

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. This risk assessment and risk management plan for the Climate Change Action Program summarizes the risks and key mitigation measures identified during program due diligence. The program was categorized *complex* because of the loan amount.

2. Subprogram 1 is category C for environment, involuntary resettlement, and indigenous peoples following the Asian Development Bank's Safeguard Policy Statement (2009). The subprogram is expected to contribute significantly to climate and disaster resilience, and in enhancing climate adaptation, mitigation, and resilience across nine different sectors. The program is also expected to contribute to implementation of the nationally determined contribution of the Government of the Philippines under the Paris Agreement; the National Climate Change Action Plan, 2011–2028; and the Climate Change Act, 2009.

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Country Limited coordination between national government entities, LGUs, and GOCCs that are key to enacting the government's NDC targets, resulting in delays and uncoordinated timelines of policy implementation</p>	<p>S</p>	<p>A steering committee, cochaired by the DOF and the CCC, will be formed to improve coordination and collaboration. The DOF and CCC will engage relevant agencies, LGUs, and GOCCs on climate policy discussions and the alignment of timelines for implementing policy actions. Establishing technical working groups for different areas of policy reforms will be considered.</p>	<p>DOF, CCC, and other implementing agencies</p>
<p>National elections in 2022 could shift national priorities around climate change action, resulting in limited staff attention to policy action commitments</p>	<p>M</p>	<p>The lending modality choice (programmatic policy-based loan) and the program design with a larger estimated subprogram 2 size (\$400 million, reflecting increased ambition of subprogram 2) is designed to (i) offer a new administration a ready platform to initiate climate policy, (ii) present an opportunity for early engagement with a new administration, and (iii) allow future subprograms to be severable should policy actions fail to be delivered. Further, policy actions are largely sector driven and align sector-specific priorities with national climate commitments. Finally, the national climate commitments are enshrined in the NDC, which is a panadministration national commitment which is not easily reversed.</p>	<p>DOF, CCC, and other implementing agencies</p>

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Program The NDC commitments are contingent on external support, as outlined in the Paris Accords and explicitly stated in the NDC's mitigation commitments. Limited external support driving key NDC priorities could limit implementation actions.</p> <p>The program targets institution building as well as policy and regulatory foundations for climate action, but many of the impactful actions will be taken by the private sector under the new policy frameworks. Slow private sector action could jeopardize full NDC implementation.</p> <p>Varying compliance and priorities of LGUs in implementing NDC targets. LGUs may give varying priority to agricultural risk management, energy efficiency, renewable energy, public and e-mobility transportation planning, sanitation, financing climate priorities, and other policy reforms necessary for NDC implementation.</p>	<p>M</p> <p>M</p> <p>M</p>	<p>ADB is working with a consortium of international development partners to enhance support for NDC implementation, first with cofinancier (AFD), as well as the Energy Transition Council, the World Bank, USAID, and others. ADB is supporting work to prioritize and coordinate among development partners in various platforms, and reform area 1 specifically targets leveraging additional climate finance to support NDC implementation.</p> <p>Relevant policy actions are undertaken with strong stakeholder consultations, including the private sector, as well as ADB and government entities specifically designing policy for private sector participation, including ADB's OPPP and the Philippines PPPC.</p> <p>Many climate priorities, especially for e-mobility and adaptation, are being led by LGUs. The program includes access to educational resources for climate action, support for climate risk vulnerability assessments for provincial commodity investment plans, and guidance to support LGU compliance and benefits from new national energy efficiency and renewable energy rules.</p>	<p>DOF, CCC, SEC, BSP, DBM, PPPC, ADB, AFD, and other development partners</p> <p>Department of Agriculture PCIC, LLDA, DOE, PPPC, BSP, DBM, and CCC</p> <p>CCC, PPPC, PCIC, DOE, DOT</p>
<p>Technical Capacity gaps and the limited absorptive capacity, especially during pandemic conditions, limit agency staff time and attention to climate priorities as well as readily available access to targeted information to support policy actions.</p>	<p>M</p>	<p>The TA program supporting the policy-based loan builds capacity with relevant agencies, especially the technical guidance being developed for LGUs on energy efficiency and renewables, derisking approaches and recommendations for geothermal energy, grid services targets, and procurement approaches. The TA program includes a large dedicated TA program supporting the energy transition from coal to clean energy through the Energy</p>	<p>ADB, Department of Agriculture, DENR, DOE, DOTr, ERC, PPPC</p>

