COUNTRY CLIMATE INVESTMENT PLAN

1. The country climate investment plan represents a systematic process to anchor climate work into the strategic objectives of the country partnership strategy (CPS) and related country programming processes, in line with the Asian Development Bank's (ADB) Climate Change Action Plan.[1] ADB's climate planning and programming is intended to set the direction for ADB's climate support, including priorities to reduce greenhouse gas (GHG) emissions and increase resilience with co-benefits for other environmental sustainability issues and disaster risk management. Climate support spans sovereign and nonsovereign lending operations, as well as knowledge and technical support, and promotes innovation and improved capacities, and supports coordination and communication for stronger outcomes. The country climate investment plan supports partnerships and policy dialogue on critical climate issues.

A. Climate Challenges for ADB operations

2. **Increasing exposure and vulnerability to multiple hazards.** The Philippines is highly exposed to multiple hazards, including climate change. The 2023 World Risk Report ranked the Philippines first in the world for disaster risk, among 193 countries worldwide.[2] Impacts from natural hazards and climate change are already being felt, with increasing temperatures, changes to rainfall patterns and an increase in extreme weather events. Climate change impacts and disaster risks are compounded by environmental degradation. The Philippines ranked low at 168th out of 180 countries in the 2024 Environmental Performance Index (EPI), which measures progress towards environmental health, protecting ecosystem vitality, and mitigating climate change.[3] Climate change drives or exacerbates nearly all major environmental and disaster risk concerns in the Philippines, including increased coastal development, deforestation, ecological degradation, environmental pollution, ocean acidification, rising sea temperatures and sea levels.[4]

3. **Climate change is impacting the economy, ecosystems, and progress on human development.** Extreme events pose a severe risk to fiscal sustainability and the economy overall. Annual losses from typhoons are estimated at 1.2% of the gross domestic product (GDP) and as much as 4.6% of GDP in extreme cases such as Super Typhoon Yolanda (Haiyan) in 2013.[5] Economic damages from future climate change are estimated to reach up to 7.6% of GDP by 2030 and 13.6% of GDP by 2040.[6] Public and private actors from all sectors will be affected, with capital-intensive sectors (e.g. energy, transport and manufacturing) suffering most from extreme events, and agriculture suffering the most from slow-onset trends. Climate change also impacts the most vulnerable disproportionately, further hampering efforts to address persisting challenges in environment and human development. Families living in poverty are less protected against typhoons and other extreme events, and face greater challenges in accessing education, healthcare, and social safety nets during and after these events. Informal workers who are commonly among the lowest paid are most at risk of productivity losses due to heat stress. Climate-induced migration is an increasing issue – over 15 million people were estimated to be

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[1] ADB. 2023. *Climate Change Action Plan 2023-2030*.
[2] The report assesses the disaster risk for 193 countries. This covers all UN-recognized countries and over 99% of the world's population.
[3] Yale Center for Environmental Law and Policy. 2024. *Environmental Performance Index 2024*.
[4] Center for Excellence in Disaster Management & Humanitarian Assistance (CFE-DMHA). 2021. *Disaster Management Reference Handbook Philippines*.
[5] ADB, WBG. 2021. *Climate Risk Country Profile: The Philippines*.
[6] World Bank Group. 2022. *Philippines Country Climate and Development Report*.

displaced by reported climate events between 2020 and 2022 alone.[7] Women and girls are also likely to be disproportionately vulnerable due to less access to resources and information.

4. **Early investment in adaptation is critical.** The Intergovernmental Panel on Climate Change estimates that global warming has already increased by 1.1 degrees, and that the 1.5-degree threshold of the Paris Agreement goal is likely to be crossed in the near term. The impacts on future development for the Philippines are – to some extent – unavoidable, irrespective of global progress on reducing GHGs. Estimates show that building adaptation into all economic activity is critical to reduce future losses. The total costs of integrating climate-resilience measures into infrastructure and agriculture sectors are estimated at about 0.7% of GDP, and that these investments could significantly reduce the average annual impact of damages from a projected 3.7% to 1.2% of the GDP in 2030 (footnote 6). Well-targeted disaster risk reduction measures contribute to ensuring structural sustainability and long-term adaptation. Nature-based adaptation approaches, such as conserving, enhancing or restoring degraded ecosystems and sustainably managing production landscapes and seascapes, are also critical to reducing climate risks to communities and rural livelihoods.

