

Accelerating Green and Climate Finance in the Philippines: Nature Based Solutions (NBS)

Highlights of the Virtual Pre-Local Project Appraisal Committee (LPAC) Meeting

20 May 2022

Preliminaries

Mr. Edwine Carrie, UNDP Deputy Resident Representative, acknowledged and welcomed the agency representatives to the pre LPAC meeting. It was attended by representatives from the Department of Finance (DOF), Climate Change Commission (CCC), Banko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Banker's Association of the Philippines (BAP), Private-Public Partnership Center (PPPC), Department of Environment and Natural Resources (DENR) – Office of the Undersecretary of Finance, Climate Change and Information Systems, Climate Change Service (CCS) and Foreign Assisted and Special Project Service (FASPS). He also thanked the DOF, led by Asec Paola Alvarez and Asec Neil Cabiles for organizing the meeting. He mentioned that Canada has approved the funding for this Project, based on the Project Document that was produced from the series of consultations that were held with agencies and other stakeholders.

The list of participants is in Annex A.

Ms. Thess Espino-Yap explained that the meeting aims to: to gather insights as well as additional comments on the Project Document based on the previously conducted consultations; and ensure all remaining concerns are addressed before the LPAC meeting.

Discussion on the LPAC Process

Ms. Thess Espino Yap provided the LPAC process, highlighting that based on UNDP procedures, this is organized between project approval and Inception Workshop. As agreed with DOF, the LPAC is scheduled on May 24, while the Inception Workshop is to be held on May 30-31, 2022.

The LPAC represents the revalidation of all the inputs gathered during the multi stakeholder consultations conducted during the project preparation phase. During the LPAC, it is important to document the expression of commitment and support from key national government agencies/LPAC members to the Project.

The LPAC will look at the different dimensions of the Project, and will cover relevance, feasibility, environmental and social impacts, commitment, accountability, cost effectiveness, gender and inclusion, and sustainability.

Following the LPAC, it would be important to approve the LPAC documentation (via e mail from the participants), and to provide comments on the Quality Assurance report.

Ms. Eleazar (UNDP) added that it would be important for members to prepare their comments and suggestions on the LPAC criteria following the pre LPAC discussions.

The LPAC presentation is attached as Annex 2.

Ms. Pinky Padronia of BAP inquired if the Department of Energy (DOE) would also be invited to join the LPAC as one of the NGA members. She emphasized the importance for DOE to be

represented since the project would be tackling climate finance and it would be critical if policy directions under DOE are also considered in the assessment.

Ms. Eleazar responded that the DOE is not yet involved in the project. She clarified that although it is ideal for the climate finance project to encompass as many NDC sectors as possible, it wasn't possible to do so as the current donor's focus is on nature-based solutions. However, she explained that Components 1, 3 and 4 would be sector neutral. Thus, as further review is conducted on Project Design, an opportunity may be identified for DOE to play a role. This will be considered as implementation progresses.

Review of Project Design

Ms. Eleazar stated that the original project design aimed to cover as many NDC sectors as possible, to be funded by multiple donors who have initially expressed interest in the concept. Unfortunately, it became clear that it would be too challenging to have a number of donors participate in one project at the same time, given the varying time frames for review and approval, programming cycles, and distinct priorities. It was then decided to proceed with the Canadian funding first, which was ready at the time, with focus on NBS, based on the interest of the donor. She clarified though, that UNDP is not losing sight of the ambition that a similar project could eventually be established that would cater to multiple NDC sectors.

A copy of the Project presentation is attached as Annex 3.

Open Forum

On the roles of the various sectors and the technical support that would be provided by the project

Stating that the ultimate goal is to prepare everyone for a future that would be aiming towards climate resilience, and sustainable investments, regardless of who the administration would be; Ms. Paola Alvarez requested for information on how the project intends to facilitate the technical support for each of the different sectors (e.g., private sectors and SUCs).

Ms. Alvarez remarked that she wants to understand what would be required of them in the future so they can also prepare and be adequately equipped to provide assistance. Moreover, for the PPPC and the project preparation process, to help assess and look into the needs of the sectors in order to be able to effectively move forward.

Ms. Alvarez added that she understands that technical assistance would not only be specifically coming from the UNDP and that the future direction is to tap different actors too.

Citing the SEC's active participation, she then suggested running through their work program and look into how their existing activities would tie up with the overall initiative of the project. Ms. Alvarez emphasized its importance since the ultimate goal of the project is to fill-in the gaps and to prepare each of the government sectors to move forward.

Ms. Eleazar acknowledged Ms. Alvarez's insights and stated that agency-specific work plan is envisioned to be developed, to translate the ProDoc into specific activities and budgets.

Ms. Eleazar added that following the LPAC endorsement of the ProDoc, there would be an Inception Workshop to establish a common understanding of the project among the various sectors (i.e., roles, responsibilities). Moreover, the project would be working with specific agencies on the different sets of activities that were identified in the work plan as well as the budget needed to implement the activities.

On the roles of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC)

Ms. Pinky Padronia of BAP remarked that the involvement of those in the private sector should be in close coordination with the BSP, which is their regulator.

Ms. Padronia added that there is already an existing regulatory framework and that it is important to make sure that policies and directions are consistent with all other existing policies as well as to closely coordinate with the private sector and the Philippine financial institutions (i.e. with the BSP as well as the SEC) because the SEC also has their own requirements and regulations especially in terms of guidelines for the issuing of bonds as well as other related ESG and climate-related financial products.

Ms. Eleazar supported Ms. Padronia's statements and responded that the UNDP had conducted several consultations with the BSP and SEC in the past. She also agreed on the importance of making sure that the project is aligned with current policies, as well as able to contribute to the strengthening of capacities, which were articulated in the ProDoc.

Mr. Edwine Carrie of the UNDP acknowledged the importance of the insights of the partners. In response to the points that were raised by Ms. Alvarez and Ms. Padronia, he stated that these would be considered in the inception and implementation stage of the project. He also agreed that capacity building is very important as well as to be able to fill in the needs and gaps. Moreover, to ensure the continuity of the project, he noted that it is necessary to be very conscious of the way forward and practicality of the initiatives.

Mr. Carrie then remarked that he finds the project to be very innovative and a "dream project" (i.e., public-private partnership, specifically on the involvement of the private sector in innovative financing). He also expressed that he looks forward to a stronger engagement between government and UNDP.

On the Project's allocation of funds for initiatives and activities

Ms. Emma Valencia of SEC asked whether the project would also be covering the businesses and the issuers of securities other than financial institutions. She shared that for the supply side, the SEC is also looking at ways on how to encourage several businesses to issue sustainable securities. She then acknowledged that there is limited awareness among corporations and businesses when it comes to issuing sustainable securities. On the other hand, for the demand side, she stated that the investors are also not that aware on the importance of investing in this kind of security. Ms. Valencia then inquired if the project would also be able to cover these areas.

