



Republic of the Philippines

Spotlight on Environmental, Social, and Governance (ESG) Agenda

May 2024



Key Highlights

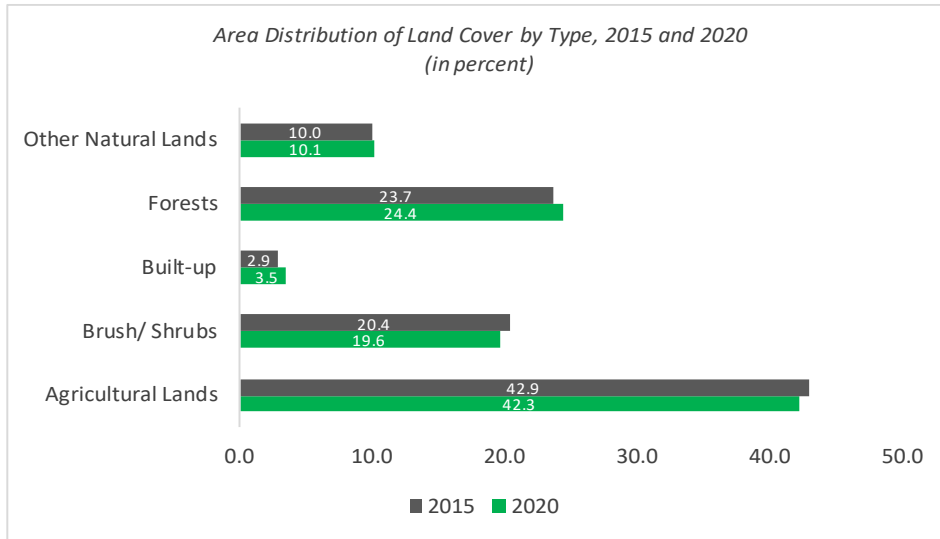
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Environment

I. Environment and Climate Risk Profile

The Philippines is one of the most biologically rich and diverse countries in the world yet among the most vulnerable to climate-related and geological hazards.



The total forest cover of the Philippines was 7.2mn hectares or 24.4% of the country's total land area in 2020. It increased from 7.0mn hectares, or 23.7% of the total land area recorded in 2015.

Rich Coastal and Marine Ecosystems

- 37,008kms** coastlines
- 679,800kms** total territorial water
- US\$966.6bn** estimated value of coastal and marine ecosystems

Sources: : National Mapping and Resource Information Authority, Compendium of Philippine Environment Statistics, Climate Change Commission, Philippines Nationally Determined Contribution (2021), PEMSEA and Department of Environment and Natural Resources (2019)

Low Carbon Dioxide Emission

1.98 metric tons

Per capita carbon dioxide emission of ROP in 2020 (below the global average of 4 metric tons)

Commonly Occurring Hazards



20 tropical cyclones

More frequent and severe typhoons on average annually

PHP506bn or 3% of GDP

Economic loss due to tropical cyclones for the last 10 years (Philippine Statistics Authority, 2020)

II. Commitment Toward a Climate- and Disaster-Resilient, and Low-Carbon Economy

The government commits to strengthening its contribution to the global effort of fighting the climate crisis.



Commitment of the Philippines according to the Nationally Determined Contribution Communicated to the UNFCCC on 15 April 2021:

Greenhouse Gas emission reduction and avoidance of 75% for the period 2020 to 2030 for the sectors of agriculture, wastes, industry, transport, and energy, 2.71% of which is unconditional and 72.29% is conditional



**National
Climate
Change
Action Plan**

As part of the Philippines' climate response, the national climate change framework strategy has recently been translated into a National Climate Change Action Plan (NCCAP), which prioritizes food security, water sufficiency, ecological and environmental stability, human security, climate-smart industries and services, sustainable energy, and knowledge and capacity development as the strategic direction for 2011 to 2028.

The **Philippine Energy Plan (PEP) 2020-2040**, a comprehensive energy blueprint, details the energy sector's goal to chart a transformative direction toward attaining a clean energy future.

Clean Energy Scenario

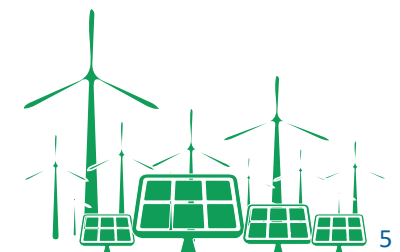
35.0% and 50.0% RE share in the power generation mix by 2030 and 2040

5.0% blending for biodiesel starting 2022

1.5% increase in aggregated natural gas consumption from the transport and industry sectors between 2020 and 2040

10.0% penetration rate of electric vehicles for road transport (motorcycles, cars, jeepneys) by 2040

5.0% energy savings on oil products and electricity by 2040



III. Mainstreaming Climate Change into Government Policy Formulations

ROP strongly commits to its reform agenda, including climate change adaptation and mitigation.



The Department of Budget and Management and the Climate Change Commission institutionalized the Climate Change Expenditure Tagging (CCET) process to track, monitor, and report climate change-related programs and projects.

Access to climate financing to help mitigate the impact of climate change on government’s balance sheet



US\$132.5mn

Total grants provided by the Global Environment Facility, covering 110 projects from 1991 to August 2022

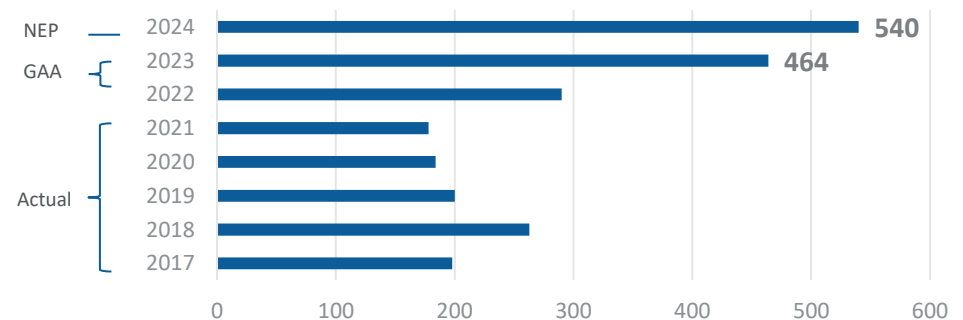


PHP1bn (US\$18.0mn)

This fund was created by Republic Act No. 10174 as an annual fund intended for local government units and accredited local/community organizations to implement climate change adaptation projects that will better equip vulnerable communities to deal with the impact of climate change.

Climate change spending to increase by 17% in 2024 as the national government aims to strengthen mitigation and adaptation efforts.

Climate change adaptation and mitigation expenditures in 2017-2024 (in PHP bn)



NEP/ National Expenditure Program
GAA/ General Appropriations Act

Source: Convention on Climate Change, Climate Change Commission <https://niccdies.climate.gov.ph/climate-finance/ccet>
Note: Foreign exchange rate used PHP56.00/US\$1 (DBCC approved FOREX assumption for 2024 as of 22 Mar 2024)



IV. Recognizing Sustainable Initiatives that Cut Across Strategic Priorities and Sectors

The government leads in undertaking national climate change mitigation and adaptation projects.

The Philippines has shifted global discussions on climate change from focusing on general scientific findings to undertaking practical actions that may be immediately undertaken on the ground.



Gathered a group of experts to prepare and execute localized action plans



Launched the Sustainable Finance Roadmap and Sustainable Finance Guiding Principles to encourage public and private investment in green projects



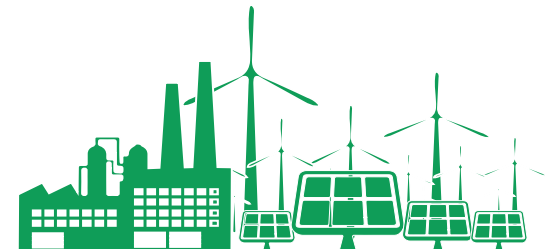
Currently pushing for a law banning single-use plastic



Embarking on a project with ADB to accelerate the PH's transition to clean energy



Adopted a sustainable finance framework for sovereign green bonds

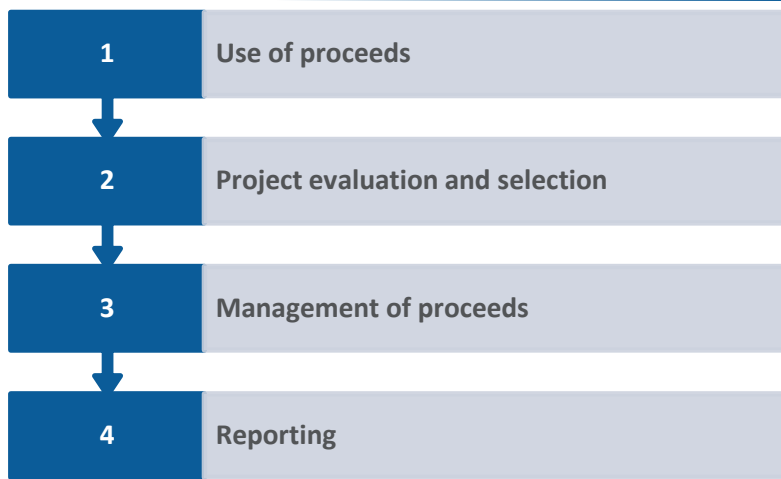


V. Mobilizing Finance to Support Sustainable Projects

The Sustainable Finance Framework provides guidance on green, social, or sustainability bonds, loans, and other debt instruments.