5. **Greenhouse gas emissions remain low but are increasing.** The Philippines emits relatively low GHGs when compared with other developing countries, but emissions have doubled over the last two decades, from 100 gigagrams of carbon dioxide equivalent ($GgCO_2e$) in 1994 to 204 $GgCO_2e$ in 2020.[8] The energy sector accounts for the largest share of these (63% in 2020) due to the dependence on coal for electricity and fossil fuels for transport. The agriculture sector contributes 26% of the country's emissions (primarily methane emissions from rice paddy cultivation and livestock management), with the remainder coming from waste and industry. Future emissions are expected to keep growing, with increasing energy demand and growth in fossil-fuel powered vehicles and vehicle ownership. Major emissions sources contribute to air pollution in the Philippines and mitigation actions can have major benefits in terms of improving air quality and avoiding associated health and economic impacts. The total economic cost of exposure to air pollution is estimated at US$ 44.8 billion in 2019.[9] Reducing emissions also provides an important opportunity to mobilize green investment. Greening the energy, agriculture, manufacturing, and transportation sectors and building climate-smart cities represent an estimated $168 billion climate investment opportunity that could generate 3 million new direct jobs in the Philippines by 2030 (footnote 5).

B. Government Directions and Development Constraints

6. **Strong ambition for climate action.** The Philippines has made ambitious commitments on adaptation and mitigation, underpinned by a comprehensive policy framework to promote climate action. The Philippine Development Plan (PDP) 2023–2028 includes a crosscutting priority to 'Accelerate Climate Action and Strengthen Disaster Resilience'. The government submitted its first nationally determined contribution (NDC), under the Paris Agreement, in 2021 with a target of reducing GHG emissions by 75% below a cumulative business as usual (BAU) pathway for 2020–2030. An implementation plan for the NDC outlines the policies and measures to reduce emissions in the energy, transport, agriculture, waste and industry sectors, and recognizes the importance of a just transition. The National Adaptation Plan (NAP) outlines the

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[7] Government of the Philippines. 2023. *National Adaptation Plan of the Philippines 2023-2050*.
[8] Government of the Philippines. 2023. *Implementation Plan for the Republic of the Philippines Nationally Determined Contribution (NDC) 2020-2030*.
[9] Centre for Research on Energy and Clean Air. 2023. *Estimating the Health and Economic Cost of Air Pollution in the Philippines*.

adaptation priorities up to 2050 (footnote 7). In 2024, the government convened a cabinet meeting to discuss how the NAP and the NDC implementation plan will be rolled out.[10] Key sectors are adopting or mainstreaming climate ambitions into their own policies and frameworks, and crosscutting road maps for the financing of climate action were adopted.[11] Policies to mobilize green investment are also being put in place, such as to promote sustainable and responsible investment funds[12] and incentivize private investment in renewable energy projects.

7. **Persisting weaknesses in climate governance and sector-driven climate action.** Despite strong policy direction and support for successive government administrations, implementation continues to face several challenges. There is a lack of coherence across the governance structure for climate action in the Philippines, both in terms of coordination of climate action and implementation at the sector. Awareness and prioritization of climate action varies across sectors, and at the local government level. A stocktake of progress made under the National Climate Change Action Plan, 2011–2028, conducted by the Climate Change Commission, and an assessment of climate governance showed that climate actions have not yet been adequately resourced, systematically rolled out, and aligned across sectors and between national and local governments. A similar picture can be seen for other environmental challenges, including air quality where the legislation is in place but challenges with implementation and enforcement remain.

8. **Significant climate finance gap.** Domestic budget resources for climate change are relatively modest, estimated at 5%-7% between 2021 and 2023, and are focused on adaptation. Mitigation-related budget allocations are only be able to support a small share of the NDC climate commitments, and the majority (72.29%) of the emissions target in the NDC is conditional on external financing and support yet to be mobilized. There are few estimates available on the comprehensive investment costs related to adaptation, and no clear strategy in place yet for how funds will be mobilized for climate priorities. In 2022, the government reported that 56 official development assistance (ODA) projects (22 loans and 34 grants) contributed to climate action and disaster resilience amounting to ₱164.17 billion.[13] Financing of climate action across local government units remains challenging due to a lack of a pipeline and persisting issues in LGU access to private financing sources. The People's Survival Fund is expected to play an important role in supporting LGUs and community organizations implement adaptation projects but will need to be scaled up by mobilizing more financing for poor and climate vulnerable communities. Greater efforts are needed to increase access to international public climate finance sources, including bilateral agencies and multilateral climate funds. Green financing from banks will remain an important source of funding for low-carbon projects. Carbon markets could support increased financing flows for climate action, especially as part of the rollout of Article 6 of the Paris Agreement.