Ms. Eleazar responded that based on their research and discussions with various groups, they were able to see the need to improve advocacy initiatives and to strengthen the knowledge of various stakeholders including the issuers and the investors. She mentioned the capacity assessment component that would be undertaken by the project, which could be discussed with the SEC especially on what could be the focus of the assessment as well as on the details of the implementation and specific activities. As an example, Ms. Eleazar suggested that the focus could be on the more strategic groups that could help create an impact and influence so that more investments are mobilized for priority types of projects.

Under the project's Component 3, Ms. Eleazar stated that the plan is to undertake an assessment of capacities of certain players in the financial market, which would provide key information on how to connect with various training institutions and on how they would be able to redirect their capacity building activities to meet this demand.

Ms. Eleazar also clarified that they would focus on the linking, leveraging, and mobilizing of partners rather than directly using project funds to invest in programs and/or activities.

In particular, Ms. Eleazar stated that the Project will not finance specific projects but would facilitate investments by certain impact investors or come up with some blended instruments that can be funded from various sources (i.e., leverage investments from various sources). Ms. Eleazar stated that the selection process would be in terms of effectiveness of finance instruments to address NBS, investments identified through the PPC as well as through the Project's Component 2 which will develop innovative finance mechanisms.

Mr. Carrie stated that there are two (2) ways to address the uncovered areas in the project. First is to look into whether these key areas could still be accommodated or addressed by the Project's budget, and second, should it not be possible, to look for ways on how to mobilize additional resources. However, he clarified that for both cases, it is important to have an overall view of the activities that are most critical or necessary to be included either at this point of the project or if we need to mobilize resources or expand on the scope of the project.

Mr. Carrie added that the good thing is that after the Project's Inception, there is further opportunity to completely finalize and refine some of the activities as well as to have a clear sense on whether there is a need to mobilize additional funds.

On the Partners' Expression of Support and Commitment to the Project

Ms. Shiena Angela Aquino of SEC requested clarification on whether the expression of support being expected of them is more of in the "general" sense, since there are no specific activities lined up yet. In particular, she explained that any statement of support from their side would be limited to the general objective of the project. Moreover, for the individual activities that would be undertaken in relation to their respective mandates, there would be another document such as a Memorandum of Agreement (MOA).

Ms. Eleazar responded that a more specific work plan with a formal model or framework establishing definitions of activities would be developed. In the said work plan the following would also be looked into: specific outputs that have been identified in the project, necessary support for them, resources and capacities needed to achieve the broader objective of the project as well as the results and desired targets.

Ms. Aquino thanked Ms. Eleazar and stated that all the activities that they would undertake have to be approved by their Commission En Banc. Thus, for the project, they would give a general statement of support for the activities that would be approved by the SEC's Commission En Banc.

On the importance of Conducting a Survey among the Stakeholders

Ms. Alvarez suggested that the UNDP could conduct a survey among the different stakeholders in order to get their inputs on the specific concerns that they have, which could also be incorporated in the Project's final proposal that would be presented during the LPAC Meeting. Ms. Alvarez stated that it would also be beneficial in addressing existing concerns as well as identifying which areas cannot be funded and on how to move forward.

Mr. Carrie supported this suggestion.

On the Role of the Bangko Sentral ng Pilipinas (BSP; Central Bank of the Philippines)

Ms. MC Desquitado of BSP emphasized that while they are yet to submit their initial comments and inputs, she stated the importance for proposed project activities to be in line with their

existing efforts. She suggested that the project could look into their many existing relevant initiatives that are related to sustainable finance and other climate-related initiatives since resources have already been allocated to these. It is also important to make sure that the inputs that the Project would be providing would be able to contribute to closing the gaps among the ongoing initiatives.

Ms. Desquitado also remarked on the need to find a spot where the project would not only be able to provide impact response but also be able to onboard the banking industry in its efforts. Lastly, Ms. Desquito stated the need to align initiatives with the existing regulations and with the BSP's mandates.

Ms. Eleazar stated that the project would really welcome BSP's guidance in sharpening its focus so that it could fill in the gaps (e.g. the BSP could support and help strengthen the implementation of sustainable finance framework). Ms. Eleazar then expressed gratitude and stated that she looks forward to receiving the insights and inputs from the BSP during the LPAC and Inception Workshop.

On coordination with other development partners

Mr. JC de Leon from the SEC asked if there was prior coordination with other development partners. He mentioned that there are a lot of available support especially in terms of technical assistance in the areas of sustainable finance. As an example, he shared that when the SEC developed the green bonds standards, sustainability bonds standards, and social bond standards, they were able to receive a lot of support from development partners. Mr. de Leon acknowledged that there is a "sensitivity" when it comes to development partners especially on whether there might be overlaps on projects that would be covered.

Mr. de Leon remarked that when he was reading the ProDoc he noticed that there's a section on "redevelopments". He then inquired whether the project would include some sort of impact evaluation in its initiatives.

Sharing that the SEC started working on sustainable finance and climate initiatives as early as 2016 and there were few mentions of efforts with other national government agencies, Mr. de Leon suggested that the project also conduct an evaluation exercise on these existing implemented initiatives in order to determine the gaps that need to be addressed to efficiently mobilize the funding from the donors.

Ms. Eleazar responded that the UNDP have discussed with a number of development partners (e.g., ADB, World Bank, UK, among others) who also expressed interest. However, Ms. Eleazar stated they would appreciate if the SEC can let them know if the project proposal's outputs and activities overlap with what SEC already have so the ProDoc can be better aligned with related initiatives and make sure that they are not overstepping or duplicating anything. She welcomed other additional inputs to strengthen the relevance of the Project with priority needs given the developments that have taken place since project preparation.

On the suggested assessment, Ms. Eleazar stated that it is something that the project could work out with SEC.

Ms. Eleazar noted that the initial discussion about the project, particularly for Component 4, is to review the extent of compliance as well as on whether companies are having difficulties in complying with the ESG.

Moreover, Ms. Eleazar emphasized the value of tapping into the broader capital market and exploring other available metrics that could contribute to an increase in the reporting requirements that would comply with international standards. She then stated that being able

to do so would enable the Philippines to attract more investments since these are what investors are looking for.

Ms. Eleazar invited SEC to share further specific inputs.