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<p>New technologies, such as floating solar photovoltaics, electric buses, electric charging infrastructure, slimhole drilling for derisking geothermal, and climate-smart agricultural technologies, are new in the Philippines and require significant capacity development and pilot demonstration to scale up, which could slow program implementation.</p>	S	<p>Transition Mechanism, offshore wind regulatory recommendations, NDC partnership support and coordination, and pilot demonstration of new renewable energy technologies and business models.</p> <p>The TA program supports capacity development for new technologies and business models for subprograms 1 and 2, and building toward a potential subprogram 3, especially floating solar photovoltaic, energy efficiency and rooftop solar, electric vehicles for public transportation, electric vehicle charging stations, slimhole drilling for geothermal, offshore wind, and research and development for nongenetically modified organism agricultural technologies, among others.</p>	ADB, Department of Agriculture, DOE, ERC, LLDA
<p>Economic and Financial Elevated levels of uncertainty in the global economy in 2022 may create new economic shocks that transmit to the Philippines economy through higher inflation, higher interest rates, and supply disruptions that could dampen the economic recovery and affect government spending priorities on climate change.</p>	M	<p>The government has put in place an economic reform program to improve economic resilience, attract foreign investments, and lift long-term growth, and has projected a gradual reduction in the deficit–GDP and debt–GDP ratios over the near term to free up further fiscal resources. Gross international reserves provide a further buffer against shocks to the balance of payments.</p>	ADB, BSP, DBM, DOF, LLDA
<p>Governance Oversight of climate finance has been a function of a subcommittee in the CCC, of which the DOF was a member. However, the historical dearth of international climate finance has induced discussions to potentially move the climate finance function to a subcommittee within the DOF, though with continued participation of the CCC and other stakeholders.</p> <p>New institutions, such as the CRAO within the DA, the new secretariat</p>	M	<p>Program policy actions have been crafted flexibly to allow some government responsibilities for climate finance to evolve as the function increases in prominence. The CCC has performed an important role in initiating the function, and a potential move to house it within a dedicated finance agency may have synergistic benefits for crowding-in climate finance volumes.</p> <p>The program and implementing agencies have committed to</p>	CCC, DOF ADB, BSP, Department of

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<p>for organic agriculture, and the interagency task force “Green Force”, may be slow in their mission without dedicated institutional support and quality staffing.</p> <p>Limited governance and transparency of public expenditures dilute the effectiveness of climate actions. The accountability and transparency of departments and LGUs varies significantly across jurisdictions. Increases in revenue create a potential for additional wastage if public resources are poorly managed.</p>	M	<p>funding, staffing, and institutional support for the new functions. Further, ADB’s TA program supports capacity development, especially for new functions and roles. The governance of public financial management has been improved through a series of ADB programs that introduced systems and tools to promote accountability and transparency.</p> <p>Program design included monitoring, verification, and reporting. Further, the Good Governance and Anti-Corruption Cabinet Cluster of the Philippines implemented a comprehensive and results-based anticorruption action plan, drawing on a review of the National Anti-Corruption Plan of Action. These initiatives have been and are being supported by various development partners.</p>	<p>Agriculture, DBM, DOE, DOF, ERC, LLDA,</p> <p>DOF and Good Governance and Anti-Corruption Cabinet Cluster</p>
<p>COVID-19 Pandemic The COVID-19 pandemic could impede the capacity of agency staff to implement policy reforms or may change the government’s priorities and cause difficulties in completing the agreed policy actions.</p>	M	<p>The DOF uses the interagency program steering committee to help sustain the implementation of the program reforms. ADB will provide TA to support program implementation. Further, the government has enacted national strategies for the economic recovery from the impacts of COVID-19. Under Republic Act 11494, known as the Bayanihan to Recover as One Act, the government has allocated \$70 million to COVID-19 relief efforts in 2020–2021.</p>	<p>ADB, BSP, CCC, Department of Agriculture, DBM, DENR, DOE, DOF, DOT, ERC, ITSF, LLDA, NEDA, PPPC</p>

S = substantial, M = moderate.

ADB = Asian Development Bank, AFD = Agence Française de Développement, BSP = Bangko Sentral ng Pilipinas, CCC = Climate Change Commission, COVID-19 = coronavirus disease, CRAO = Climate-Resilient Agriculture Office, DBM = Department of Budget and Management, DENR = Department of Environment and Natural Resources, DOE = Department of Energy, DOF = Department of Finance, DOT = Department of Transportation, ERC = Energy Regulatory Commission, GDP = gross domestic product, GOCC = government owned and controlled corporation, ITSF = Interagency Technical Working Group on Sustainable Finance, LGU = local government unit, LLDA = Laguna Lake Development Authority, NDC = Nationally Determined Contribution, NEDA = National Economic Development Authority, OPPP = Office of Public–Private Partnerships, PCIC = Philippine Crop Insurance Corporation, PPPC = Public–Private Partnership Center, TA = technical assistance.

Source: Asian Development Bank.