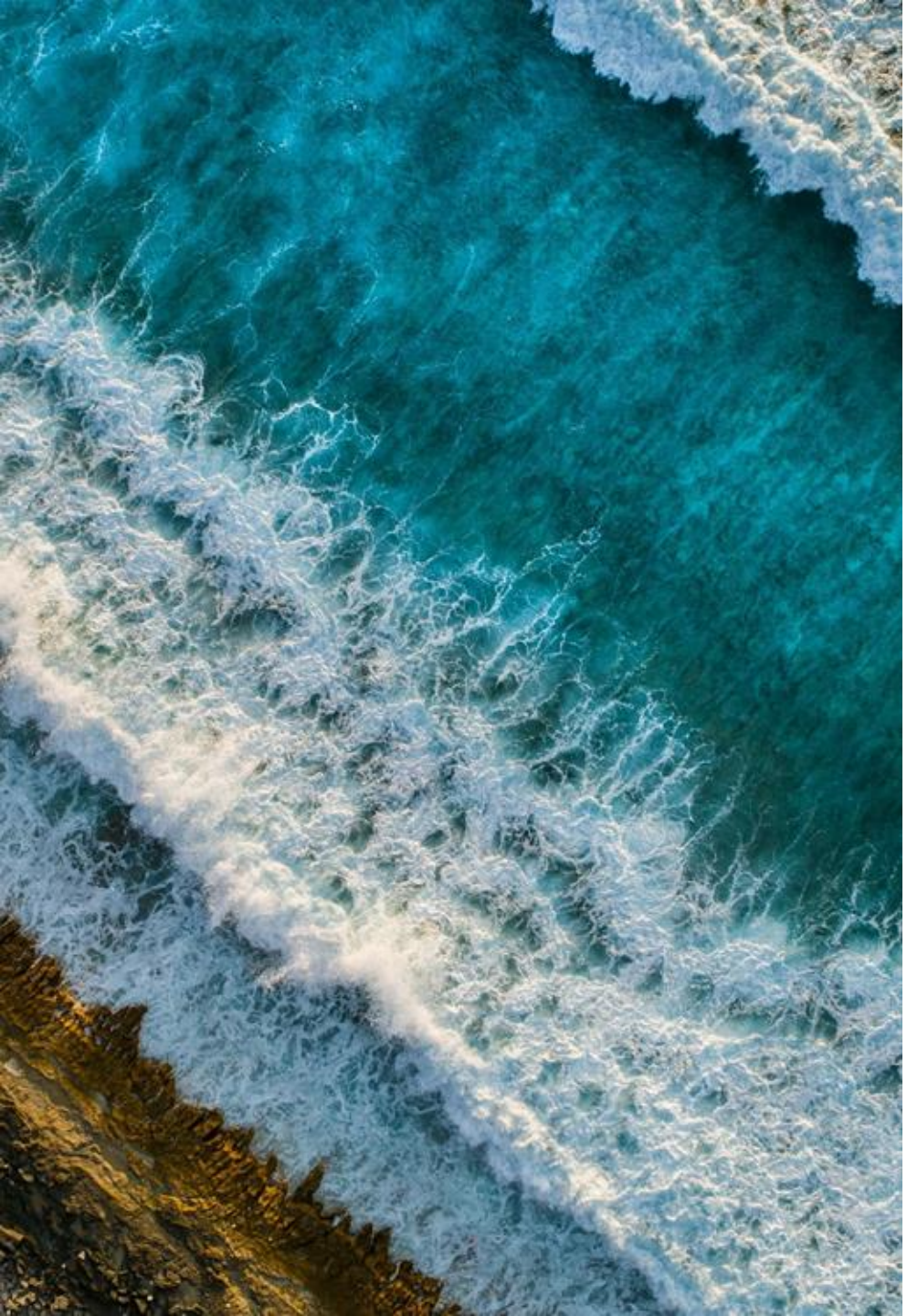

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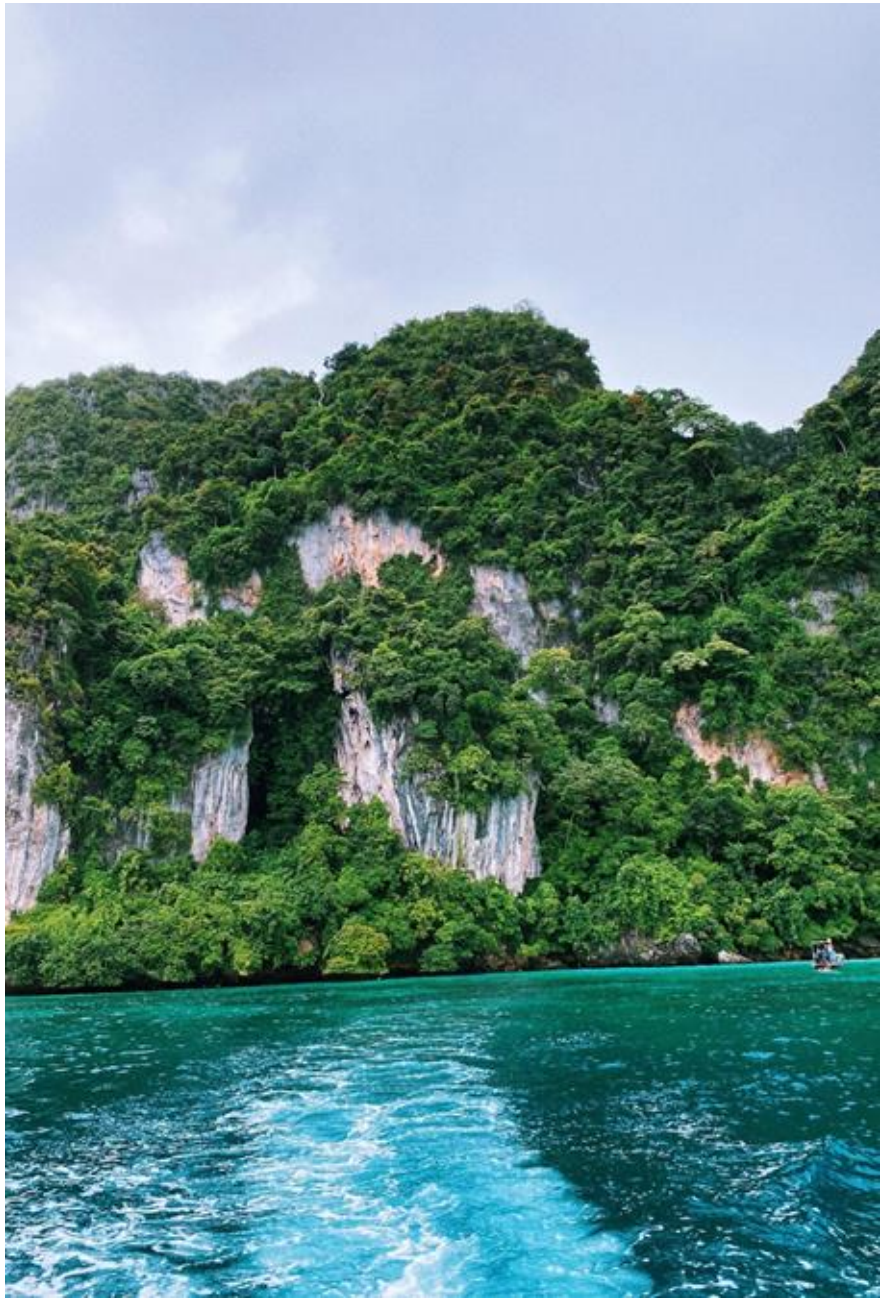
Domestic Capital Mobilization for Climate Finance in Southeast Asia: Philippines Spotlight

April 2026



Acknowledgements

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Glossary of key terms

- BLENDED FINANCE: The use of concessional, catalytic capital from public or philanthropic sources to increase private sector investment in developing countries for sustainable development. It is a structuring approach, not an investment approach.
- ENABLING ENVIRONMENT: Policies, regulations, financial instruments, and institutional support that lower investment risks, build market confidence, and attract capital from both domestic and international sources for climate-aligned projects.
- DOMESTIC CAPITAL MOBILIZATION: Investment from domestically based investors. While regional investments are aligned with the broader goals of local capital mobilization, the terms “domestic” or "local" is used strictly to refer to domestic sources.

Methodology

- This Spotlight builds on sources and insights presented in the broader report, *Domestic Capital Mobilization for Climate Finance in Southeast Asia*.
- Data analysis on *climate finance* landscapes in this Country Spotlight is based on climate finance transactions between 2017 and 2022 captured by CPI in its 2023 Global Landscape of Climate Finance report. The report uses this dataset when referring to *climate finance*.
- Data analysis on *blended climate finance* landscapes is based on blended finance transactions across all years captured by Convergence Market Data, the largest and most detailed database of historical blended finance transactions (capturing over 1500+ deals to date).

AUTHORS

Convergence: Ayesha Bery, Ishwari Sawant | **Climate Policy Initiative**: Joyce Jiahui Lin, Rosaly Byrd, Vivian Wijaya

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Summary Stats

USD 22.5B Total Climate Finance Flows to Philippines (2017-2021)

16% Share of total climate finance flows coming from domestic actors

77% Share of total climate finance flows coming from private actors

32% Share of climate finance transactions targeting adaptation

USD 2.6B Total Blended Climate Finance Flows to Philippines (All Time)