Ms. Padronia of BAP stated that after she double-checked the ProDoc, and confirmed that the capacity building for financial institutions is described under Component 3. She remarked that the project is a valuable opportunity to bring the corporate issuers and corporate borrowers “into the fold” (i.e., into the sustainability and climate resiliency initiative). Although banks are already in that “sphere” (e.g., the BSP have already issued circulars), Ms. Padronia clarified that they cannot specifically impose to the borrowers that they should borrow or incorporate certain strategies if their own corporate governance (i.e. in their own boards) are not embracing it. She then stated that it would be more impactful if the “other side” would also be into this space to ensure that material impact would be attained.

Ms. Padronia shared that the BAP had been conducting several discussions and identified Mr. Ed Tiongson as their strong partner in ESG. As an example, she stated that they have partnered with WWF on various activities that aim to bring into the fold the banking industry through a comprehensive implementation to encourage their member banks to comply.

Ms. Padronia emphasized that although these players are complying with the requirements of the BSP, it is also important for the corporate sector, starting with the corporate borrowers, to also be conscious of key concerns/components (i.e., gender-sensitivity, climate resiliency, sustainability, etc.) when they apply for a project finance or loan so they could already incorporate these concerns in their project proposals. She continued that it would also be inefficient in the financial intermediation if it would be the bank that would be the one to tell the borrowers to input these concerns. Moreover, it would be more costly for the borrowers who might get disinterested because it would have additional costs. Hence, there is the need to already start providing capacity, knowledge and information through the corporate borrowers.

For the issuers, Ms. Padronia remarked that the same approach should be applied. Ms. Padronia stated that arranging certain issuances would have a cost because they are taking the risk. However, if the issuer themselves are already on-board it would then be easier and more efficient for everyone. Hence, initiatives should also focus on minimizing financial intermediation costs and on ways to make it more attractive for borrowers and issuers.

In terms of capacity building, Ms. Padronia stated that the industry is willing to share their experience on education and training to corporate partners. As an example, she remarked that even during the peak of the pandemic, they have been bombarding their partner banks with capacity building interventions.

However, Ms. Padronia emphasized that although “we grow at the same time” it is important to note that the pace for each sector may be different since some are already in that growth mode (e.g., members of the financial sector have been integrating sustainability in their own governance frameworks).

Ms. Eleazar acknowledged Ms. Padronia’s suggestion and stated that this is something that could be looked at in defining the scope of the capacity assessment and on how the design of this activity could be sharpened to be more strategic.

Insights from PPPC

Ms. Lisa Jacinto expressed that they have no further comments on the program proposal but are very much looking forward to the project since it is aligned with the resiliency efforts of the PPPC.

Referring to the ProDoc, Ms. Jacinto stated that there is an ongoing effort to prepare the guidelines for implementing PPPs in protected areas (PAs). Hence, this Project would help them to move forward and proceed with the two (2) bankable pilot project projects in PAs.

Ms. Jacinto shared that this Project aligns with a related initiative on LGU resiliency. In particular there is an ongoing initiative with DENR on risk resiliency program that aims to come up with an investment portfolio for LGUs for risk resilience. She then expressed hope that these initiatives would also benefit from the project.

Ms. Eleazar stated that the EU is also eyeing partnership with the PPPC for circular economy models, which could in the future, be linked to the expanded scope envisioned in the original concept.

Ms. Eleazar remarked that it is possible to expand the scope of the project to cover other sectors depending on the appetite of the development partners, which they have indeed specified in the initial consultations.

Closing Remarks

Mr. Carrie expressed appreciation for the partners' support for the project as well as their strong substantive participation in the pre-LPAC meeting.

Emphasizing that the objective of the event was successfully achieved (i.e. to have a common understanding of what the project currently proposes and look into how to improve or move forward), Mr. Carrie stated that the partners have been providing very good guidance on how they would like to take the project in terms of finalizing it, on how to start with its implementation as well as the type of analysis that will be prioritized (i.e. capacities, gaps, implications of the strengthened participation of the development sector).

Mr. Carrie also praised the excellent comments that were raised. He then stated that it is just as important to be able to tie all of these together in the ProDoc, whether it be in its current version or in the moving forward stage after the inception phase.

Lastly, Mr. Carrie invited everyone to the LPAC meeting and encouraged all to share further comments, which he stated would be duly noted, incorporated, and analyzed in the final version of the project.

As a final comment, Ms. Eleazar requested everyone to share their thoughts and participate during the LPAC Meetings so these could be properly documented.

Post Pre-LPAC

After the Pre-LPAC meeting, DENR and PPPC sent their letters of support for the Project through DOF. Both agencies indicated that they did not have further comments on the Project Document (ProDoc). NEDA also sent a letter to DOF which mentioned that the proposed project is responsive to the strategic priorities of the Updated Philippine Development Plan (PDP) 2017-2022 and the Sustainable Finance Roadmap. They also provided comments and recommendations to enhance the ProDoc.

Letters are attached in Annex 4

Annex 1: List of participants

	Organization	Last Name	First Name	Sex
1	Department of Finance	Alvarez	Paola	F
2	Department of Finance	Cabiles	Neil	M
3	Department of Finance	Minimo	Donna	F
4	Department of Finance	Tac-an	Willa	F
5	Department of Finance	Torres	Marius	M
6	Department of Finance	Lontok	Genevive	F
7	Climate Change Commission	Mateo	Ernest	M
8	Climate Change Commission	Pineda	Kysia	F
9	Banko Sentral ng Pilipinas	Desquitado	Ma. Ciefriel	F
10	Banko Sentral ng Pilipinas	Brazil-De Vera	Rhodora	F
11	Public-Private Partnership Center	Zafe	John Dominic	M
12	Public-Private Partnership Center	Jacinto	Lisa Marie	F
13	Bankers Association of the Philippines	Padronia	Pinky	F
14	Securities and Exchange Commission	Espiritu	IZA	F
15	Securities and Exchange Commission	Valencia	Emma	F
16	Securities and Exchange Commission	Aquino	Shiena Angela	F
17	Securities and Exchange Commission	De Leon	John Cedrick	M
18	Securities and Exchange Commission	Salido	Jaynel	M
19	Securities and Exchange Commission	Bries	Avril	F
20	Securities and Exchange Commission	Ferrer	Krizia	F
21	Department of Environment and Natural Resources	Noble	Diana	F
22	Department of Environment and Natural Resources – Climate Change Service	Nool	Susan Rooth	F
23	Department of Environment and Natural Resources – Climate Change Service	Legaspi	Ma. Theresa	F
24	Department of Environment and Natural Resources – Climate Change Service	Matubis	Mel	F
25	Department of Environment and Natural Resources – Foreign Assisted and Special Projects Service	Soriano	Eda	F
26	United Nations Development Programme	Carrie	Edwine	M

