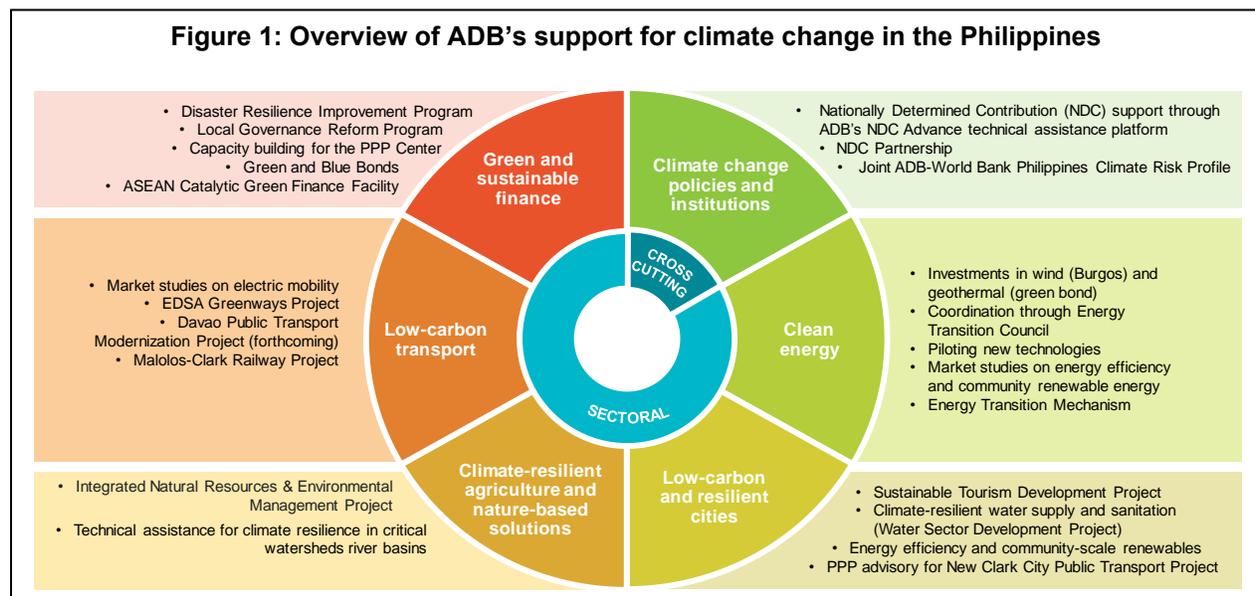


ASIAN DEVELOPMENT BANK CONTRIBUTION

LESSONS LEARNED AND VALUE ADDED FROM ADB'S ASSISTANCE FOR CLIMATE CHANGE IN THE PHILIPPINES

1. **ADB's past experience related to climate change in the Philippines.** Asian Development Bank's (ADB) lending operations across sectors have increasingly addressed climate change and disaster risk reduction in the Philippines. In 2018–2020, ADB approved \$1.67 billion in climate finance to the country from its own funds, the majority of which went towards climate change mitigation by supporting low-carbon transport. Adaptation financing supported disaster resilience and climate-friendly agriculture development.



2. **Adaptation and disaster risk financing programs.** Driving cross-cutting reform efforts, ADB has played an important role in supporting the Philippines' response to disasters triggered by natural hazards, most recently through the Disaster Resilience Improvement Program in 2020,¹ which provides the government with rapid access to resources to initiate disaster response and early recovery efforts and supports associated policy reforms. In the agriculture and natural resources sector, the Competitive and Inclusive Agriculture Development Program² supported climate priorities through agricultural and irrigation reforms in 2020.

3. **Support for low-carbon development.** Urban adaptation and mitigation are driven through sustainable tourism programming.³ Clean energy investments in the country's deregulated electricity markets have been largely driven by private sector operations, including the nation's first green bond for geothermal expansion, the nation's largest wind farm,⁴ as well as pilot demonstration of new technologies for affordable clean electricity access.⁵ Sovereign

¹ ADB. 2020. [Philippines: Disaster Resilience Improvement Program](#).

² ADB. 2020. [Philippines: Competitive and Inclusive Agriculture Development Program \(Subprogram 1\)](#).

³ Proposed. ADB. 2021. [Philippines: Sustainable Tourism Development Project](#).

⁴ ADB. 2018. [Regional: AC Energy Green Bond Project](#) as well as ADB. 2015. [Philippines: 150-Megawatt Burgos Wind Farm Project](#).