- The ROP’s Sustainable Finance Framework, issued in January 2022, supports its sustainability commitments.
- The Sustainable Financing Instruments will fund Eligible Social Projects and Eligible Green Projects, conforming to the sustainable finance principles: ICMA Green Bond Principles 2021, Social Bond Principles 2021, and Sustainability Bond Guidelines 2021; LMA Green Loan Principles 2021 and Green Bond Principles 2021; ASEAN Sustainability Bond Standards 2018

Elements of the Framework



Second Party Opinion



According to a Second Party Opinion (SPO), the Philippines’ Sustainable Finance Framework and Eligible Expenditures Portfolio are aligned with the four core components of Green Bond Principles 2021 (“GBP”), Social Bond Principles 2021 (“SBP”), Green Loan Principles 2021 (“GLP”), and Social Loan Principles 2021 (“SLP”).

Source: Republic of Philippines - Sustainable Finance Framework, Second Party Opinion on the sustainability of the Republic of the Philippines’ Sustainable Framework (Vigeo Eiris)

Use of Proceeds

- The look-back period for refinanced Eligible Expenditures will be equal or less than 24 months from the issuance date in line with good market practice.
- In terms of the management of proceeds, the allocation period in term will be 24 months or less.

V. Mobilizing Finance to Support Sustainable Projects

ROP's Environmental, Social, and Governance (ESG) Bond Issuances under the Sustainable Finance Framework

US\$1.0bn

25Y bonds issued under the Sustainable Finance Framework. This issuance marks the ROP's debut ESG Global Bonds offering.
 Coupon rate: 4.20%
 Benchmark spread at issue: 165.7bps

Bond ratings: Baa2 (Moody's)/ BBB+ (S&P)/ BBB (Fitch)

March 2022

US\$0.75bn

Issued 25Y sustainability bonds under the new administration. ESG Bonds comprises 37.5% of the US\$2.0bn global issuance.
 Coupon rate: 5.95%
 Benchmark spread at issue: 232.1bps

Bond Ratings: Baa2 (Moody's)/ BBB+ (S&P)/ BBB (Fitch)

October 2022

All ESG bond transactions were met with robust demand.

April 2022

January 2023

JPY70.1bn

ROP's first Sustainability samurai bond multi-tranche offering with an ESG label across all four tranches (tenors: 5, 7, 10, 20)
 Coupon rate: 0.76%, 0.95%, 1.22%, 1.83%

Bond Ratings: Baa2 (Moody's)/ BBB+ (S&P)/ A- (JCR)

US\$1.25bn

25Y sustainability notes, marking the Republic's fourth ESG bond offering
 Coupon rate: 5.50%
 Benchmark spread at issue: 180.2bps

Bond ratings: Baa2 (Moody's)/ BBB+ (S&P)/ BBB (Fitch)

Source: Bloomberg

V. Mobilizing Finance to Support Sustainable Projects

Select ESG Projects Supported by the ROP's Issuances under the Sustainable Finance Framework

The Republic of the Philippines published its first Sustainable Bond Allocation and Impact Report, which details the estimated environmental and social impacts arising from the implementation of the Eligible Social and/or Green Projects, in coordination with the concerned implementing National Government Agencies.

DENR National Greening Program (NGP) and Other Projects



In 2022, a total of 45,947.44 hectares of forestland has been planted through the NGP and 191,081 hectares of existing plantation is maintained and protected. The NGP remains a priority program of the DENR and has targeted 13,565 hectares for plantation establishment to be planted by bamboo and indigenous tree species.

Disbursement: PHP10.1bn
Allocation: PHP10.1bn
% Funded: 100%

DPWH Flood Management Program



This involves the construction and maintenance of drainage/slope protection works for national roads and bridges, major components of urban drainage systems, including drainage mains, outfalls, pumping stations, control gates, and dredging and improvement of major drainage channels.

Disbursement: PHP299.1bn
Allocation: PHP80.7bn
% Funded: 27%

DOLE Livelihood and Emergency Employment Program

This program provides employment and entrepreneurship opportunities to displaced, disadvantaged, and unemployed workers. It opens economic opportunities to the vulnerable and marginalized workers by providing them access to grant assistance for either individual or group undertaking.



Disbursement: PHP41.3bn
Allocation: PHP16.4bn
% Funded: 40%

Universal Access to Quality Tertiary Education

Four programs, namely Free Higher Education (FHE), Free Technical-Vocational Education and Training (Free TVET), Tertiary Education Subsidy (TES) and Student Loan Program (SLP) ensure that all Filipinos are provided with equal opportunity to quality tertiary education in both private and public educational institutions.



Disbursement: PHP96.9bn
Allocation: PHP44.2bn
% Funded: 44%

VI. Developing Sustainable Clean Energy

The government aims to scale up renewable energy (RE) investments.

“When it comes to energy, renewable energy is the way forward. [...] To accelerate the realization of this green energy goal, we have opened renewable energy projects to foreign investments.” – President Ferdinand Marcos Jr. (State of the Nation Address, July 2023)

- In April 2023, President Marcos Jr. passed Executive Order No. 21, which directs the establishment of the Policy and Administrative Framework for offshore wind development. Permitting agencies must compile a comprehensive list of required permits and clearances and submit to the Department of Energy (DOE). The list will be incorporated into the Energy Virtual One-Stop Shop (EVOSS) system, streamlining the application process for offshore wind developers across all levels of government.
- In 2020, DOE declared a moratorium on endorsement for greenfield coal power plants to promote sustainable energy sources.
- In 2019, the government passed Republic Act No. 11234 that established the Energy Virtual One-Stop Shop (EVOSS) to streamline the permitting process of power generation, transmission, and distribution projects. Pre-application of RE contracts are processed through the EVOSS.

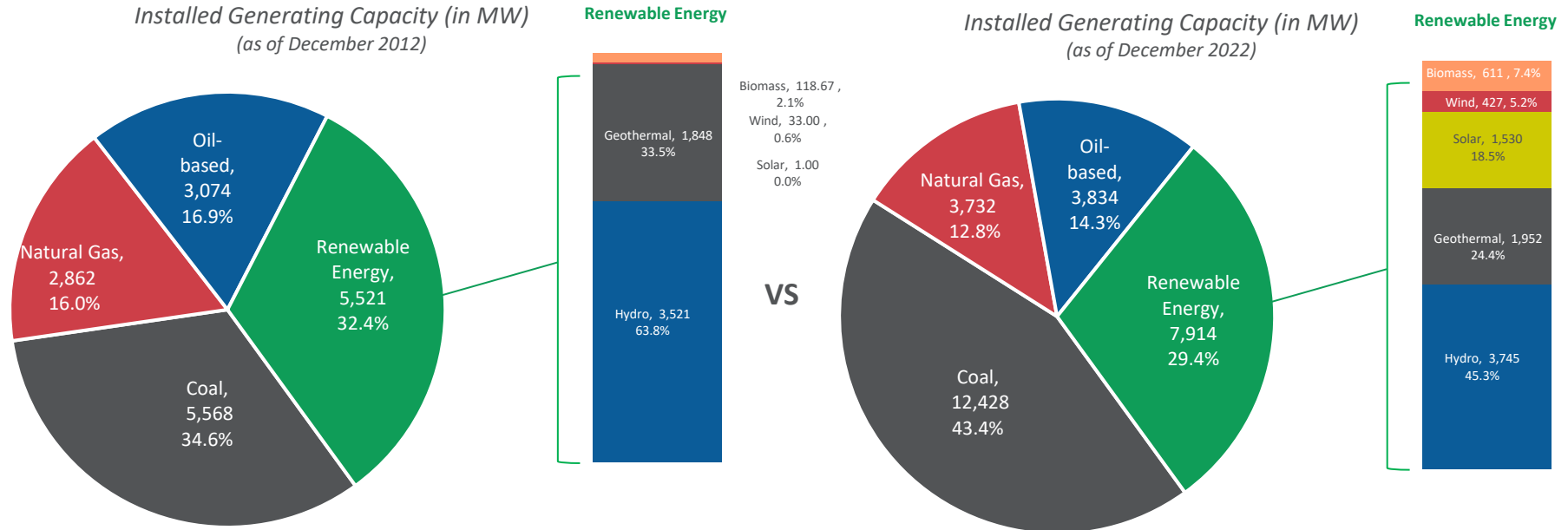
Incentives for RE developers, developers and manufacturers, fabricators, and suppliers of locally produced RE equipment provided under Republic Act No. 9513 or the *Renewable Energy Act of 2008*

- **Income Tax Holiday (ITH):**
 - i. New investment - 7 years from the start of commercial operations
 - ii. Additional investments in RE projects - not more than 3 times the period of the initial ITH
- **Corporate Tax Rate:** 10% on net taxable income after ITH
- **Net Operating Loss Carry-Over (NOLCO):** The NOLCO during the first 3 years from the start of commercial operation shall be carried over as a deduction from gross income for the next 7 consecutive taxable years immediately following the year of such loss
- **Zero Percent Value-Added Tax Rate which applies for:**
 - i. the sale of power or fuel generated through renewable sources of energy
 - ii. ancillary services necessary to support the transmission of capacity and energy generated from renewable sources of energy; and
 - iii. purchases of local goods, properties, and services
- **Tax Exemption of Carbon Credits** - All proceeds from the sale of carbon emission credits is exempted from any and all taxes
- **Duty-free Importation** of RE machinery, equipment, and materials: 10 years
- Special Realty Tax Rates on equipment and machinery
- Accelerated depreciation of plant, machinery, and equipment
- Cash Incentive for RE developers in Missionary Electrification
- Tax Credit on domestic capital equipment
- Exemption from universal charge

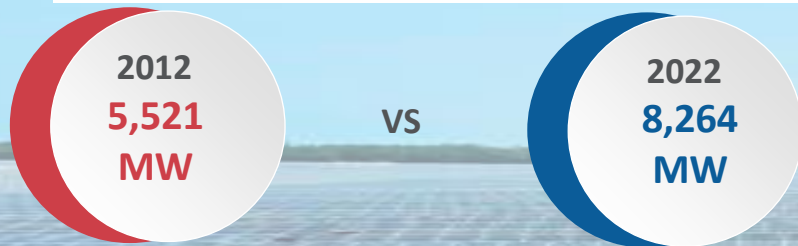
VI. Developing Sustainable Clean Energy

The government is committed to enhance renewable energy capacity.