27	United Nations Development Programme	Eleazar	Floradema	F
28	United Nations Development Programme	Espino-Yap	Ma. Theresa	F
29	United Nations Development Programme	Ablaza	Clariza Denise	F
30	United Nations Development Programme	Hodder	Jonathan	M
31	United Nations Development Programme	Hallili	Riza Teresita	F

Annex 2 and 3 Presentation Materials



Climate Finance PH for NBS (Accelerating Green and Climate Finance in the Philippines: Nature Based Solutions)

Pre-LPAC Meeting
20 May 2022

Agreements with DOF

- Pre-LPAC meeting: May 20
- LPAC meeting: May 24
- Inception Workshop: May 30 to 31

AGENDA OF LPAC MEETING

Opening message	LPAC Chair
Brief presentation covering key areas of the project	Climate Action
Summary of points raised during stakeholder consultations	Climate Action
Open discussion	LPAC Chair to facilitate
Recommendation of the LPAC <ul style="list-style-type: none">- Approve- Approve with qualifications- Disapprove	LPAC members
Closing message	Representatives of the Implementing Partner or main Government Partner



LPAC Guide

Local Project Appraisal Committee (LPAC)

- UNDP convenes LPAC to appraise projects; the primary responsibility of the LPAC is to **assess the quality of the proposed project against UNDP's quality standards for programming.**
- The process directly supports the UNDP Administrator's accountability for approval of programme activities.
- **LPAC is established to review the design of a project for relevance, feasibility, sustainability and over-all quality assurance; provides recommendation to the UNDP on its approval or rejection.**

LPAC Members

LPAC		Roles
Chair	Dr. Selva Ramachandran, UNDP Resident Representative	
Members	DOF, CCC, DENR, NEDA, BSP, SEC, PPPC	To recommend approval or rejection (validation) of the Project

LPAC Checklist

LPAC Areas	Guide Questions
<p>Relevance <i>Whether or not there is a consensus on the problem being addressed and the results the project intends to produce; and whether the proposed project is a priority for Government and UNDP</i></p>	<p>Is the problem real? Are the proposed solutions apt? Will this project serve a priority concern of the Government? Will this project serve a priority concern of UNDP? Will the project serve priority concerns under international documents whereof the Philippines is a Party?</p>

LPAC Checklist

LPAC Areas	Guide Questions
<p>Feasibility</p> <p><i>Whether or not the project strategy will present a credible approach towards intended results</i></p>	<ul style="list-style-type: none">• Are the targets realistic?• Will the project strategy get its intended result within the time frame and the budget?• Are these the best strategies at hand?

LPAC Checklist

LPAC Areas	Guide Questions
<p data-bbox="341 475 843 572">Environmental and Social Impacts</p> <p data-bbox="341 586 891 779"><i>Whether or not any potential environmental and/or social impacts and opportunities have been adequately addressed</i></p>	<ul data-bbox="973 576 2109 1168" style="list-style-type: none">• What are the possible positive social impacts of this project?• How can these positive social impacts be harnessed?• What are the possible negative social impacts of this project?• How can these negative social impacts be managed or avoided?• What are the possible positive environmental impacts of this project?• How can these positive environmental impacts be harnessed?• What are the possible negative environmental impacts of this project?• How can these negative environmental impacts be managed or avoided?

LPAC Checklist

LPAC Areas	Guide Questions
<p>Commitment</p> <p><i>Whether there is evidence that all concerned parties are committed to implementation of the project and whether the selected implementing partner is the best choice for the work to be done</i></p>	<ul style="list-style-type: none">• How do we measure the commitment of the parties to project implementation? What soft and hard technologies should be used to do this?• Who is the implementing partner? How was it chosen?• Does the selection process ensure that the implementing partner is the best choice for the work to be done?

LPAC Checklist

LPAC Areas	Guide Questions
<p>Accountability <i>Whether or not the proposed management and implementation arrangements clearly articulate accountabilities and roles and responsibilities</i></p>	<ul style="list-style-type: none">• Are accountability/communication lines clear and logical?• How can/may the gaps, if any, be closed?• Are all concerned sectoral groups represented?• Will it give voice to the voiceless?• Will it optimize learning?

LPAC Checklist

LPAC Areas	Guide Questions
<p>Cost Effectiveness</p> <p><i>Whether the project/annual work plan is designed to be cost effective and whether it promises to yield good value for money</i></p>	<ul style="list-style-type: none">• Is the project cost-effective?• Will the plan likely to result in good value for money?• Are the targets likely to add value to the intents of the project?

LPAC Checklist

LPAC Areas	Guide Questions
<p data-bbox="392 475 861 518"><i>Gender and Inclusion</i></p> <p data-bbox="392 539 975 775"><i>Whether or not the gender equality aspects are thoroughly considered by the project developer.</i></p> <p data-bbox="392 789 983 1089"><i>Whether or not all relevant stakeholders consulted and are the relevant interventions catering to their needs</i></p>	<ul data-bbox="1026 539 2175 646" style="list-style-type: none"><li data-bbox="1026 539 2175 646">• Are gender mainstreaming strategies appropriate and feasible?

LPAC Checklist

LPAC Areas	Guide Questions
<p>Sustainability <i>Whether the project results will be sustained with the capacity to be developed</i></p>	<ul style="list-style-type: none">• What are the foreseen results of this project?• What capacities will/can be developed through this project?• Will the capacities to be built lead or likely to lead to the sustainability of the project results?• In what sense or under what conditions will these capacities lead to sustainability?

Endorsement of ProDoc and Annexes

Next Steps

- ✓ Approval of LPAC Documentation (via email)
- ✓ Comments on Quality Assurance Report



Thank you very much.

Accelerating Green and Climate Finance in the Philippines: Nature-Based Solutions

May 2022



- Project Title: **Accelerating Green and Climate Finance in the Philippines: Nature-Based Solutions**
- Project Implementation Period: June 2022 to December 2025
- Project Budget: CDN 4,500,000 or USD 3,509,850
- Funding Agency: Department of Foreign Affairs, Trade and Development of Canada
- Implementation Modality: Direct Implementation Modality (DIM) with partnerships with key National Government Agencies

Project Snapshot

Stakeholder Consultations (April to May 2021; October to November 2021)

Government	DoF, CCC, BSP/Central Bank, SEC, DENR, DOE, PPP Center, DTI, DOST, NEDA, Board of Investments
Private Sector	Bankers Association of the Philippines, Association of Development Financing Institutions in Asia and the Pacific, DBP, PCCI, Clime Capital, RCBC, Land Bank, ItalPinas, Phil EE Alliance, EDC, Allotrope Partners, Ayala Corp., BPI, Phil Business coalition for Women Empowerment
CSOs	Eco Business, CPI, WWF, Blue Alliance
Development Partners	UK/FCDO, WB, GIZ, ADB, IFC

