the Philippine Sea on the east and the Celebes Sea on the southwest. It shares maritime borders with Taiwan to the north, Vietnam to the west, Palau to the east and Malaysia and Indonesia to the south. Philippines's capital city is Manila and it consists of about 7,641 islands. It has a total population of 103,320,222¹ reviewed in 2016 and its surface area is equivalent to 301,780 sq km. Much of the country is mountainous and prone to earthquakes and eruptions from around 20 active volcanoes. It is often buffeted by typhoons and other storms². As represented in Figure 1, Philippines's CO₂ emissions raised from 0.317 (1960) to 1.055 (2014) metric tons per capita and regarding its GDP, as shown in Figure 2, Philippines reached 304.905 billion US \$ in 2016.

Figure 1: CO₂ emissions (metric tons per capita) and Figure 2: GDP (current US\$)³

Figure 1

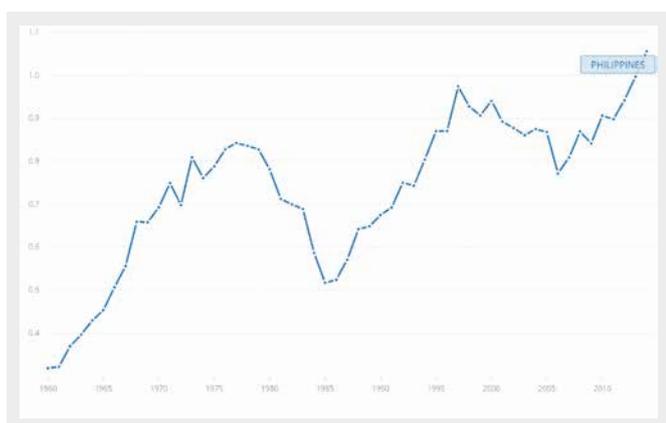
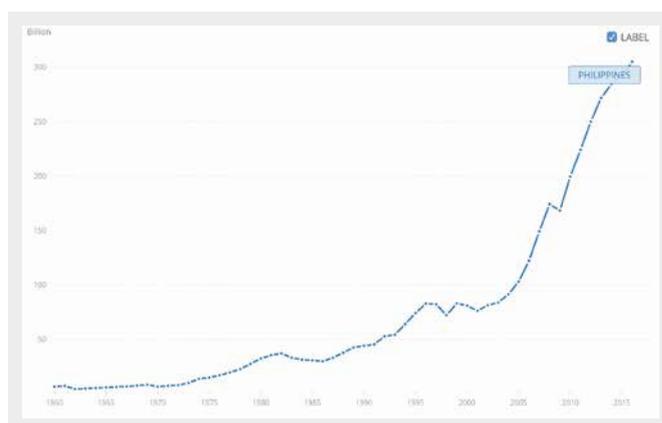


Figure 2



¹ Total population found in World Bank (See also: <https://data.worldbank.org/indicator/SP.POPTOTL?locations=PH>)

² Philippines country profile found in BBC (See also <http://www.bbc.com/news/world-asia-15521300>)

³ CO₂ emissions and GDP data of Indonesia gathered from World Bank (See also <https://data.worldbank.org/indicator/NY.GDPMKTPCD?locations=PH> and <https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?locations=PH>)

Figure 3: Philippines Map⁴

⁴ Central Intelligence Agency Map (See also : <https://www.cia.gov/library/publications/the-world-factbook/geos/rp.html>)