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[10] Philippine News Agency.2024. *PBBM orders implementation of NAP 2023-2050 in 'high-risk' regions* 25 January.

[11] For the energy sector, for instance, the Philippines Energy Plan sets out a pathway to 2050. Finance sector decision-makers adopted the Philippines Sustainable Finance Roadmap in 2021, which sets out a harmonized vision and actions for the sector.

[12] The government has issued sustainability-related enabling regulations, promoted inclusive green finance, and invested in green bond funds. This agenda is complemented by issuance of a new set of rules and sustainable and responsible investment (SRI) funds, and rolling out of "Green Lanes" to speed up the process for obtaining necessary licenses and permits for green investments.

[13] Government of the Philippines, National Economic and Development Authority. 2022. *Official Development Assistance Portfolio Review Report 2022*.

C. ADB's Response to Climate Needs

9. **ADB climate finance for the Philippines.** ADB's lending operations across all sectors have increasingly addressed climate change and disaster risk reduction in the Philippines. In 2018–2023, ADB committed $5.8 billion in climate finance to the country from its own funds. The majority of this was mitigation finance ($4.58 billion) which went mostly to low-carbon transport investments, while the remainder ($1.2 billion) was adaptation finance supporting disaster resilience, flood protection and climate-smart agriculture development. ADB's climate operations in the Philippines make an important contribution to its overall climate finance targets. In addition, ADB's climate operations contribute significantly to international public climate finance received by the Philippines. Between 2019–2021, ADB was the second largest provider of climate-related development finance to the Philippines (~43% of climate-related ODA).[14]

10. **ADB's intended climate operations under the new CPS.** Under the CPS 2024–2029, ADB will aim to intensify climate action in the Philippines, and to mobilize $10 billion in climate finance to support the implementation of the NDC and NAP. ADB will address climate action at upstream (policy), midstream (institutions and planning) and downstream (projects and investment) levels, and will leverage strong relationships with implementing agencies to drive climate action in key sectors. Climate support will maximize opportunities to promote co-benefits for broader environmental sustainability (e.g. biodiversity and ecosystem management, pollution control and resource efficiency). Key policy reforms will be supported to enable strategic investments to strengthen the country's climate and disaster resilience, ensuring just transition and gender inclusion. Concessional climate finance will be mobilized to enable transformative investments, particularly for climate adaptation and biodiversity protection.

11. **Scale up adaptation efforts across all sectors.** Recognizing the lock-in of climate impacts for the Philippines, ADB will focus on strengthening adaptation and disaster resilience, linked to the priorities in the NAP, in the following areas:

a. **Continued focus on resilient infrastructure.** Early investment in adaptation, particularly for infrastructure sectors, will be critical to reduce the worst of expected climate losses. Through its investments in transport, agriculture, and flood protection ADB will ensure all infrastructure investments are resilient to climate shocks, underpinned by robust climate risk assessments using the best available scientific information. Where possible, infrastructure projects that support adaptation of communities and regions will be prioritized (i.e. flood management, watershed management, integrated urban solutions, climate-resilient irrigation systems), especially in the context of project preparation facilities. Systemic climate risk assessments for focused regions, infrastructure networks, and river basins will be carried out.

b. **Scaling up climate action in social sectors.** ADB will support transformative adaptation projects in the social sectors aligned with the NAP. Health sector investments will continue to build information, infrastructure and healthcare systems that are responsive to climate impacts, including changes to the frequency and nature of diseases and increasing heat stress. Support for employment and skills will help scale up green jobs creation and prepare for a just transition for workers. Social protection systems and expanding social safety nets will remain critical to reduce the vulnerability of local

[14] OECD DAC Creditor Reporting System: based on climate-related development finance data, climate components for multilaterals and principal Rio-Marker shares for bilateral providers

communities, including women and girls, to both acute climate shocks and long-term climate change impacts.

c. **Expanding support to management of natural capital on landscape and seascape ecosystems.** ADB will expand engagement through programmatic approaches to strengthen the enabling environment for nature-based solutions, building on extensive previous technical assistance.[15] This will include a focus on ecological corridors such as the East Asian-Australasian Flyway, as well as sustainable coastal and marine ecosystems development and the blue economy, aligned with ADB's Healthy Oceans' action plan.