Challenges

- Warming temperatures cause more severe tropical cyclones
- Disasters cost USD 1.6B annually
- AAL from multiple hazards equal 69% of social expenditures and 14% annual capital investments
- Vulnerability to natural hazard induced disasters key obstacle to doing business and investing in the country (WEF)
- Not a significant GHG emitter but has huge adaptation needs
- Women most at risk and affected by worsening climate
- COVID affected women and informal sectors greatly, MSMEs, resulted in 9.6 % contraction of economy in 2020

**The
Philippines: a
high-risk
country**

Financing NBS and Climate/NDC

PBSAP Funding Gap (2015-2028)

- Annual financing gap per year for full PBSAP implementation: **Php19 billion (USD380 million)/year**

NDC

- 0.2 – 0.6% of annual GDP for adaptation; plus 0.6% of GDP for mitigation (ADB)
- funding gap of **USD 3.72 Billion** for climate related investments (WRI, 2015)



The Philippines: a high-risk country but offers potential for investments

Investment Potential

- USD 82 T, 4.4 M new jobs (Better Business Better World-Phil)
- USD 115 B climate smart business investment potential of INDC (IFC)
- USD 3 T in green finance opportunity in ASEAN (ADB)
- USD 323 M private sector opportunity in agriculture, NDC actions
- Philippines' 3rd largest issuer of green bonds in ASEAN region in 2020

Enablers

- CB Sustainable Finance Framework/Green Force
- Sustainable Finance Roadmap and Guiding Principles
- SEC Guidelines on Environment and Sustainability Reporting
- Green Jobs Act

How to Seize Opportunities and Redirect Capital Flows to Green and Climate Finance

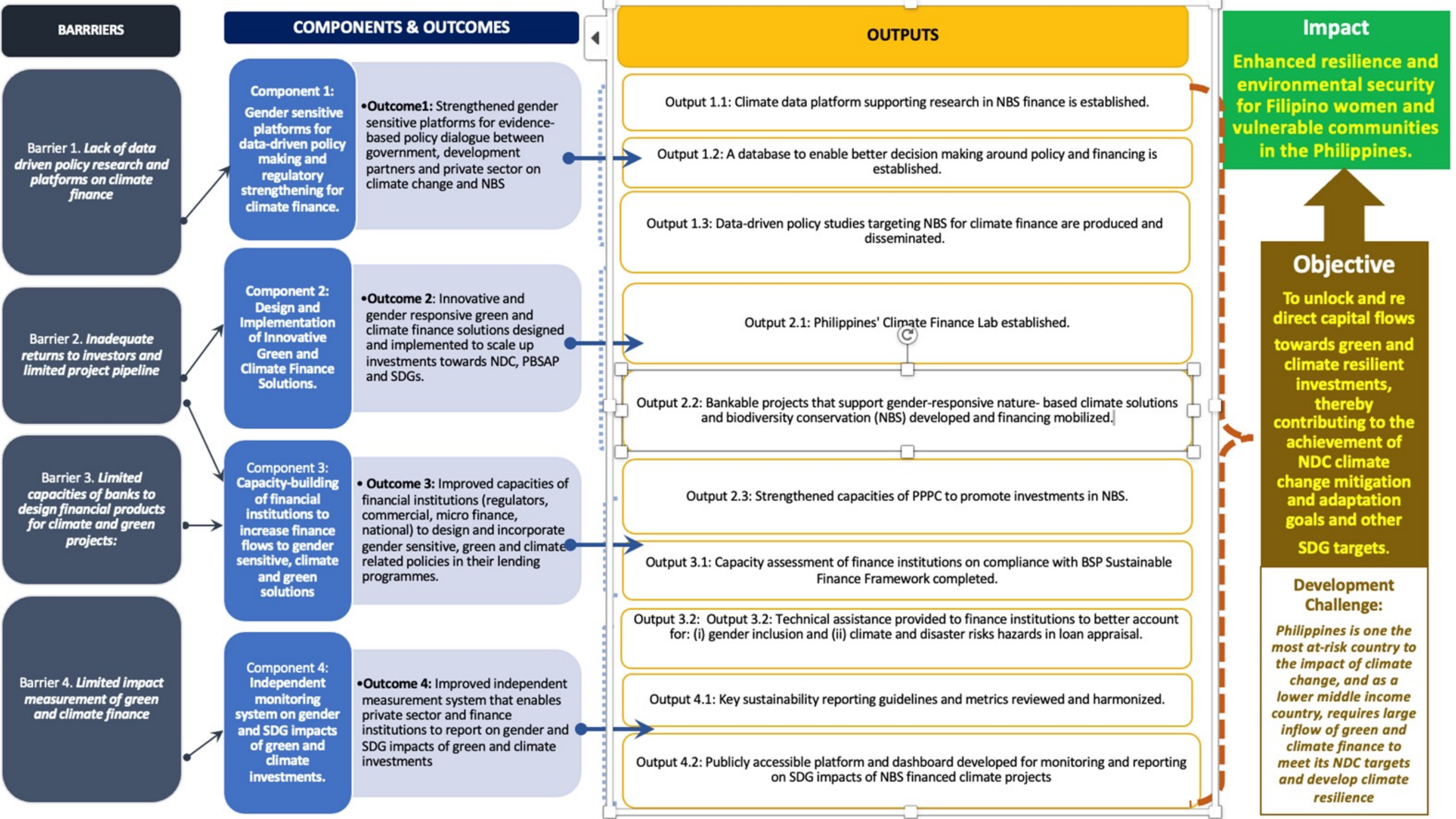
Impact: Climate resilient Filipinos and economy

Goal: Unlock and redirect capital flows towards green and climate resilient investments thereby contributing to achievement of NDC, PBSAP and SDG targets

Objective: Increased private sector investments in gender responsive green and climate resilient technologies, innovations, practices and approaches in support of a just transition to resilient and low emission development, that protects the rights of all affected and at risk

Key Results

1. Strengthened platforms for evidence-based policy dialogue between government, development partners and private sector
2. Innovative and gender responsive green and climate finance solutions designed and implemented to scale up investments towards NDC, PBSAP and SDGs
3. Improved capacities of finance institutions to design and incorporate green and climate related policies
4. Independent SDG impact monitoring in place



Project Output Indicators

Output 1 Indicators	Output 1 Targets
Number of NBS finance research supported through the platform	Three
Number of gender disaggregated data sets linked to the data warehouse	At least three
Number of evidence-based policy briefs on NBS produced and advocated	Three