1. Nationally-Determined Contributions (NDCs)

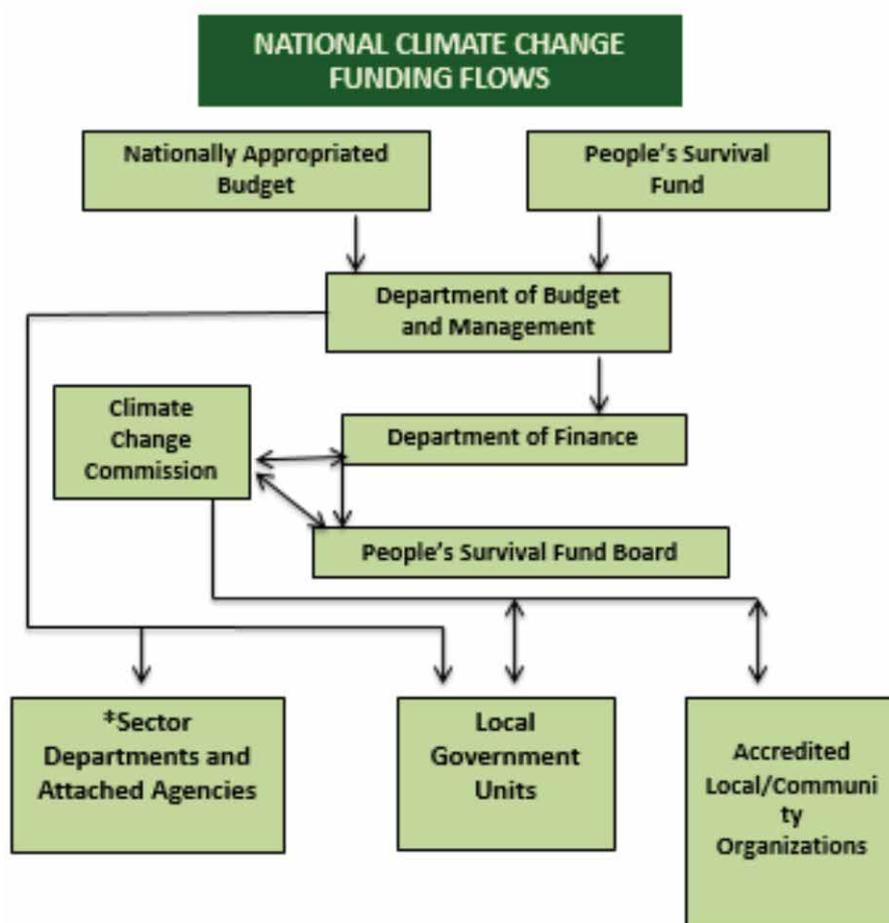
A. NDC Targets

Philippines' INDC sets out an emissions reduction target of 70% by 2030 based on the BAU scenario. This target is conditional on the extent of financial resources, including technology development and transfer and capacity building that will be made available to the Philippines as well as an enabling policy environment and partnerships. Reduction of CO₂ emissions will derive from energy, transport, waste, forestry and industry sectors, although a breakdown of sectoral targets in terms of mitigation and adaptation actions is yet to be established.

B. NDC Funding Requirements and Gaps

According to the 2016 People's Climate Budget of the Department of Budget and Management (DBM) and Climate Change Commission (CCC), 45 national government agencies (NGAs) identified climate change expenditures totalling PHP 176b in 2016, representing an increase of 25% from 2015. This corresponds to about 6% of the total National Government Budget or 30% of the allocations made to NGAs.⁵ 89% of the approved climate budget in 2016 was primarily designed to support adaptation and relative to the Philippines' climate change action roadmap, the budget focused on two main strategic priorities: water sufficiency (41%) and sustainable energy (38%).

Climate appropriations by the Philippine government have increased by 2.5 times in real terms and on the average 26% annually, outpacing the estimated 6% growth of the national budget. This increase indicates the government's willingness to increase climate action, but the level of funding based on projected needs continues to be inadequate. The total climate appropriations corresponding to about 0.3% of GDP falls below the Stern Review recommendation that countries expend at least 2% of GDP to implement climate action, resulting in a climate finance gap of 1.7%. The role of national financial institutions is essential in bridging this gap.



The diagram above shows the national climate change funding flow of the Philippines.

⁵ Climate Change Commission, Department of Budget and Management (2016), People's Climate Budget 2016, <http://climate.gov.ph/images/CCET/FY-16-PCBD.pdf>



2. Climate Finance Stakeholder Mapping

A. Mapping of National Institutions and Actors involved in Climate Financing

As shown in the diagram above, the Department of Budget and Management (DBM) undertakes the formulation of the annual national budget that ensures the appropriate prioritisation and allocation of funds to support climate change-related programmes and projects implemented by the relevant sector departments, attached agencies and local government units (LGUs).

In 2012, the Republic Act 10174 was approved, creating the People's Survival Fund (PSF) to supplement the annual budget appropriation. Sourced from the national budget, at least PHP 1b is intended for LGUs and accredited local/community organisations to implement climate change adaptation projects that will better equip vulnerable communities to deal with the impacts of climate change.