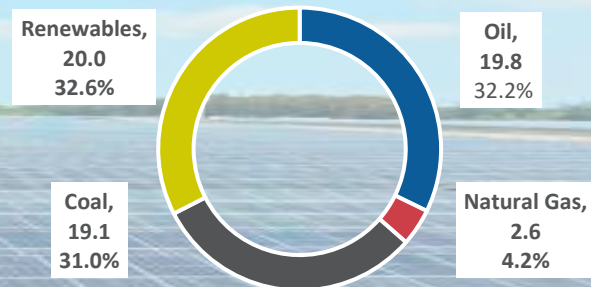
The Philippines is gifted with abundant RE resources. The government is committed to make significant strides to maximize resources development and utilization. Indigenous renewable energy (RE) resources and private sector investment are central in achieving the Philippines' vision of ensuring sustainable, secure, accessible, and affordable energy supply and services.



49.7% increase in Total Installed RE Capacity since 2012



Primary Energy Mix
(In Million Tons of Oil Equivalent, MTOE)
(as of December 2022)



VI. Developing Sustainable Clean Energy

Policies and programs to attract investments in renewable energy sector

- **Easing of Foreign Ownership Limit in RE Investments**
DOE Circular No. 2022-11-0034 that allows 100% foreign ownership in the exploration, development, and utilization of solar, wind, hydro, and ocean or tidal energy
- **Offshore Wind (OSW) Development**
EO 21 directs the establishment of the policy and administrative framework for OSW. (178 gigawatt (GW) offshore wind potential identified by the Philippine Offshore Wind Roadmap)
- **Green Energy Auction Program**
Boost RE investments through a streamlined electronic bidding process for selecting transparent and competitive RE projects
- **Smart and Green Grid Plan (SGGP)**
Development of a green and smart transmission system to integrate additional RE capacity
- **Renewable Portfolio Standards (RPS) Grid and Off-grid**
Requires all load-serving entities to source or produce a portion of their supply from eligible RE facilities

Renewable Energy Investment Requirement, 2020-2024

US\$ 97.2bn

Total RE Investment Requirement

US\$ 94.3bn

Construction of New RE Power Plants

US\$ 2.4bn

Biofuels Production

US\$ 510.0mn

Renewable Energy Pre-Development Activities

VI. Developing Sustainable Clean Energy

Policies and programs to attract investments in renewable energy sector

Program Highlight: Green Energy Auction Program (GEAP)

The GEAP aims to boost renewable energy investments through a streamlined electronic bidding process for selecting transparent and competitive RE projects. It complements the Renewable Portfolio Standards by making the generated RE Certificates eligible for compliance by the mandated participants. Auction capacities and schedules of completion will align with RE Goals.

First Green Energy Auction Results - 17 June 2022

- Completed with a 98% success rate
- Generated a total of 1,866 MW renewable capacity

Solar		Biomass		Wind		Hydro	
Grid	Capacity (MW)	Grid	Capacity (MW)	Grid	Capacity (MW)	Grid	Capacity (MW)
Luzon	1,070.38	Luzon	3.40	Luzon	273.20	Luzon	80.00
Visayas	300.00					Mindanao	19.15
Mindanao	120.00						
1,490.38		3.40		273.20		99.15	

Second Green Energy Auction Results – 03 July 2023

- Generated a total of 3,440.76 MW of renewable capacities
- Total number of awarded bids reached 105.

RE Resource	Awarded Capacity (in MW)
Ground-mounted Solar	1,878.98
Floating Solar	90.000
Roof-mounted Solar	9.390
Onshore Wind	1462.384
Total	3,440.76

Biomass, Waste to Energy, and Hydro were also offered during this round.

Third Green Energy Auction - Scheduled in 3rd quarter of 2024

- Focused mainly on RE projects that are not eligible for feed-in tariff (FIT). It will also include a FIT eligible run-of-river type hydro.
- An estimated 4,399 MW of RE will be auctioned.

RE Resource	Potential Capacity (in MW)
Pumped-Storage Hydro	3,120
Impounding Hydro	699
Geothermal	380
Run-of-river	200
Total	43,99

VI. Developing Sustainable Clean Energy

GEAP-Awarded RE contracts in the Marcos Jr. Administration

126 Contracts Awarded

31,131.7 MW Potential Capacity

as of June 2023

Hydro



Ocean



Geothermal



Wind



Solar



Biomass



Number of Projects

20

1

1

30

72

2

Total Potential Capacity (in MW)

634.6

10.0

To be determined

27,559.5

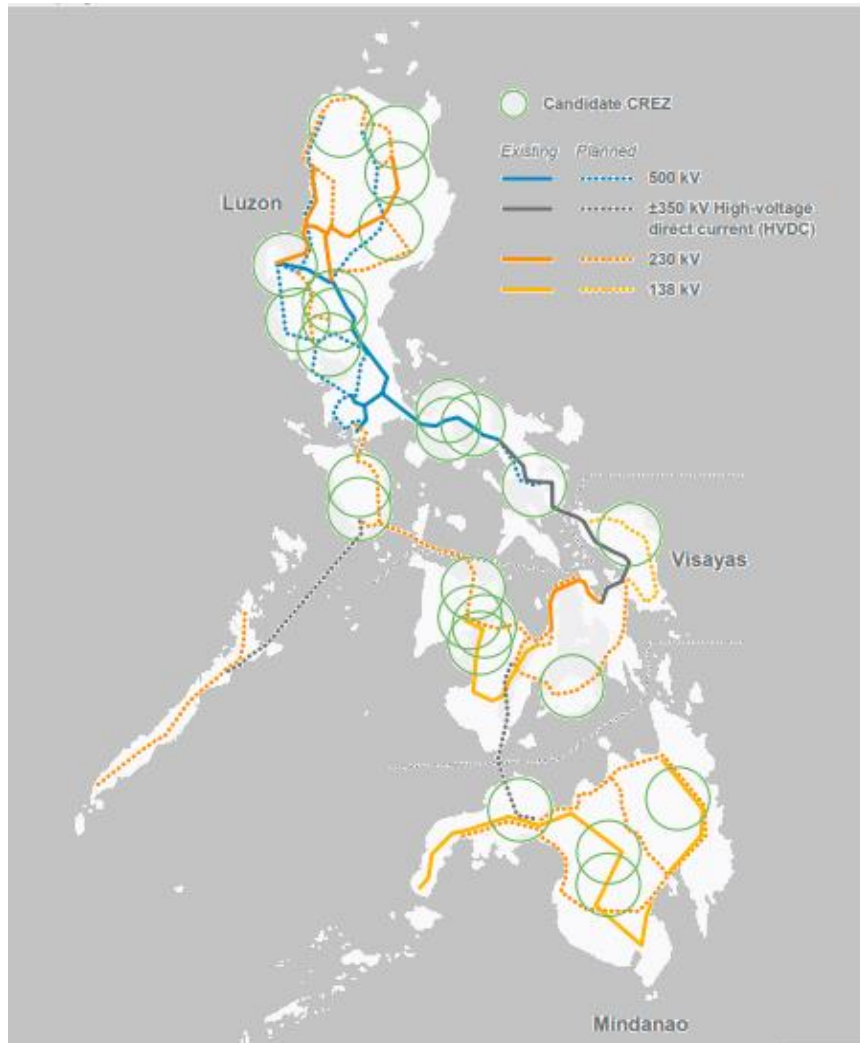
2,869.9

18.0

VI. Developing Sustainable Clean Energy

The Philippines is identifying areas ready for renewable energy investments.

Candidate Areas Ready for Renewables



Obtained from the DOE CREZ report

- The Department of Energy launched the Competitive Renewable Energy Zones (CREZ) process to help achieve the country’s goals of scaling up RE generation on the power system and to ensure sustainable, secure, reliable, accessible, and affordable energy.
- The CREZ process identified clusters of high-quality RE resources and points of transmission access. (See Map).
- With CREZ, RE developers possess great clarity on:
 - Where the highest-quality, utility-scale RE resources exist;
 - Where and when transmission access will be available.
- Investors and lenders can:
 - Take advantage of lower risk on potential RE investments;
 - Ensure developers are exploring these competitive opportunities.

Total Potential RE Capacity identified by CREZ (in MW)

Grid	Hydro	Geo	Wind	Solar	Bio
Luzon	270,603	285	54,115	35,031	210
Visayas	1,917	40	25,429	11,876	71
Mindanao	382,514	40	14,443	11,203	93
Total	655,034	365	93,987	58,110	374

Explore the Philippine CREZ data on RE Explorer



Solar



Wind



VII. Pursuing Alternative Fuels and Emerging Technologies

Republic Act No. 11697 or the Electric Vehicle Industry Development Act (EVIDA)

Incentivizes the adoption of electric vehicles and charging stations in the country. It mandates a 5.0% EV share in corporate and government fleets, provision of dedicated parking slots, installation of charging stations in parking lots and gasoline stations, green routes, and provision of fiscal and non-fiscal incentives for EV manufacturing, and importation of charging station.