Output 2 Indicators	Output 2 Targets
Number of gender responsive NBS financing instruments launched through The Lab in the Philippines	Three
Number of gender-responsive NBS bankable projects developed	Three
Number/amount of financing mobilized for gender-responsive NBS projects	To be determined
Number of protected areas with gender sensitive PPP business cases developed	Two
Number of Procedures and guidelines adopted by PPC for promoting investments in NBS	Two

Output 3 Indicators	Output 3 Targets
Number of training institutions adopting recommendations of capacity needs assessment	Three
Number of banks incorporating gender considerations and applying Georisk and Hazard Hunter in loan appraisal	At least 10

Output 4 Indicators	Output 4 Targets
Number of ESG/SDG impact tools/guidelines and metrics reviewed and customized in Philippines context	Six guidelines/metrics reviewed
Number of users (gender disaggregated, entities) accessing dashboard for monitoring and reporting on SDG impacts of NBS finance climate projects	Increasing once dashboard is in place

Immediate and Intermediate Results

Outcome 1 - Strengthened gender sensitive platforms for evidence-based policy dialogue between government, development partners and private sector on climate change and NBS

Intermediate	Improved effectiveness of gender-sensitive climate finance platforms for evidence-based policy dialogue between government, development partners and private sector in the Philippines
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Immediate	Strengthened gender-sensitive platforms for evidence-based policy dialogue between government, development partners and private sector on climate change and NBS
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Outcome 2 - Innovative and gender responsive green and climate finance solutions designed and implemented to scale up investments towards NDC, PBSAP and SDGs.

Intermediate	Increased access to innovative and gender responsive green and climate finance solutions that will support bankable nature-based climate solutions and biodiversity conservation projects, and will scale up investments towards NDC, PBSAP and SDGs.
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Immediate	Innovative and gender responsive green and climate finance solutions designed and implemented to scale up investments towards NDC, PBSAP and SDGs.
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Immediate and Intermediate Results

Outcome 3 - Improved capacities of financial institutions (regulators, commercial, micro finance, national) to design and incorporate gender sensitive, green and climate related policies in their lending programmes.

Intermediate

Improved overall lending practice and behaviour of financial institutions in incorporating gender-sensitive, and green and climate-related policies in the Philippines.

Immediate

Improved capacities of financial institutions (regulators, commercial, micro finance, national) to design and incorporate gender-sensitive, green and climate related policies in their lending programmes

Outcome 4 - Improved independent measurement system that enables private sector and finance institutions to report on gender and SDG impacts of green and climate investments

Intermediate

Improved reporting on gender and SDG impacts of green and climate investments by private sector and financing institutions in the Philippines.

Immediate

Improved independent measurement system that enables private sector and finance institutions to report on gender and SDG impacts of green and climate investments

Partnerships and Stakeholder Engagement: South-South and Triangular Cooperation; Knowledge Management

Green Force

ITSF

BSP

SEC

PPPC

DTI

CCAM-DRR
Cabinet
Cluster

BAP

Dev Partners

Project Contributions To:

Sustainable Finance Road and Sustainable Financing Principles

Sustainable Finance Framework

Sustainability Reporting Guidelines for PLCs

Philippine Biodiversity Strategy Action Plan

NDCs

Risks and Management Measures

Risks	Mitigation Measures
<p>Risk 1. The impacts of COVID may have negative impacts on the appetite of investors for green and climate projects.</p> <p>Risk rating: SUBSTANTIAL</p>	<ul style="list-style-type: none"> - Monitoring of trends and flow of private investments - CO study on green recovery to feed into the Project’s advocacy work - Blended financing with LGUs to de-risk private sector investments - Existing CPI network; tapping other existing impact investment vehicles
<p>Risk 2. There may not be enough impact investors who may be attracted to invest in community NBS bankable projects</p> <p>Risk rating: SUBSTANTIAL</p>	<ul style="list-style-type: none"> - Stakeholder engagement through CPI - Emerging global and Philippines’ strong innovation ecosystem - Establishment of the Lab to design new or blended financing mechanisms - Conduct of capacity-building activities - Mapping of impact investors - Collaboration with PPPC

Risks and Management Measures

Risks	Mitigation Measures
<p>Risk 3. Private sector partners are not thoroughly vetted resulting in risk related with unintentionally partnering with companies engaging in malpractices</p> <p>Risk rating: Moderate</p>	<ul style="list-style-type: none"> - Capacity-building on UNDP’s DD assessment for PSP - UNDP DD PSP to be included as part of the call for ideas and project appraisal process and selection criteria - Engagement of DD Specialist and/or audit firms - Monitoring of PSP issues by PMU and TAG (with PS representatives) - Development of Risk Mitigation and Communications Strategies - Risk monitoring
<p>Risk 4. Private sector partners do not pass UNDP due diligence process, thus, the Project is not able to partner with them</p> <p>Risk rating: Moderate</p>	<ul style="list-style-type: none"> - Firming-up of private sector partner details for cost-benefit analysis of the partnerships - Justification of the costs of taking reputational risks

Risks and Management Measures

Risks	Mitigation Measures
<p>Risk 5. Environmental, social and governance related issues may arise that may result in UNDP’s reputational risks.</p> <p>Risk rating: Moderate</p>	<ul style="list-style-type: none"> - Development of ESMF during Year 1 of Project implementation - Development of grievance redress mechanism - Project Board meetings as vehicle for resolving issues and undertaking mitigating measures - Development of communications strategy
<p>Risk 6. Specific nature-based solutions for impact investments might result in negative social and environmental impacts</p> <p>Risk rating: Substantial</p>	<ul style="list-style-type: none"> - Stakeholder consultations for specific project proposal development process for IP and non-IP areas - Involvement of IP leaders and NCIP for projects impacting ancestral domains - Compliance with IPRA Law and FPIC process - Mainstreaming of IP rights and concerns in project appraisal process