⁵ ADB. 2019. [Guidebook for Deploying Distributed Renewable Energy Systems](#). Manila.

operations have helped to scale up low-carbon and sustainable transport options, with several major investments in the country's public transport system in recent years. These investments – in railways and improved e-mobility for public transportation, have helped reduce GHG emissions, and contribute to improvements in urban congestion and air quality.⁶

4. A key product of ADB's robust support for NDC implementation has been development of the Energy Transition Mechanism,⁷ which aims to hasten a just transition from coal to clean and renewable energy, and brings together financial resources from Multilateral Development Banks, private institutional investors, philanthropic contributions and long-term investors. The partnership was endorsed by senior cabinet level officials from Denmark, the United Kingdom, and the United States, as well as leading global financial institutions and philanthropies. Japan's Ministry of Finance committed the first grant seed funding of \$25 million for ETM.

5. **Financing programs supporting climate change.** Financial management, access, and local implementation have been improved through ADB's long history of supporting financial sector development. The country's green finance market was strengthened through support for guidelines and regulations on green bonds included under the Support to Capital Market-Generated Infrastructure Financing Program. The Inclusive Finance Development Program and the Local Governance Reform Program⁸ have supported financial inclusion and community resilience to disasters and climate change with significant gender mainstreaming elements.

6. **Technical assistance for climate action.** ADB's key TA programs and coordination activities reinforce and enable climate-relevant lending operations. ADB TA has established the foundations for policy actions. Strong coordination with the World Bank has led to the joint publication of a climate risk country profile for the Philippines, which summarizes the latest modeling projections on local climate impacts⁹ as well as coordinated support for the Philippines' country programming pipeline under the Climate Investment Fund. Other important knowledge contributions include including (i) a report on green infrastructure investment opportunities by the Climate Bonds Initiative, ADB and the Securities and Exchange Commission;¹⁰ and (ii) an ADB study mapping pathways to reduce greenhouse gas emissions by 2050.¹¹ ADB technical assistance has also helped to scale up climate action at the local level. Joint work with the Climate Change Commission conducted climate change assessments and developed climate plans in 9 target local government units,¹² and ongoing support under the ADB's local governance reform program is helping to address challenges faced by LGUs in accessing funds from the Peoples' Survival Fund (footnote 8).

7. ADB sectoral TA work supports adaptation and mitigation. In the energy and transport sectors, technical assistance has targeted the development of low-carbon investments, including through studies to support market development for community-scale renewables and energy efficiency with domestic financial institutions,¹³ and the design of low-carbon transportation

⁶ ADB. 2020 [Philippines: Malolos-Clark Railway Project](#) and TA for ADB. 2020. [Philippines: Davao Public Transport Modernization Project](#). Manila.

⁷ ADB. 2021. [Regional: Accelerating the Clean Energy Transition in Southeast Asia](#). Manila.

⁸ ADB. 2018. [Philippines: Inclusive Finance Development Program](#). Manila. and ADB. 2020. [Philippines: Local Governance Reform Project](#). Manila.

⁹ Asian Development Bank and the World Bank Group. 2021. [Climate Risk Country Profile: Philippines](#). Manila.

¹⁰ Climate Bonds Initiative. 2020. [Green Infrastructure Investment Opportunities Philippines](#).

¹¹ ADB. 2017. [Pathways to low-carbon development for the Philippines](#). Manila.

¹² ADB. 2018. [Philippines: Climate Resilience and Green Growth in Critical Watersheds](#). Manila.

¹³ TA-8944 REG Promoting Sustainable Energy for All in Asia and the Pacific - Renewable Energy Mini-grids and Distributed Power Generation supported: [Community-Scale Renewables for Improve Energy Availability and](#)

projects.¹⁴ ADB has also supported new renewable energy technology adoption with natural resource managers such as the Laguna Lake Development Authority.¹⁵ ADB also supports increased access to climate finance through green and blue bonds advice,¹⁶ support to the government for applications to the Climate Investment Fund, and the flagship Association of Southeast Asian Nations (ASEAN) Catalytic Green Finance Facility, and by strengthening public private partnerships.¹⁷ In building toward future investments, ADB is designing a unique Energy Transition Mechanism to enable market-friendly financing options for a just energy transition.

8. Regional facilities are expected to play a bigger role in supporting NDC implementation under subprogram 2, including ADB's Article 6 Support Facility and the Climate Action Catalyst Fund which support carbon financing mechanisms under the Paris Agreement;¹⁸ the Community Resilience Financing Partnership Facility; and ADB's engagement in the multi-partner NDC Partnership.