Comprehensive Roadmap for the Electric Vehicle Industry (CREVI)

To electrify a diverse range of vehicles and establish a domestic electric vehicle industry with strong export potential with the aim of building a sustainable future, where new electric vehicles and the required infrastructure are locally robust with reduced environmental impact

Scenario: 10% EV Fleet By 2040	
<p>Short Term (2023-2028)</p> <p>311,700 Electric Vehicles 7,300 EV Charging Stations</p>	<p>Cars: 81,500 HEV 13,600 PHEV 13,600 BEV</p> <p>Tricycle: 71,500 BEV Motorcycle: 164,900 BEV</p> <p>Bus: 600 BEV</p>
<p>Medium Term (2029-2034)</p> <p>580,600 Electric Vehicles 14,000 EV Charging Stations</p>	<p>Cars: 49,000 HEV 24,600 PHEV 123,000 BEV</p> <p>Tricycle: 71,000 BEV Motorcycle: 311,900 BEV</p> <p>Bus: 1,200 BEV</p>
<p>Long Term (2023-2028)</p> <p>852,100 Electric Vehicles 20,400 EV Charging Stations</p>	<p>Cars: 36,600 HEV 36,600 PHEV 13,600 BEV</p> <p>Tricycle: 103,400 BEV Motorcycle: 454,400 BEV</p> <p>Bus: 1,800 BEV</p>

Scenario: 50% EV Fleet By 2040	
<p>Short Term (2023-2028)</p> <p>2,454,200 Electric Vehicles 66,500 EV Charging Stations</p>	<p>Cars: 415,500 HEV 69,000 PHEV 69,000 BEV</p> <p>Tricycle: 419,000 BEV Motorcycle: 1,480,000 BEV</p> <p>Bus: 2,200 BEV</p>
<p>Medium Term (2029-2034)</p> <p>1,851,500 Electric Vehicles 41,800 EV Charging Stations</p>	<p>Cars: 234,000 HEV 80,000 PHEV 327,000 BEV</p> <p>Tricycle: 262,000 BEV Motorcycle: 947,000 BEV</p> <p>Bus: 1,500 BEV</p>
<p>Long Term (2023-2028)</p> <p>2,001,600 Electric Vehicles 39,800 EV Charging Stations</p>	<p>Cars: 107,000 HEV 107,000 PHEV 641,000 BEV</p> <p>Tricycle: 223,000 BEV Motorcycle: 922,000 BEV</p> <p>Bus: 1,600 BEV</p>

Source: DOE; Note: Cars include Sedan, SUV, and UVs

VII. Pursuing Alternative Fuels and Emerging Technologies

Promotion of Liquefied Natural Gas as Transition Fuel

“Part of our efforts to address this challenge is to look for alternative sources of natural gas. It also aligns with our goal of transitioning to cleaner energy and a low-carbon future. We acknowledge, however, that looking for alternative sources of natural gas and transitioning to cleaner energy sources, such as liquefied natural gas (LNG), would require corresponding infrastructures in place. And this would also require an investor’s substantial capital investment.” - Energy Secretary Raphael P.M Lotilla

- The DOE developed the Natural Gas Development Plan (NGDP) to provide stakeholders a comprehensive report on:
 - ❑ Role of natural gas
 - ❑ Legal and regulatory framework covering the sector
 - ❑ Ongoing projects and potential areas for development
 - ❑ Way-forward plans for the sector.
- Potential investors are provided with reference on the current landscape of the natural gas sector. An investor guide is also attached in the NGDP.

Total Investment

US\$ 1.3bn*

Total Potential Capacity

21.8 metric tons per annum

Research and Development on Other Clean Energy Sources and Support Technologies

Nuclear Energy Development

- On 16 November 2023, the Philippines and the US signed the Agreement for Cooperation Concerning Peaceful Uses of Nuclear Energy or the 123 Agreement.
- Development of Nuclear Energy Roadmap
- Enactment of legislation for Nuclear Energy Regulatory Framework
- Under the proposed Philippine Energy Plan 2023-2050, clean energy scenario includes the entry of nuclear energy, wherein 1,200 megawatts (MW) of capacity is expected by 2032, 2,400MW by 2035, and 4,800MW by 2050.

Hydrogen and Derivatives

- Drafted a hydrogen policy framework, guidelines, and regulations last 17 November 2023
- The draft circular seeks to streamline processes for hydrogen projects, including operation, maintenance, research and development.

Source: DOE

Note: US\$ amount computed based on median (PHP55.5/US\$1) of the US\$/PHP forecast during 185th DBCC Meeting last 9 June 2023

VII. Pursuing Alternative Fuels and Emerging Technologies

Research and Development on Other Cleaner Energy Sources

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Total Potential Capacity

21.8 metric tons per annum

Status of Select LNG Projects in the Philippines

Linseed Field Corporation

- Started its first supply to Ilijan Natural Gas Power Plant in June 2023
- Floating Storage Unit and onshore gasification facility
- LNG terminal currently in final commissioning run

First Gen

- BlueWater Floating Storage and Regasification Unit now anchored in Batangas Bay
- Awaiting commercial operation

VIII. Ensuring Water Security and Effective Flood Risk Management

Select projects to ensure the country’s water supply and enhance response to disasters

Water Security

The government ensures continuous supply of water through conservation and regulation of water resources and construction of infrastructure projects to ensure adequate water supply in the future.

Luzon

- New Centennial Water Source - Kaliwa Dam Project
- Angat Water Transmission Improvement Project - Aqueduct No. 7
- Bayabas Small Reservoir Irrigation Project
- Balasig Small Reservoir Irrigation Project
- Ilocos Norte-Ilocos Sur-Abra Irrigation Project
- Tumauni River Multipurpose Project
- Delfin Albano - Sto. Tomas Pump Irrigation Project
- Lipitan Small Reservoir Irrigation Project
- Magat Dam Sedimentation Countermeasure Project
- Upper Banaoang Irrigation Project

Visayas

- Jalaur River Multipurpose Project - Stage II
- Panay River Basin Integrated Development Project

Mindanao

- Buldon River Irrigation Project
- Mindanao Irrigation Development Project
- Maridagao (Kadingilan) Irrigation Project

Interregional

- Water District Development Sector Projects

National Water Programs

Program	January 2013 to June 2016		July 2016 – June 2022		July 2022 – March 2024	
	Completed Sub-Projects	Household Beneficiaries	Completed Sub-Projects	Household Beneficiaries	Completed Sub-Projects	Household Beneficiaries
Sagana at Ligtas na Tubig para sa Lahat (SALINTUBIG) Program. Provides potable water supply systems to waterless municipalities, barangays, health centers, and resettlement sites	410	137,258	2,397	1,339,620	13	13,106
Assistance to Municipalities – Water Supply. Provides financial subsidy to municipalities for the implementation of priority programs and projects, including water supply projects	1,442	636,610	4,005	2,171,719	23	22,416

2,410

Flood Control Structures completed from July 2022 to November 2023

Flood Management

Luzon

- Metro Manila Flood Management Project, Phase I
- Cavite Industrial Area Flood Management Program
- Pasig-Marikina River Channel Improvement Phase IV
- Pasig-Marikina River Channel Improvement Phase V
- Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay Project Stage I & II
- Central Luzon – Pampanga River Floodway Control Project



Mindanao

- Ambal Simuay River and Rio Grande de Mindanao River Flood Control and Riverbank Protection Project
- Flood Risk Improvement and Management Project - Cagayan De Oro River
- Davao City Flood Control and Drainage Project

Interregional

- Integrated Flood Resilience and Adaptation (InFRA) Project – Phase I
- Integrated Flood Resilience and Adaptation (InFRA) Project – Phase II

IX. Advancing the Philippines' Sustainable Finance Agenda

Sustainable Central Banking Framework integrates the Bangko Sentral ng Pilipinas' (BSP) role

Enabler

fostering a conducive policy and regulatory environment for BSP-supervised financial institutions

Mobilizer

leading by example and investing in sustainable projects

Doer

sustainability principles embedded in the BSP's key functions and operations

BSP's Enabling Regulations

- Sustainable Finance Framework or Circular No. 1085 in April 2020**
 - Sustainability principles in corporate and risk governance; credit and operational risk management. Majority of banks have submitted their ESG transition plans. Banks are in varying stages of maturity in adoption to ESG.
- Environmental and Social (E&S) Risk Management Framework or Circular No. 1128 in October 2021**
 - Management of E&S risks in relation to credit and operational risk management frameworks of banks
- Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks or Circular No. 1149 in August 2022**
 - Banks shall consider their sustainability strategic objectives and risk appetite in debt and equity securities

PH Compliant with the ASEAN Green Bonds Standards for Eligibility of Green Projects

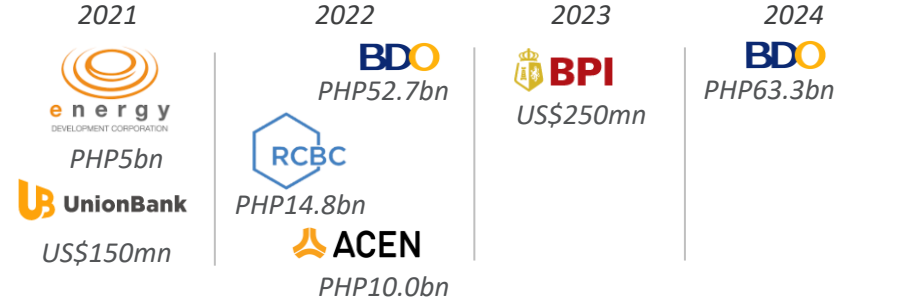
- "Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards" approved by the Securities and Exchange Commission to enable local issuers to tap into the global green bond market
- Total ASEAN labelled Green, Social, and Sustainability Bonds issued amounted to US\$29.8bn, of which, US\$6.5bn or 22% were by Philippine companies as of 30 November 2022
- Philippine-issued sustainable bonds reached US\$1.3bn issued in foreign currency, and PHP152.9bn issued in peso denomination

Green Financing Program of the Development Bank of the Philippines provides ESG financing and technical assistance to industries and local government units

BSP's Initiatives

- Green Force:** The BSP, Department of Finance, and other agencies facilitate the mobilization of funds for green and sustainable projects, development of principles-based taxonomy, and oversee the implementation of the Sustainable Finance Roadmap.
- 11-point Sustainable Central Banking Strategy** launched in December 2022 to implement climate sustainability and capacity-building initiatives.
- BSP's green bond portfolio** amounts to US\$550mn invested in the Bank for International Settlements' (BIS) first Green Bond Fund (BISP G1) and Asian Green Bond Fund (BISP G3) to support green finance across the Asia-Pacific region and to diversify the gross international reserves.