Risks and Management Measures



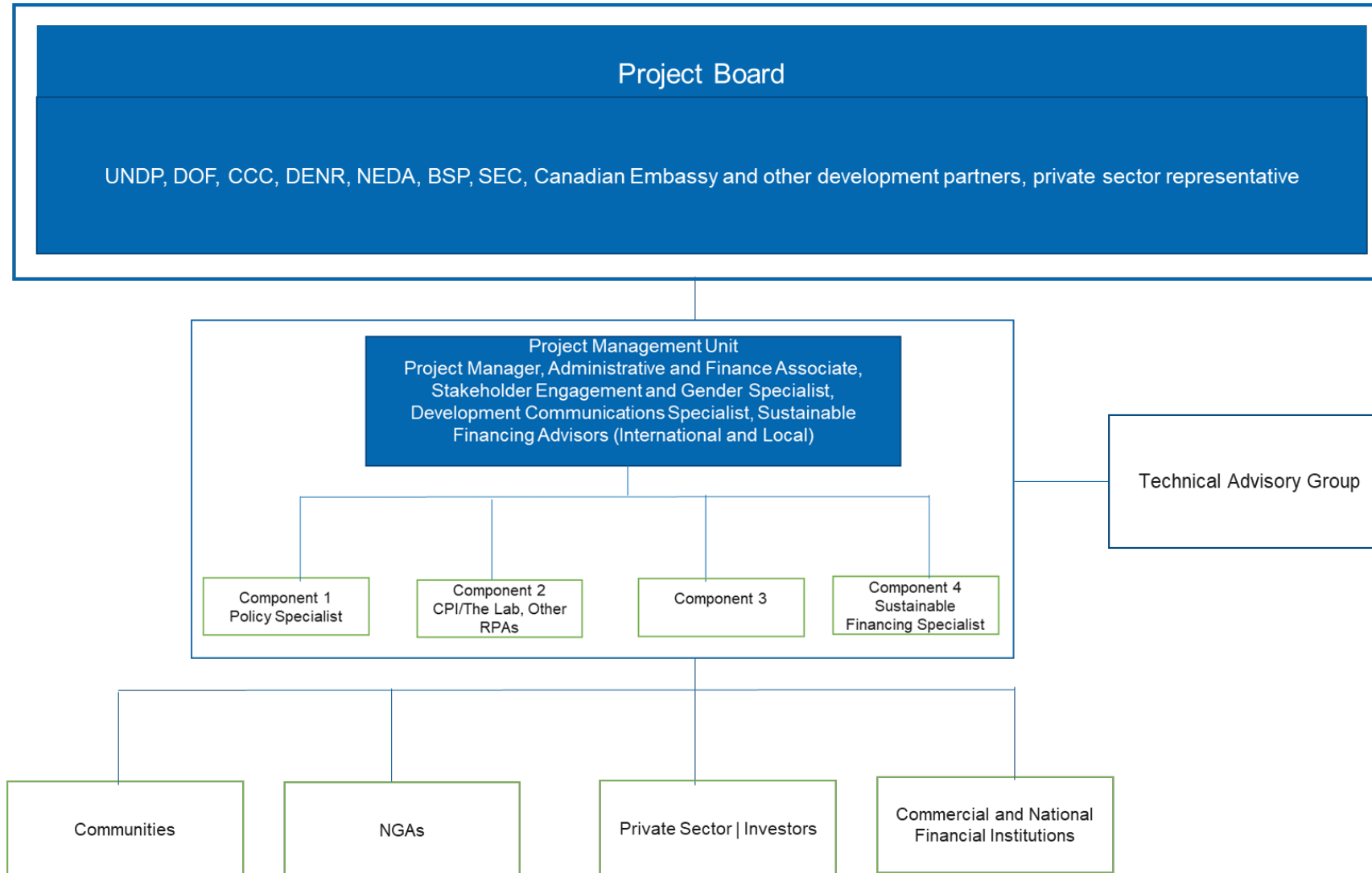
Risks	Mitigation Measures
<p>Risk 7. The Project may potentially result in gender discrimination against women.</p> <p>Risk rating: Low</p>	<ul style="list-style-type: none">- Implementation of Gender Action Plan- Mainstreaming of gender and gender-related target indicators in calls for ideas and project appraisal process- Conduct of gender-related research (Component 1)- Equal representation of men and women in capacity-building activities (Component 3)
<p>Risk 8. COVID 19 may delay Project implementation</p> <p>Risk rating: Substantial</p>	<ul style="list-style-type: none">- Risk mitigation measures to be identified given status of pandemic situation and latest guidance and advisories- Resource allocation for use of technologies- Development of ESMF during Year 1 of Project implementation
<p>Risk 9. Peace and order situation may result in private sector shying away from providing impact investments</p> <p>Risk rating: Moderate</p>	<ul style="list-style-type: none">- Ensure close coordination with government agencies- Cost-benefit analysis on engagement and non-engagement with private sector- Peace and order situation of Project site to be included in project appraisal process

Gender Action Plan Targets

- 👤 Gender responsive national policy briefs to improve women's access to green and climate financing resulting from multi stakeholder dialogues and based on a gender analysis
- 👤 Menu of gender differentiated green and climate financing products recognized by DOF, DTI, appropriate and attractive to men and women-owned MSMEs
- 👤 Local one-stop shops for gender responsive green and climate financing of nature-based solutions
- 👤 Gender responsive green and climate financing mechanisms
- 👤 Financing institutions, philanthropies private sector social responsibility entities providing financing for upscaling of nature-based solutions by women led groups
- 👤 Green and climate financing accessed by women led groups – e.g., potential entrants and listed MSMEs engaged in nature-based solutions
- 👤 Public and private financing entities institute policies and design green and climate financing products appropriate and attractive to women-owned MSMEs
- 👤 Financing institutions with special “windows” catering to women-led groups engaged in nature-based solutions

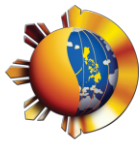


Management Arrangements



Project Budget Per Component

Outputs	Budget (USD)
Output 1 – Platform for policy dialogues	USD 199,400
Output 2 – Climate Finance Innovation Lab	1,810,500
Output 3 – Capacity building for finance institutions	306,000
Output 4 – M and E system for private sector reporting on SDGs	276,000
Project Management, M and E, Communications and Stakeholder Engagement	628,146
Total	USD 3,509,850



REPUBLIC OF THE PHILIPPINES
**PUBLIC-PRIVATE PARTNERSHIP
CENTER**

23 May 2022

MARK DENNIS Y.C. JOVEN

Undersecretary, International Finance Group
Department of Finance
Roxas Boulevard, Manila

Subject: **Invitation to the Local Project Approval Appraisal Committee Meeting (LPAC)**

Dear **Undersecretary Joven**:

We refer to your letter dated 20 May 2022 concerning the **United Nations Development Programme (UNDP) Project, Accelerating Green and Climate Finance in the Philippines: Nature Based Solutions** (the "Program"). We confirm our participation in the upcoming LPAC meeting for the Program.

We have no further comments or inputs on the Program documents. We support its objectives and target outputs, particularly those directly related to the PPP Center namely, Output 2.2 (*Bankable projects that support gender-responsive nature-based climate solutions and biodiversity conservation (NBS) developed and financing mobilized*) and Output 2.3 (*Strengthened capacities of PPPC to promote investments in NBS*). These are aligned with the plans and programs of the PPP Center.