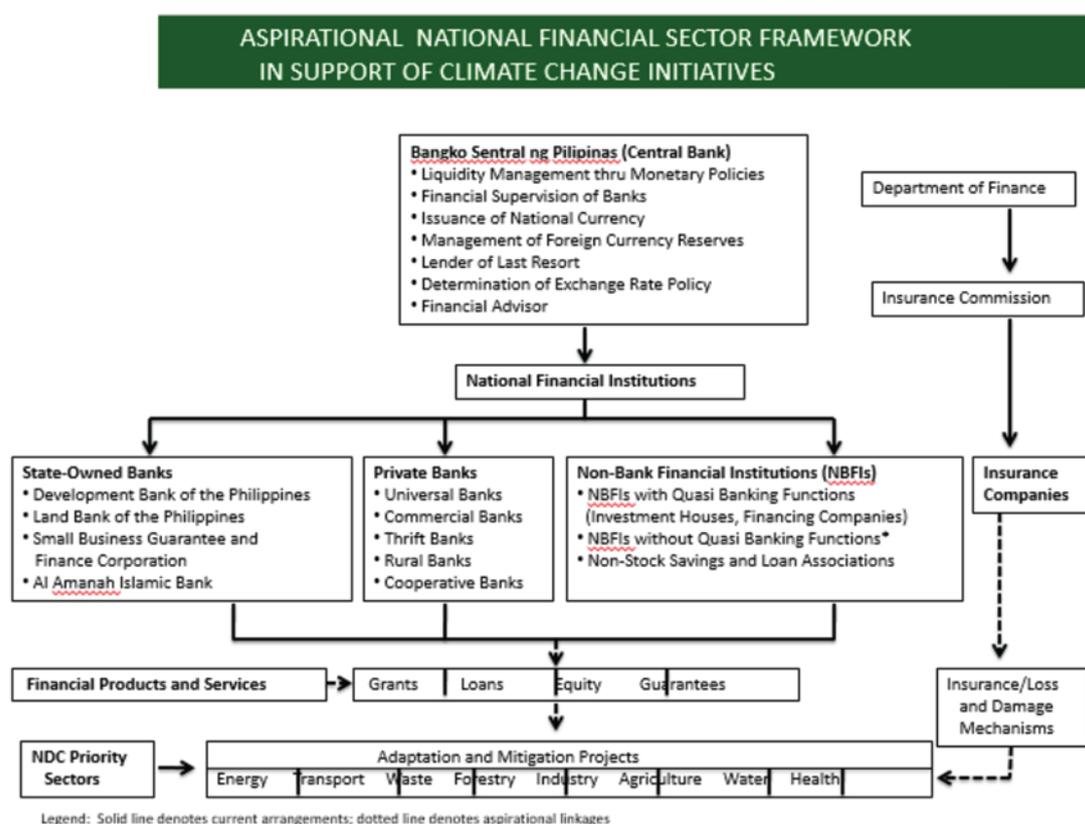
The PSF is administered by the Peoples' Survival Fund Board (PSFB) headed by the Secretary of the Department of Finance (DOF). The DOF coordinates with the CCC on matters concerning the monitoring and reporting measures involving climate finance including the utilisation of the PSF.

The CCC is also tasked with the evaluation and review of project proposals from LGUs and community organisations and recommends approval of project proposals to the PSFB.

The amount allocated to the PSF may be increased as the need arises, subject to review and evaluation of the accomplishments of the CCC by the Office of the President and the DBM.

A. Role of Central Bank

In the Philippines, the ideal scenario towards attaining the country's low carbon and climate resilient/climate smart/green development goals is illustrated below.





The Central Bank, known as the Bangko Sentral ng Pilipinas (BSP) could serve as the anchor and champion for mobilising domestic private sector climate finance. BSP's overall functions include liquidity management through monetary policies, financial supervision of banks, issuance of national currency, management of foreign currency reserves, lender of last resort, determination of exchange rate policy and financial advisor of government. BSP's oversight function, prudential regulation and supervision of banks is critical in promoting the development of new green products and services and the nurturing of sustainable financial market practices. By including climate and other environmental initiatives on its agenda, the BSP can signal their importance to the financial sector and encourage engagement and uptake.