Selected Philippine Corporates' Green Bond Issuances



X. Proactive Approach to Disaster Risk Reduction, and Climate Change Adaptation and Mitigation

Other government initiatives on climate change

Air Quality

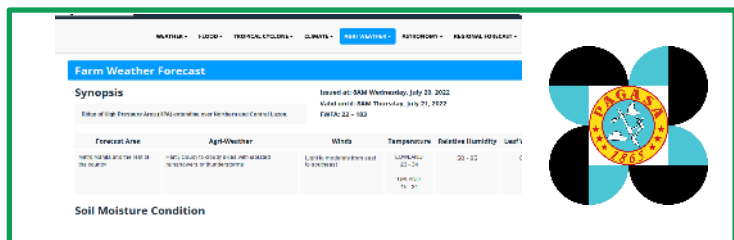
- **Green, Green, Green Program** of the Department of Budget and Management aims to assist 145 cities in developing open public spaces.
- ROP pursues promotion of renewable sources and technologies; and regulation of the exploration, development, and utilization of renewable energy sources. In 2019, 2.6mn tons of oil equivalent were saved through an energy efficiency and conservation program, which avoided the release of 5.6mn tons of carbon dioxide equivalent



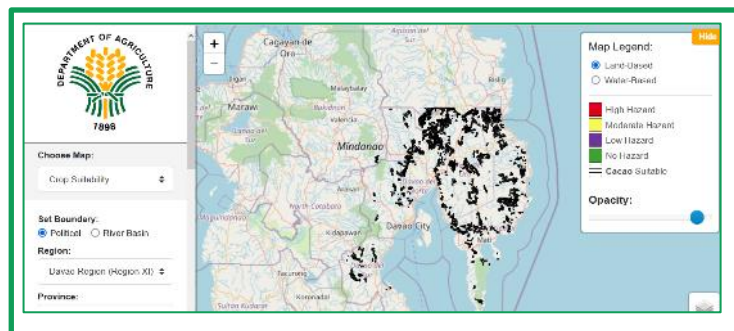
Environment and Natural Resources



- **Strengthening Multi-Hazard, Impact-Based Forecasting and Early Warning Systems** to preempt risk events and make warning messages understandable



- The Department of Science and Technology's **HazardHunterPH**, a web application, generates assessment reports on user's location with information on seismic (earthquake), volcanic, and hydro-meteorological hazards.



- **Climate Information for Agriculture** – Philippine Astronomic, Geophysical and Astronomical Services Administration (PAGASA) releases Ten-Day Regional Agri-Weather Information that helps farmers make well-informed decision in light of potential disruptive weather conditions

- **Department of Agriculture's Adaptation and Mitigation Initiative in Agriculture or AMIA** – new planning tools toward climate-ready crop management systems and science-based interventions to assist stakeholders (farmers and fisher folks, private sector)

- **National Color-Coded Agricultural Guide Map** – identifies the crops that are most suitable in agricultural parcels, and overlays soil properties, elevation, rainfall pattern, temperature, and projected climate-induced multi-hazards

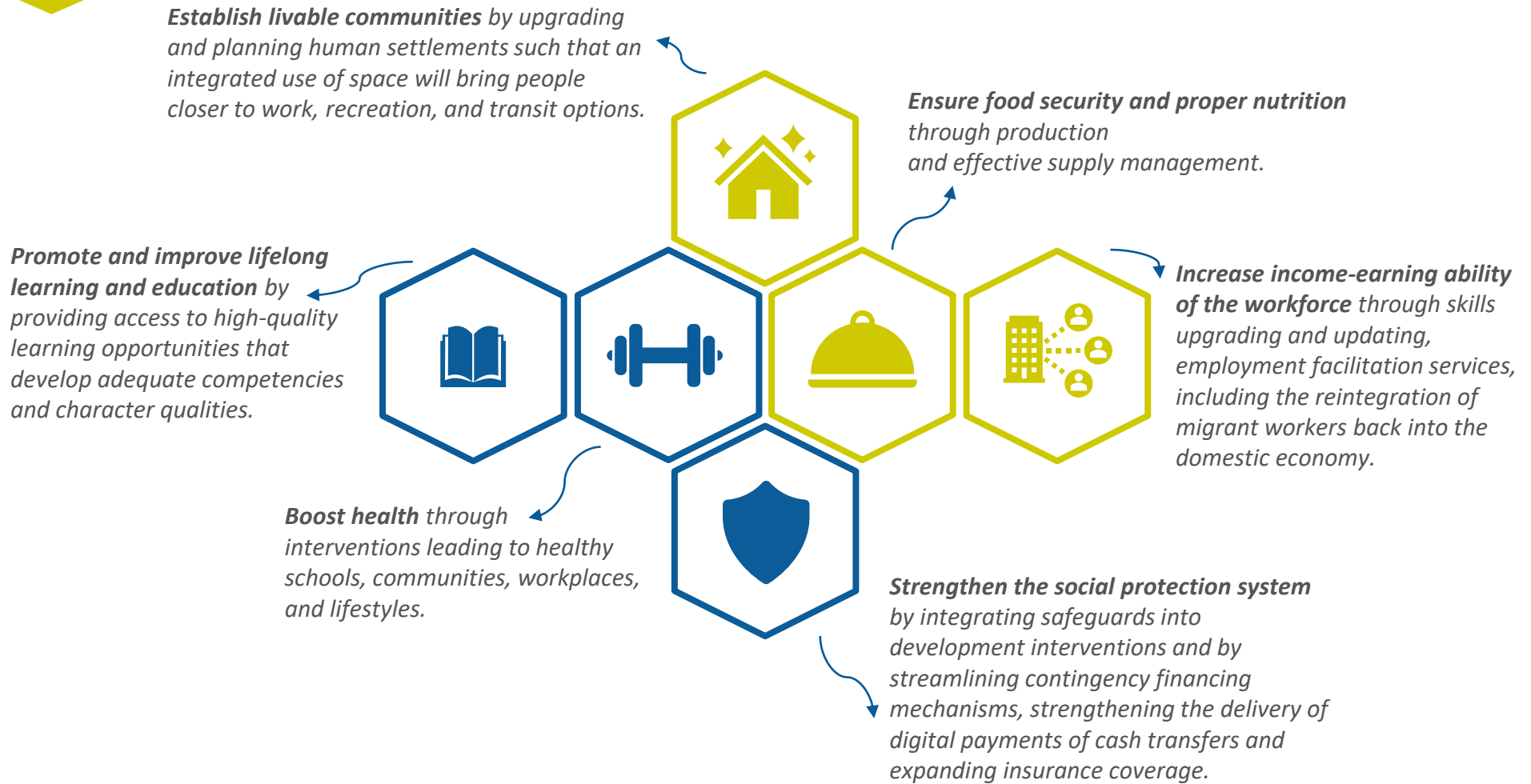
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Social

XI. Promoting Welfare and Expanding Opportunities



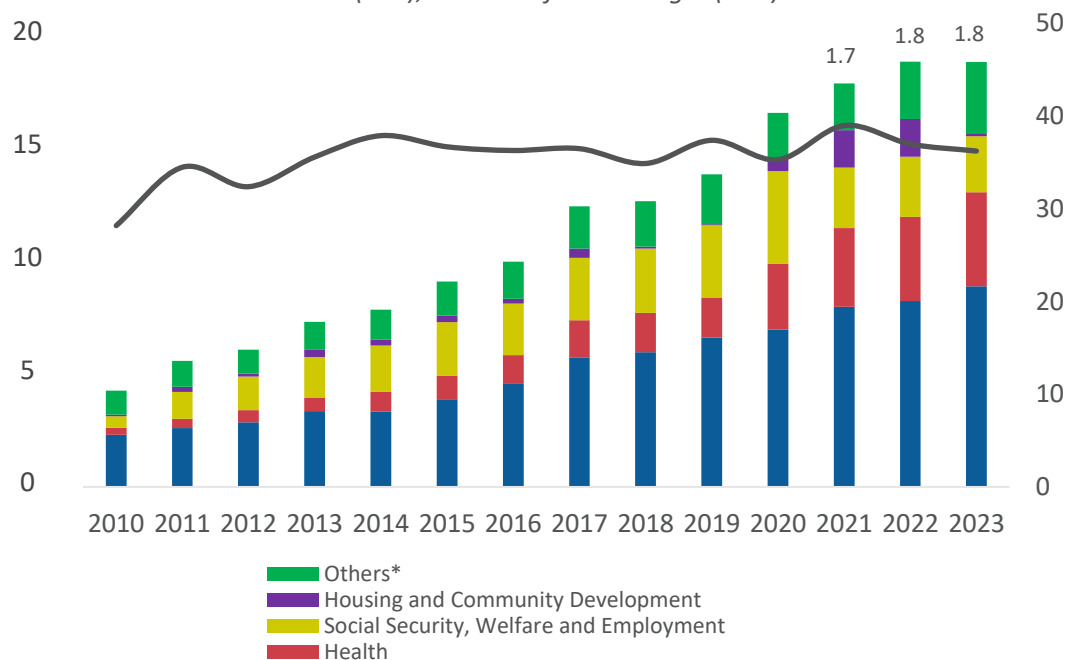
Key strategies and approaches for the social and human development sector



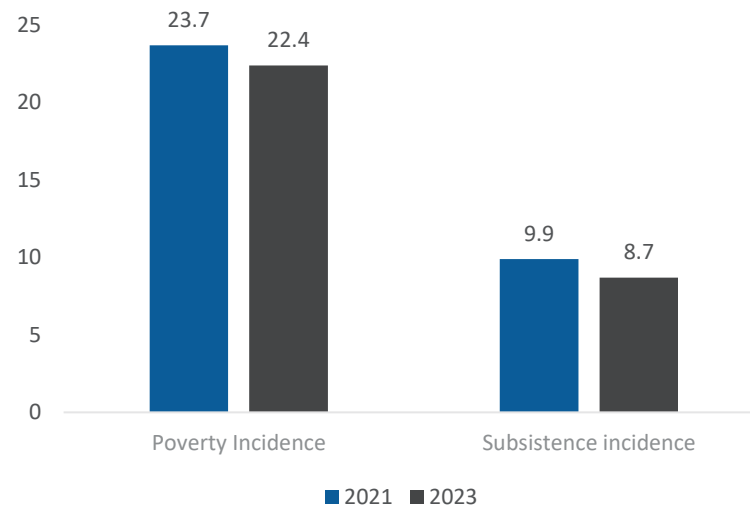
XII. Investing in Human Capital Development and Improving Social Inclusion

The national government is committed to uplifting the lives and livelihoods of its citizens and expanding the economy's productive capacity.