Please allow our Project Development Officer – Lisa Marie B. Jacinto (ljacinto@ppp.gov.ph or +632-87094146 local 6103) to coordinate with your office for updates, schedules, and clarifications.

Thank you very much.

Very truly yours,

JOHN DOMINIC Z. ZAFE

Director III
Project Development Service



REPUBLIC OF THE PHILIPPINES

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

26 May 2022

MARK DENNIS Y.C. JOVEN

Undersecretary
International Finance Group
Department of Finance
DOF Building, Roxas Boulevard, corner Pablo
Ocampo Street, Manila City, Metro Manila

**SUBJECT: Accelerating Green and Climate Finance in the Philippines:
Nature Based Solutions (NBS)**

Dear **Undersecretary Joven**:

The National Economic and Development Authority (NEDA) finds the subject proposed project responsive to the strategic priorities of the Updated Philippine Development Plan (PDP) 2017-2022, particularly on (a) streamlining green and climate finance in the financial sector, (b) building up the capacities of regulators and market participants to internalize environmental and climate disaster risks, and (c) enhancing community resilience through nature-based solutions. The project is also aligned with the Sustainable Finance Roadmap, particularly on integrating sustainability considerations into macroeconomic policies and regulations, promoting sustainable financial products, building capacities, and monitoring and reporting the progress of sustainability initiatives.

While we understand that the project will be under Direct Implementation Modality (DIM), the UNDP should define the implementation arrangement (i.e., whether creating a Project Board or utilizing the Green Force) to provide strategic leadership and governance oversight to the project. Likewise, the roles and responsibilities of the delivery partners in each project component and/or output should be expounded, and their buy-in and commitment be secured. Attached, for reference, are specific comments and recommendations to enhance the project document.

Meeting Between the NEDA Secretary and Canadian Ambassador Peter MacArthur

Page 1 of 4

For questions and/or clarifications, your office may coordinate with Director Nieva T. Natural of our Agriculture, Natural Resources, and Environment Staff (ANRES) through anres-ed@neda.gov.ph.

Thank you.

Very truly yours,



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Agcaoili
Date: 2022.05.27
18:03:38 +08'00'

MERCEDITA A. SOMBILLA

Undersecretary for Regional Development

Attachment: NEDA's Specific comments and recommendations on Climate Finance PH for NBS Project

Attachment: NEDA’s Specific Comments and Recommendations on the Climate Finance PH for NBS Project

Item/Section	Comments/Recommendations
<p>Development Challenge, page 8</p>	<p>This section should be rectified as the following information has been cited twice, i.e., both in the 1st and 2nd paragraphs:</p> <p><i>“This is due to its high exposure to natural hazards (cyclones, landslides, floods, droughts), dependence on climate-sensitive natural resources, and vast coastlines where all major cities and most of the population reside. As an archipelagic country of 7,107 islands, the country lies in the world’s most cyclone-prone region, averaging 19–20 cyclones each year, of which 7–9 make landfall. This ranks among the highest incidence of cyclone activity in the world, with both frequency and severity expected to increase due to climate change. Sea levels in the Philippines are rising faster than the global average, increasing the hazard posed by storm surges and threatening permanent inundation of low-lying areas. The rapid degradation of the country’s natural resources further contributes to these vulnerabilities. Climate change, along with other factors, further diminishes the protection value of these ecosystems, such as shoreline protection, flood control, soil stability and habitats for biodiversity.”</i></p>
<p>Initiatives Supporting Climate and Green Investments, page 12</p>	<p>The Sustainable Finance Framework (SFF)¹ should be mentioned in the list of initiatives that support climate and green investment. The SFF was developed by the Development Budget Coordination Committee-Executive Technical Board (DBCC-ETB) and was approved in December 2021. It provides specific guidelines on the following: (a) management and use of proceeds from sustainable finance instruments (i.e., to fund “eligible social and green expenditures”); (b) criteria and process for project selection</p>

¹ <https://www.dof.gov.ph/download/sustainable-finance-framework/?wpdmdl=30994&refresh=6281bc98c5528165266959>

Item/Section	Comments/Recommendations
	and evaluation; and (c) monitoring, assessment and reporting of project impacts. ²
Partnership, page 38	We would like to clarify that the ‘Green Force’ and the ‘Inter-Agency Technical Working Group for Sustainable Finance (ITSF)’ are the same entity established through Climate Change Commission Resolution No. 2021-002 composed of 18 (not 16) member agencies. ³
	<p>To secure the buy-in and commitment of key agencies in the implementation of the project, we suggest expounding in the project document the specific roles of prospective partners.</p> <p>The criteria for the selection of identified local financial institutions (e.g., absorptive capacity) and multilateral banks/development partners (e.g., level of experience in climate finance) should likewise be indicated for transparency.</p>

² International Capital Market Association (“ICMA”)’s Green Bond Principles (“GBP”) 2021, Social Bond Principles (“SBP”) 2021, Sustainability Bond Guidelines (“SBG’s”) 2021, ASEAN Green Bond Standards (“GBS”), issued by the ASEAN Capital Markets Forum (ACMF) in October 2018, Loan Market Association (“LMA”) Green Loan Principles (“GLP”) 2021, LMA Social Loan Principles (“SLP”) 2021.

³ <https://drive.google.com/file/d/1RIS0jUZWVL4shB07LbHNqKb4IcAv8fAK/view>



Republic of the Philippines
Department of Environment and Natural Resources

Visayas Avenue, Diliman, Quezon City, 1100
Tel. Nos. (632) 929-66-26 to 29 • (632) 929-62-52
929-66-20 • 929-66-33 to 35 • 929-70-41 to 43

JUN 15 2022

MARK DENNIS Y.C. JOVEN

Undersecretary
International Finance Group
Department of Finance
6th Floor, DOF Bldg., BSP Complex
Roxas Blvd., Manila, 1004

SUBJECT: **UNDP'S ACCELERATING GREEN AND CLIMATE FINANCE
IN THE PHILIPPINES: NATURE BASED SOLUTIONS
PROJECT**

Dear **Undersecretary Joven:**

This is in connection with the project titled "Accelerating Green and Climate Finance in the Philippines: Nature Based Solutions (Climate Finance PH-NBS) of the United Nations Development Programme (UNDP)".

We have no further comments on the project proposal and would like to express the Department's support to the project.

Thank you.

Very truly yours,

ATTY. ANALIZA REBUELTA-TEH, CESO I
Undersecretary for Finance, Information
Systems and Climate Change

cc: **Atty. Jonas R. Leones, CESO I**
Undersecretary, Policy, Planning and International Affairs

Neil Adrian S. Cabiles
Assistant Secretary, IFG-DOF