9. **Lessons learned from ADB's support.** This program constitutes ADB's first multi-sectoral policy-based loan addressing climate change, and program design has integrated lessons learned from ADB's long-term engagement in the social inclusion, adaptation, mitigation and finance elements of climate change, as well as experiences in the specific sectors covered by this program.

10. First, the program has been designed as a multi-sectoral climate change program, focusing on the four key NDC implementation sectors identified by the government and on cross-cutting actions. While multisector programs present additional coordination challenges to single-sector focused policy support, ADB's first contingent disaster financing in the Philippines and Indonesia demonstrate that meaningful outcomes on cross-cutting issues like climate change and disaster resilience require coordinated, medium-term reforms across multiple government agencies and call for policy dialogue across sectors. Similar development partner programs – such as the World Bank's experience on climate policy lending¹⁹ – highlight the need to build strong champions and institutional commitments, and factor in political economy constraints when designing multisector climate reforms. In response, program design and choice of policy reforms have taken into account multiple criteria unique to ADB and the Philippines, considering: climate impact, the Government's priorities, ADB's value-addition, and development partner distribution of priorities. The key sectors addressed in the program directly benefit from ADB programming and development partner coordination, allowing the program to evolve impactful policies tailored to the various levels of climate readiness across sector agencies. The multisector approach

[Reliability in the Philippines Market Assessment](#) as well as [Energy Efficiency in the Philippines: Market Opportunities and Financing Needs](#)

¹⁴ ADB. 2021. AP3F043-PP015 [Project Preparation Assistance for the New Clark City Public Transportation PPP Project](#) and ADB. 2021. AP3F046-PP017 [Operation and Maintenance for the Metro Manila Subway Project](#).

¹⁵ ADB. 2021. [Development of the Regulatory Framework for Floating Solar Photovoltaic Generation Projects at the Laguna Lake](#) as well as ADB. 2019. TA 0039-REG: [Support for Innovation and Technology Partnership in Asia and the Pacific. Subproject 2: Energy Sector High-Level Technology Application](#).

¹⁶ ADB. 2021. [Green and Blue Bonds Framework](#). Manila.

¹⁷ ADB. 2017. [AP3F022-CB010 Capacity building assistance to the PPP Center](#).

¹⁸ ADB. 2018. [Regional: Establishing a Support Facility for Article 6 of the Paris Agreement](#). Manila and ADB. 2021. [ADB Launches New Carbon Fund to Incentivize Climate Investments](#). Manila

¹⁹ The World Bank's Indonesia Climate Change Development Policy Loan from 2010 – consisting of reform areas on cross-cutting issues, adaptation and mitigation – was not successful and provides important lessons learned: (i) strong champions and institutional commitments are critical for climate change which is an inherently cross-sector issue, and a coordinated development partner response is useful in this regard; (ii) political economy constraints must be factored in when designing ambitious reforms; and (iii) climate-based policy loans are more effective when integrated into a broader program of support for a country. Independent Evaluation Group. 2016. [Project Performance Assessment Report for Indonesia Climate Change Development Policy Loan](#).

presents a strong basis to address cross-cutting institutional reforms, such as a climate change long term strategy and NDC gender action plan, which may not be addressed within a single sector alone.

11. Further, ADB's technical assistance in the energy and agriculture sectors work offers important lessons that have been factored into the design of policy actions. Policies to promote investments in low-carbon technologies and solutions need to carefully consider the optimum mitigation of risks to attract private actors and the importance of business model fit for targeted markets.²⁰ ADB's multiple local government improvement programs show that local climate action will need continuing efforts to (i) build and strengthen institutions, financing channels and capacity at LGU level, (ii) develop guidelines and regulations to support the update of climate action at the local level, and (iii) prepare and develop local climate change projects. Financial sector experience demonstrates the importance of promoting a coherent message, from multiple financial sector regulators, on green finance in facilitating the market to take action on climate change, and the need to build climate finance channels and instruments to promote action at multiple levels. Finally, recent experiences demonstrate the challenges of COVID-19 recovery planning given the volatile and uncertain evolution of the pandemic and its impacts, and ADB's ability to adjust operations to meet quickly evolving needs in the Philippines.²¹

²⁰ ADB. 2021. [Market Transformation Through Introduction of Energy-Efficient Electric Vehicle Project: Completion Report](#). Manila.

²¹ ADB. 2020. [Country Operations Business Plan: Philippines \(2021-2023\)](#).