Public Sector Spending on Social Services Sector, 2010-2023
In PHP tn (LHS), % share of total budget (RHS)



Poverty and Subsistence Incidence Among Population, Philippines: First Semester 2021 and 2023



FY 2024 National Expenditure Program

- The Social Services sector will continue to receive the largest allocation of PHP2.183tn or 37.9% of the total national budget.
- The allocation increased by PHP178.7bn or 8.9% from the FY 2023 GAA level.

Poverty is targeted to decline to 9% of population by 2028. The overall goal is to reinvigorate job creation and poverty reduction by steering the economy back to its high-growth path, and more importantly, through economic transformation for a prosperous, inclusive and resilient society.

- Philippine Development Plan 2023-2028

Sources: NEDA, DBM, BESF various years, PCOO, PNA, PSA

*includes Land Distribution under the Comprehensive Agrarian Reform Program, Other Social Services, and Subsidy to LGUs

XII. Investing in Human Capital Development and Improving Social Inclusion

Major reforms to reduce vulnerability among poor households and marginalized communities, and promote social inclusion

Mental Health Act
Republic Act (RA) 11036

**105-Day Expanded
Maternity Leave**
RA 11210

National Feeding Program
RA 11148

**Universal Health Care
(UHC) Law**
RA 11223

**New Sin Tax Reform Law
of 2020**
RA 11467

**National Integrated
Cancer Control Law**
RA 11215

**Universal Access to Quality
Tertiary Education Act**
RA 10931

**Philippine Identification
System Act**
RA 11055

First 1,000 Days Law
RA 11148

**An Act Providing
Mandatory Philhealth
Coverage for All Persons
with Disability**
RA 11228

**Malasakit Centers Act or
One-Stop Shops in All
DOH Hospitals**
RA 11463

**An Act Institutionalizing
the Pantawid Pamilyang
Pilipino Program (4Ps)**
RA 11310

Magna Carta for the Poor
RA 11291

**Mandatory Reporting of
Notifiable Diseases and
Health Events of Public
Health Concern Act**
RA 11332

**National Human
Resources for Health
Master Plan**
NHRHMP 2020–2040

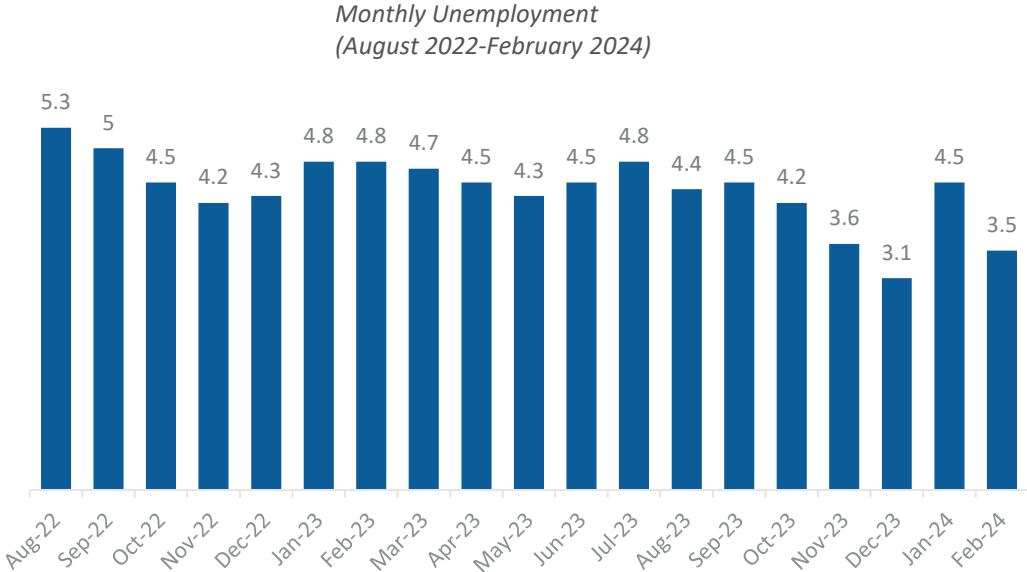
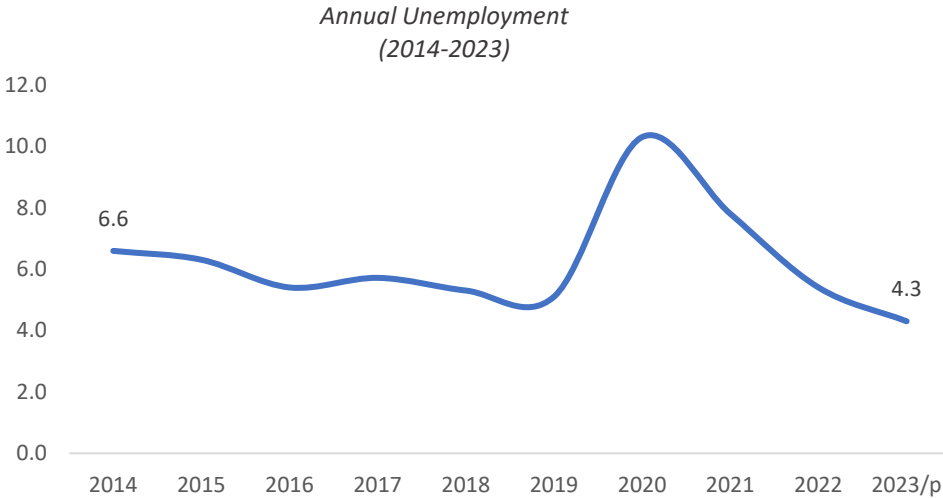
**Philippine Health
Facilities Development
Plan of 2020**
PHFDP 2020–2040

**Alternative Learning
System Act**
RA 11510

XII. Investing in Human Capital Development and Improving Social Inclusion

Job market continues to improve

The country’s unemployment rate in February 2024 dropped to 3.5%, from 4.8% in February of the previous year and 4.5% in January 2024. Unemployment rate reached 12.4% in February, lower than the recorded rate in the same month last year at 12.9% and in January 2024 at 13.9%.



- Top five sub-sectors in terms of annual increase in the number of employed persons in February 2024 were:
- Construction (470K);
 - Transportation and storage (444K);
 - Administrative and support service activities (344K);
 - Manufacturing (313K)
 - Accommodation and food service activities (210K)

Labor Force Participation	2022	2023 ^p
	64.7%	64.9%

p/ preliminary
Source: PSA

XIII. Enabling Regulatory Environment and Development of Digital Infrastructure to Support Financial Inclusion



Build Digital Infrastructure

- **The National Payment System Act** provides the comprehensive legal and regulatory framework for an efficient retail payment system.
- **The Operationalization of the Payments and Currency Management Sector** in the BSP to ensure a well-functioning payments and cash ecosystem to facilitate economic activity and financial inclusion.
- **The Philippine Identification System** (national ID) promotes financial inclusion by addressing the need of the unbanked for official IDs to open accounts.
- **The Credit Surety Fund** aims to give MSMEs access to non-collateral bank financing.
- **The Credit Risk Database**, in partnership with Japan International Cooperation Agency (JICA), uses financial and non-financial data to build statistical models to predict the creditworthiness of MSMEs.
- **The Credit Information System** promotes risk-based lending and addresses information asymmetry, thereby reducing the cost of credit assessment process.
- **The Financial Consumer Protection Act** aims to strengthen financial consumer protection against cybercrime. It will also enable financial regulators to better address consumer complaints and enforce sanctions against erring entities.