While the private sector assumes some element of risk, it is generally averse to policy risk and country-specific barriers to investments in climate-friendly technologies and projects which affect the risk-return profiles of investments. Public funds are essential to unlock private climate finance by taking on the different types of risk that the private market will not bear.

State-owned banks' special knowledge and long-standing relationships with the local private sector places them in a privileged position to access local financial markets and understand local barriers to investments. They can play a more active and effective role if they are given a clear mandate within national frameworks for action to mitigate climate change if their technical capacities to channel international climate finance are strengthened.

National financial institutions are envisioned to offer a selection of financial products and services such as grants, loans, equity and guarantees to support adaptation and mitigation projects of the NDC priority sectors.

Insurance companies, which are supervised by the Insurance Commission under the Department of Finance (DOF), are also essential actors in the climate finance framework to ensure that loss and damage from climate change and extreme events are minimised, thus, providing National Financial Institutions with a high level of confidence in lending to adaptation and mitigation projects.

3. Enabling Policy Framework

The Philippines has over the years significantly re-visioned its climate policy framework from a number of stand-alone laws passed during 1997-2008 to the current comprehensive, nationally integrated climate policy architecture guided by the 2009 Climate Change Act (CCA).

The CCA calls for the systematic integration of climate change in various phases of policy formulation, development plans, poverty reduction strategies and other development tools used by all government agencies and departments. It also led to the establishment of the Philippines Climate Change Commission (CCC). The CCC was mandated to formulate a National Framework Strategy on Climate Change (NFSCC) which defines the overall parameters for developing a National Climate Change Action Plan (NCCAP).

The National Climate Change Action Plan 2011-2028 outlines the specific long-term programmes and strategies for climate change adaptation and mitigation. There are seven strategic priorities to address climate change impacts: food security, water sufficiency, environmental and ecological stability, human security, sustainable energy, climate-smart industries and services, and knowledge and capacity development.

To facilitate climate change adaptation of social impacts, the People's Survival Fund (PSF) was created in 2011. The PSF supports projects which mitigate the level of risk and vulnerability to climate change and ensure participation from affected communities, poverty reduction potential, cost effectiveness and sustainability, responsiveness to gender-differentiated vulnerabilities and availability of climate change activities.⁶

With regard to specific policies and strategies to promote the mobilization of public and private climate finance, the Climate Public Expenditure and Institutional Review has been established to assess gaps, accelerate implementation of the climate change agenda and support key agencies with major roles in climate change policymaking. Furthermore, the Program Budget Approach (PBA) led by the Cabinet Cluster on Climate Change Adaptation and Mitigation (CCAM) constitutes a significant component of overall climate change expenditure. In

⁶ Aquino, A; Abeleda, C & Ani, P. (2014) Climate Change Act of 2009: Philippines' Response to the World's Changing Condition, FFTC Agricultural Policy Platform, http://ap.fttc.agnet.org/ap_db.php?id=213&print=1



2013, the Joint Memorandum Circular issued by the Department of Budget and Management (DBM) and the Climate Change Commission (CCC) classified government expenditures for CC adaptation and mitigation in the budget process. It is valid and issued for all national government agencies, commissions, state universities, and colleges. In 2014, a second Joint Memorandum Circular was issued by DBM, CCC, and the Department of Interior and Local Government (DILG) as guidelines to tag CCAM expenditures in the local budget, also applicable to all government units (see Table 1).

TABLE 1: Renewable Energy Policy Instruments and Incentives in the Philippines, 2015

Philippines												
Regulatory Policies								Fiscal Incentives and Public Financing				
Renewable Energy Targets	Feed-in Tariff / Premium Payment	Electric Utility Quota Obligation / RPS	Net meeting / Net billing	Transport Obligation / Mandate	Heat Obligation / Mandate	Tradable RED	Tendering	Capital Subsidy, grant or rebate	Investment or production tax credits	Reduction in sales, energy, VAT or other taxes	Energy production payment	Public investment, loans or grants
•	R	•	•	•			•	•	•	•	•	•

• Existing national (could also include subnational)

◦ Existing sub-national (but no national)

N New (one or more policies of this type)

R Revised (one of more policies of this type)

N* New sub-national

R* Revised sub-national