12. **Promote low-carbon infrastructure, and a just transition.** ADB will help design, prepare and finance low-carbon investments to support NDC targets, with a focus on the energy and transport sectors and harnessing co-benefits such as air quality and health improvements. In the energy sector, ADB will support (i) policy reforms to unlock investments in green energy, (ii) planning for renewable energy projects, including ancillary infrastructure, and (iii) sovereign and nonsovereign investments in renewable energy. ADB will continue to focus on the scale-down of fossil fuels through the rollout of the Energy Transition Mechanism. Support for policy frameworks to develop a carbon market will also be rolled out. In the transport sector, ADB will continue to design and prepare flagship projects that support NDC delivery (e.g. urban mass transit, public transport system development) and assist in the development of a decarbonization plan for the sector.

13. **Advance policy reforms to enhance climate ambition.** ADB will leverage its strong policy-based lending program to the policy, regulatory and institutional environment for climate action in the Philippines. Crosscutting climate, disaster risk management and environmental sustainability-related reforms will continue to be driven by multi-year, systematic policy dialogue through flagship climate policy-based loans and contingency disaster risk financing instruments. Climate-resilient fiscal planning and management will be built into public financial management, domestic resource mobilization and other related policy programs. ADB will work with oversight bodies to integrate NDC implementation plan and NAP into infrastructure planning and investment, followed by support for specific sectors to identify and develop sector-specific adaptation pipelines. ADB will also support the formulation of a long-term climate and development strategy and address institutional and governance challenges, including the development of a national approach on just transition.

14. **Mobilize climate and transition finance.** ADB will aim to mobilize concessional climate finance, both through ADB-managed trust funds, ASEAN Catalytic Green Finance Facility, Urban Resilience Trust Fund and the Community Resilience Partnership Facility, as well as from the private sector and bilateral and multilateral sources. Supporting access to the Global Environment Facility, the Climate Investment Funds and the Green Climate Fund will remain a key focus. ADB will support the government craft financing strategies for NDC and NAP to better develop plans and pipelines that could access climate funds.

15. **Areas of collaboration with partners.** ADB will build on and strengthen partnerships with development partners and knowledge partners to scale up its climate work. Financing partnerships with key climate financiers through ADB-administered programs, such as the Green

[15] ADB has supported this area through technical assistance, pilot projects and building the information base on biodiversity and natural capital management, including through flagship programs supported by the Global Environment Fund.

Climate Fund-supported ASEAN Catalytic Green Finance Facility and Community Resilience Partnership Facility, will be key in scaling up concessional financing. Policy dialogue on climate change will be coordinated with key partners like the Global Green Growth Institute and United Nations Development Programme.

CLIMATE CHANGE INVESTMENT PLAN

	Strengthening Human Development	Boosting Economic Competitiveness and Quality Infrastructure	Scaling Up Nature-Based Development and Disaster Resilience
Upstream (policy)	• Reforms to advance adaptation action in health and social sectors	• Policy and regulatory reforms to support climate-resilient fiscal planning (carbon taxes, green budgeting) and greening of the financial sector • Policy and regulatory reform for renewable energy and energy transition	• Policy and regulatory reform for 'core' climate & environmental policy (sustainable blue economy, air quality, biodiversity conservation, environmental safeguards), climate finance and disaster risk reduction and management
Midstream (institutions and planning)	• Institutional reforms and adoption of a national approach for just transition • Planning for adaptive and shock responsive social protection	• Regulations and standards for climate-smart infrastructure • Climate-smart infrastructure pipeline development and project preparation, including public sector and PPP	• Institutional reforms for coordination of climate action across government • Investment planning and financing strategies for NDC implementation plan and National Adaptation Plan • Development of carbon markets, preparation of blue investments
Downstream (projects)	• Adaptation investments in community resilience through social protection programs • Investments in climate-resilient schools and healthcare facilities	• Low-carbon infrastructure investments (mass transit & urban mobility, green transmission, renewable energy) • Investments in climate-resilient transport networks	• Adaptation investments in nature-based solutions (flood protection, regional flyways, and sustainable agriculture) • Post-disaster assistance and investments in disaster resilience (including through contingent disaster financing)

Note: 'Upstream' refers to policy-level, 'Midstream' refers to the level of institutions and planning, and 'Downstream' refers to project or investment-level. This is defined as per the ADB Climate Change Action Plan.
Source: Asian Development Bank.