The National Strategy for Financial Inclusion (NSFI) underpins efforts of government and the private sector toward the shared vision for financial inclusion in the country



Cash-Based to Account-Based Digital Transactions

- Social cash transfers
- QR Ph Paleng-QR Ph Plus, E-Gov Pay, Bills Pay, Request to Pay, Direct Debit Facilities



Foster Trust and Financial Literacy

- Digital Literacy Programs
- Consumer Protection Framework
- Financial education in partnership with private sector and government agencies
- Financial education for fisherfolk, firefighters, and policemen



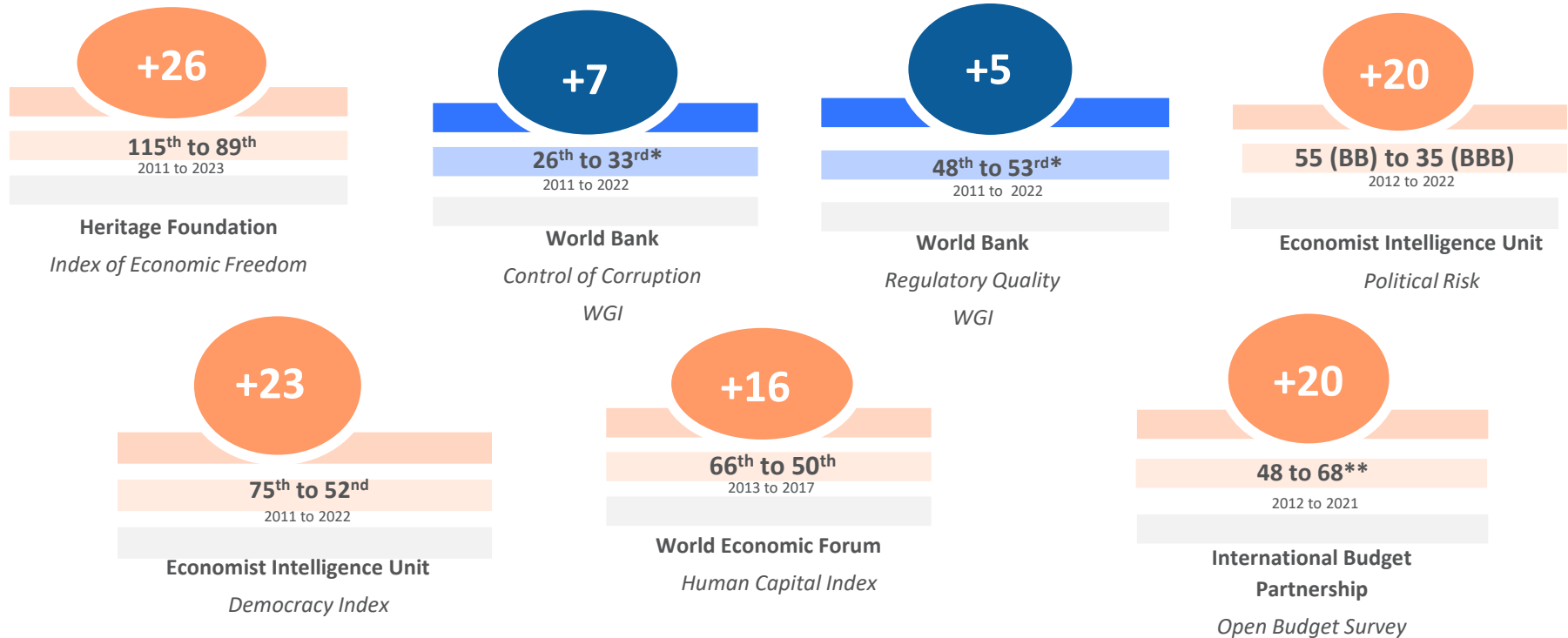
Microfinance initiative	Total Amount (PHP mn)	
	Q2 2022	Q2 2023
Microenterprise loans	22,067.8	23,234.1
Microfinance Plus	779.0	777.3
Micro-Agri Loans	1,145.3	1,097.6
Micro-Housing Loans	1,515.4	1,376.0

3

Governance

XIV. Strengthened Institutions to Support Transformational Reform Momentum

Results of entrenched reforms are positively recognized by various independent third-party assessors.



Stamping out corruption and improving government services are paramount to ease of doing business



Citizens can request information and assistance on government frontline service procedures, and report commendations, appreciation, complaints, and feedback.

Established to oversee the implementation of the national policy against red tape



Some weak scores on the World Bank Governance Indicators, particularly 'Political Stability' and 'Rule of Law,' may overstate relative weaknesses for creditworthiness.

- Fitch Ratings, November 2023

*Percentile rank ** Score out of 100
Source: Various third-party annual ranking reports, PIA, PNA

XV. Bolstering Public Accountability and Deepening Participatory Governance

Strategy Framework to Practice Good Governance and Improve Bureaucratic Efficiency

Practice Good Governance and Improve Bureaucratic Efficiency

Participatory Governance Deepened

- Ensure sufficient and functional participatory spaces
- Broaden public access to information
- Improve the quality of participation
- Increase inclusivity and accessibility of elections

Public Accountability and Integrity Bolstered

- Enhance public feedback loops
- Intensify transparency in public spending
- Strengthen implementation and monitoring of anti-corruption laws and programs
- Improve national governance assessments

Government functions, systems, and mechanisms rationalized and strengthened

- Pursue rightsizing and the whole-of-government approach in re-engineering systems and procedures
- Accelerate digital transformation in government
- Raise the productivity performance of agencies

Competent, motivated, agile, and resilient public servants supported

- Guarantee complete and capable human resources in government
- Promote conducive working environments

Recent Measures to Improve Governance Standards



- Enhancements in the Philippine Government Electronic Procurement System
- Full disclosure and public financial management reforms brought about by the Seal of Good Local Governance Act of 2019 or RA 11292
- Implementation of the Freedom of Information (FOI) policy
- National Government Portal and its subsequent provision of over 200 online government services
- Expansion of open-data features of government information
- Increase in free public Wi-Fi hotspots nationwide

XVI. Sustaining Peace Process and Security

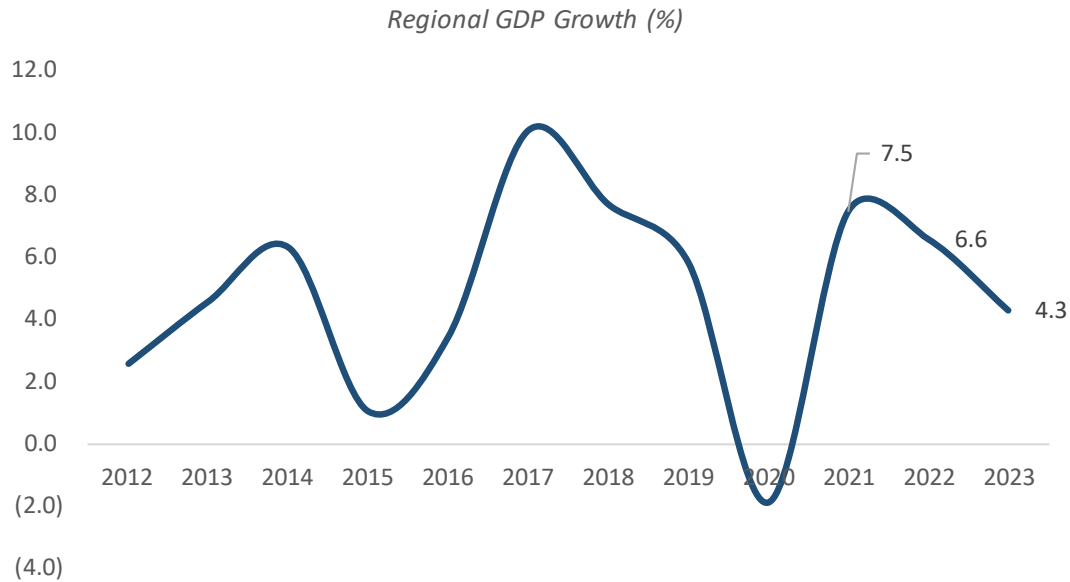
Strategy Framework to Ensure Peace and Security



XVI. Sustaining Peace Process and Security

Implementation of signed peace agreements and sustained law enforcement efforts have stabilized security in geographically isolated and conflict-affected communities, boosting economic activities.

Bangsamoro region's improved economic performance



In 2023, the total value of approved foreign investments in BARMM amounted to PHP359mn, increasing by 11.6% from 2022.

Approved Foreign Investments in BARMM 2014-2023	
2014	579.6
2015	3,218.7
2016	1,040.1
2017	724.7
2018	235.1
2019	306.9
2020	3.0
2021	20.0
2022	321.7
2023	359.0

- Services was the main driver for growth in 2023.
- In 2022, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) registered the 10th-highest economic growth (6.6%) among 17 regions in the country. Poverty incidence, meanwhile, declined significantly from 61.8% in 2018 to 29.9% as of 2021.
- The peace process is steadily moving forward with the implementation of the Bangsamoro Organic Law (Republic Act No. 11054) and the establishment of the Bangsamoro Transition Authority in 2019 as well as its extension to 2025. These have laid the critical foundation for a fully functioning autonomous region.

XVI. Sustaining Peace Process and Security

The peace process with non-state armed groups and development interventions for affected communities are in various stages of implementation.

Support for Affected Communities and Surrenderers		
2017-2021	Payapa at Masaganang Pamayanan (PAMANA) Program	supported 4,000 projects, amounting to PHP18.0bn
	Barangay Development Program	PHP16.4bn-worth of infrastructure projects in 2,228 communist group-cleared barangays

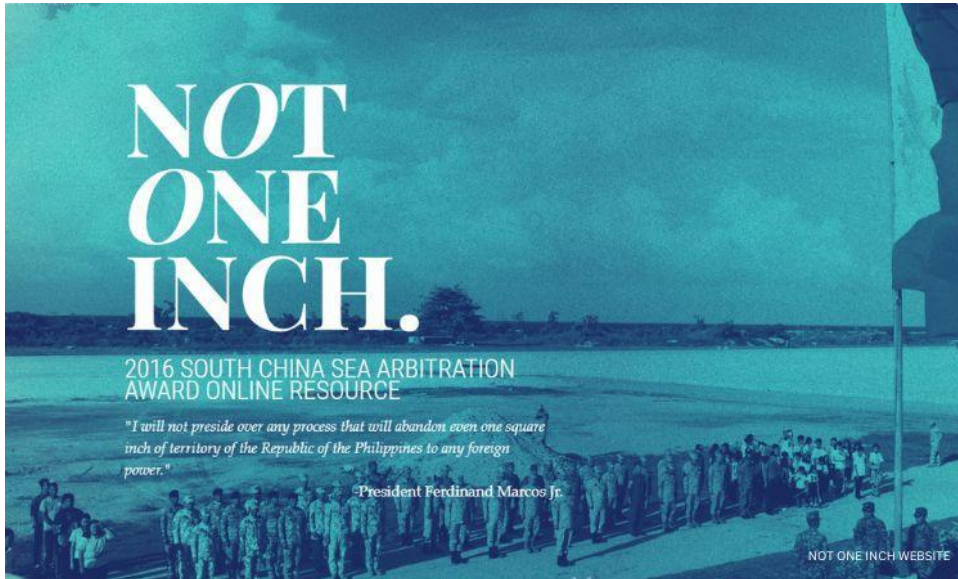
- The peace process between the Philippine government and the Cordillera Bodong Administration – Cordillera People's Liberation Army (CBA-CPLA) continues to gain momentum through livelihood and capacity building programs.
- Local peace engagements initiated in communities affected by the presence of the Communist Party of the Philippines–New People's Army–National Democratic Front (CPP–NPA–NDF). Surrendered communist rebels are provided with socioeconomic and legal assistance support.

Intensified law enforcement efforts and increased capacity of security sector aim to reduce crimes and respond to disaster and security threats

- The Philippine National Police (PNP) Intensified Cleanliness Program addresses problems in the service.
- Interventions based on the Philippine Anti-Illegal Drugs Strategy institutionalize a convergence system among government agencies to achieve drug-free communities.
- The recently enacted Bureau of Fire Protection Modernization Act (Republic Act No. 11589) is expected to upgrade fire protection services in the country.
- The Bureau of Fire Protection also initiated the Oplan Ligtas na Pamayanan to capacitate barangays with systemic and comprehensive methods and procedures to prevent and respond to fires and other emergency and disaster risks.
- Training sessions on public safety were given to Barangay Peacekeeping Action Teams and non-government organization teams in areas.

XVII. Upholding and Protecting Territorial Integrity and Sovereignty

Marcos Jr. administration's foreign policy: "A friend to all and an enemy to none."



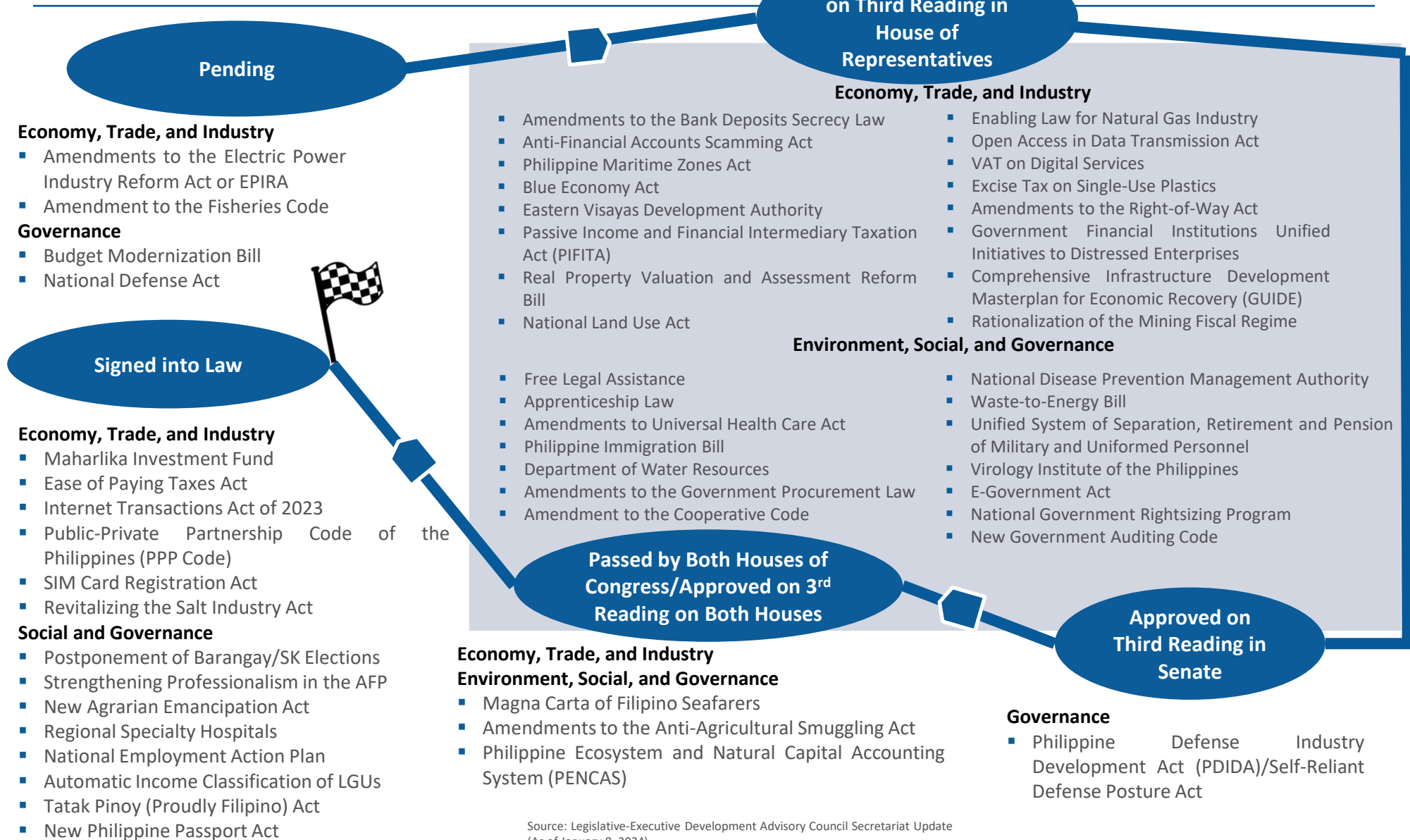
- The Philippines' Department of Foreign Affairs (DFA) launched in July 2023 the "Not One Inch" microsite, which will serve as a central resource for information and the country's position on the 2016 arbitration win over the West Philippine Sea, including the material submitted to the Tribunal, statements of the DFA on the South China Sea Arbitration, and legal and geographic scope of the West Philippine Sea.
- According to the DFA, the website is in partial fulfillment of the Philippines' commitment to "promote better understanding of the 2016 Arbitral Award as a Philippine contribution to the peaceful settlement of disputes through international law."

Chapter 13 of the Philippine Development Plan: Ensure Peace and Security and Enhance Administration of Justice



- Strengthen advocacy on respect for rules-based regime in the regional and international community
- Pursue greater international and regional dialogues and cooperation
- Develop a modern, credible, and self-reliant defense force
- Strengthen capacity of institutions in security assessment, operations, and response relative to geopolitical developments

XVIII. Marcos Jr. Administration's Legislative Agenda to Further Strengthen Institutional Settings



Source: Legislative-Executive Development Advisory Council Secretariat Update (As of January 8, 2024)

XIX. The Marcos, Jr. Administration's Ample Political Capital to Sustain Reform Momentum

The President's approval ratings and support from both Houses of Congress help provide a stable political environment.

Awareness and Performance Ratings of Top National Officials, March 2024
(in %)

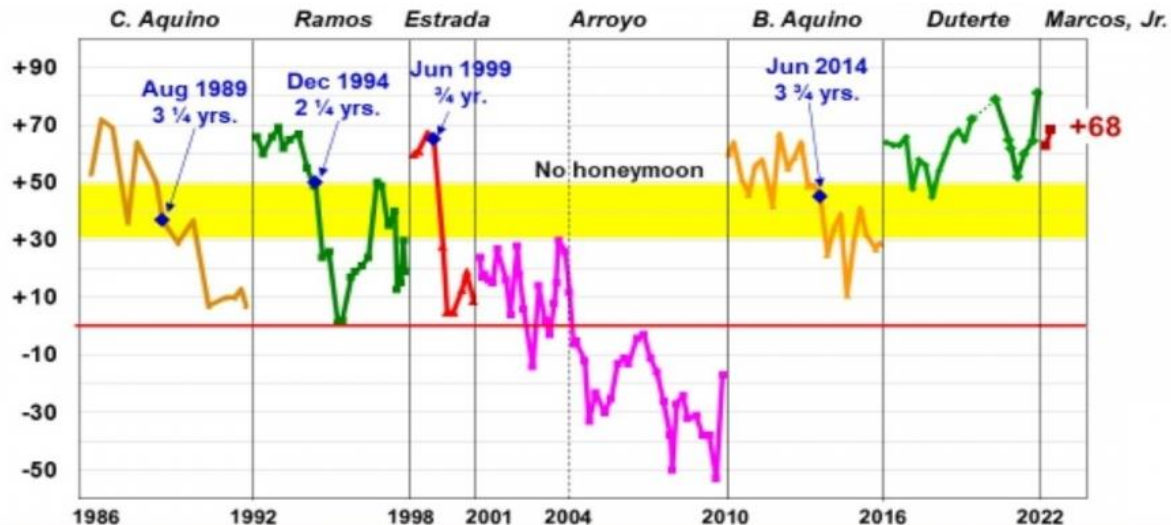


Top National Government Officials	Aware	Base: Aware		
		Approval	Undecided	Disapproval
FERDINAND R. MARCOS JR. (President)	100	55	25	20
SARA DUTERTE (Vice-President)	100	67	22	11
JUAN MIGUEL F. ZUBIRI (Senate President)	100	52	38	10
FERDINAND MARTIN G. ROMUALDEZ (Speaker of the House of Representatives)	98	31	44	26

"The high approval rating of President Ferdinand Romualdez Marcos, Jr. contributes to maintaining a stable political environment."

-Rating and Investment Information, Inc. (R&I), August 2023

Net Satisfaction Ratings of Philippine Presidents, March 1986 – December 2022



Contact Information

For further information about the Investor Relations Group, or about the Philippine economy, please contact:

Mr. Francisco Alcuaz, Jr.
Communications and Investor Relations Lead (Technical Advisor II)
Investor Relations Group
Bangko Sentral ng Pilipinas
A. Mabini St. cor. P. Ocampo St.
Malate Manila, Philippines 1004
Tel: (632) 8708-7487 / (632) 5303-1581
Email: iro-semu@bsp.gov.ph
Webpage: <https://www.bsp.gov.ph/Pages/IRO.aspx>

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