7% Share of total blended climate finance flows coming from domestic actors

33% Share of private sector commitments to climate blended finance deals

50% Share of blended climate transactions targeting the energy sector

Philippines' climate finance lags peers, but shows momentum in adaptation

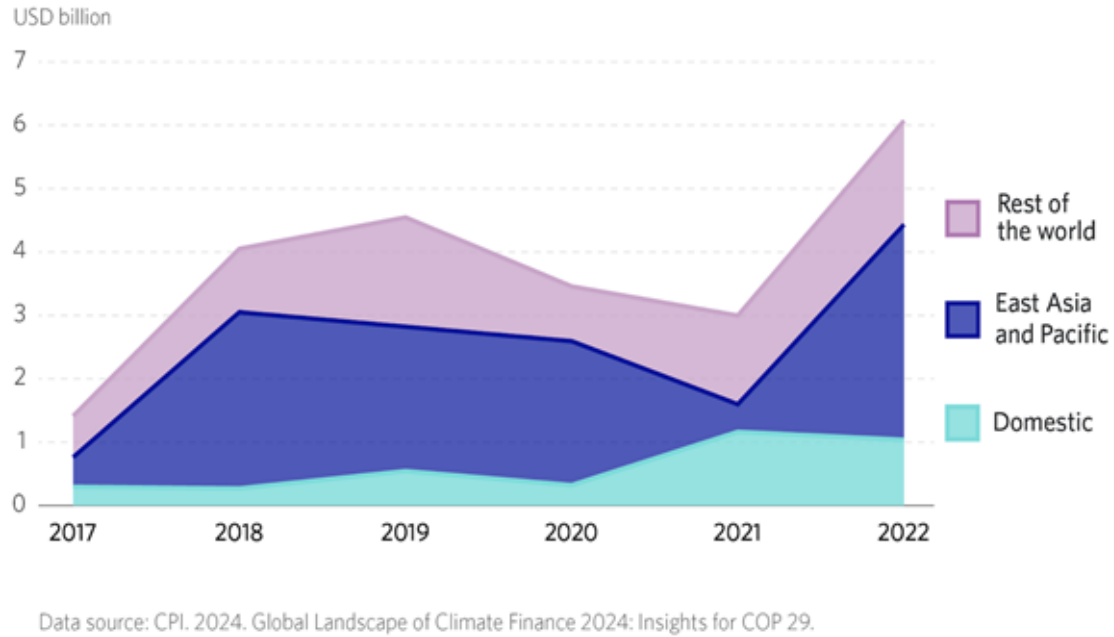
- **The Philippines trails behind regional peers in climate finance and blended climate finance flows,** receiving USD 22.5 billion in climate finance between 2017 and 2022 compared to Vietnam (49.1 billion) and Indonesia (26.9 billion).
- **Domestic climate finance is predominantly private sector-led (77% of domestic flows).** Commercial banks and corporates play a central role, particularly in financing renewable energy and energy-related activities.
- **The Philippines has the highest share of adaptation finance compared to regional peers,** representing 32% of climate financing flows.
- **Since 2022, Bangko Sentral ng Philipinas (BSP) has introduced reforms to unlock sustainable financing,** including easing single borrower limits, lowering reserve requirements for green bonds, and enabling sustainable finance to meet agricultural lending requirements.

Policy progress is advancing adaptation and agri-finance in the Philippines

	Notable Initiatives	Description
Cross-Sector	Nationally Determined Contributions (NDCs)	• **NDC Commitment:** The Philippines targets a 75% reduction in greenhouse gas emissions by 2030, with over 70% conditional on international support, highlighting reliance on external finance.
	Energy Transition Policies	• **Philippine Energy Plan (2023–2050):** Targets 35% renewable energy share by 2030 and 50% by 2040, providing long-term policy certainty for investors. • **Renewable Energy Act (2008):** Introduces fiscal and non-fiscal incentives, including tax exemptions, renewable portfolio standards, and net-metering.
	Domestic Climate Platforms Advancing Mitigation and Adaptation	• **National Adaptation Plan (2023–2050):** Identifies priority sectors for adaptation, including agriculture, water, health, ecosystems, and infrastructure, guiding climate resilience investments.
Energy Sector	National Energy General Plan	• **Renewable Energy Act (2008):** Establishes the legal and institutional framework for renewable energy development, introducing fiscal incentives (tax exemptions, reduced import duties) and non-fiscal mechanisms (renewable portfolio standards, net-metering) to support investment. • **Philippine Energy Plan (2023–2050):** Sets long-term targets to increase renewable energy share to 35% by 2030 and 50% by 2040, providing policy certainty for scaling clean energy deployment.
Financial Sector	Harmonizing the Financial Sector with Green Principles	• **Sustainable Finance Taxonomy Guidelines (2024):** Establishes a framework for classifying environmentally and socially sustainable activities, directing capital toward climate-aligned investments. • **Single Borrower's Limit Amendments (2022):** Expands lending capacity by broadening the definition of capital, enabling greater credit provision for large-scale investments. • **Agri-Agra Reform Credit Act (amended 2022):** Requires banks to allocate at least 25% of loanable funds to agriculture and fisheries, supporting climate-relevant sectors and value chain financing.

International finance dominates climate finance flows to the Philippines

Figure 1: Climate finance flows to the Philippines

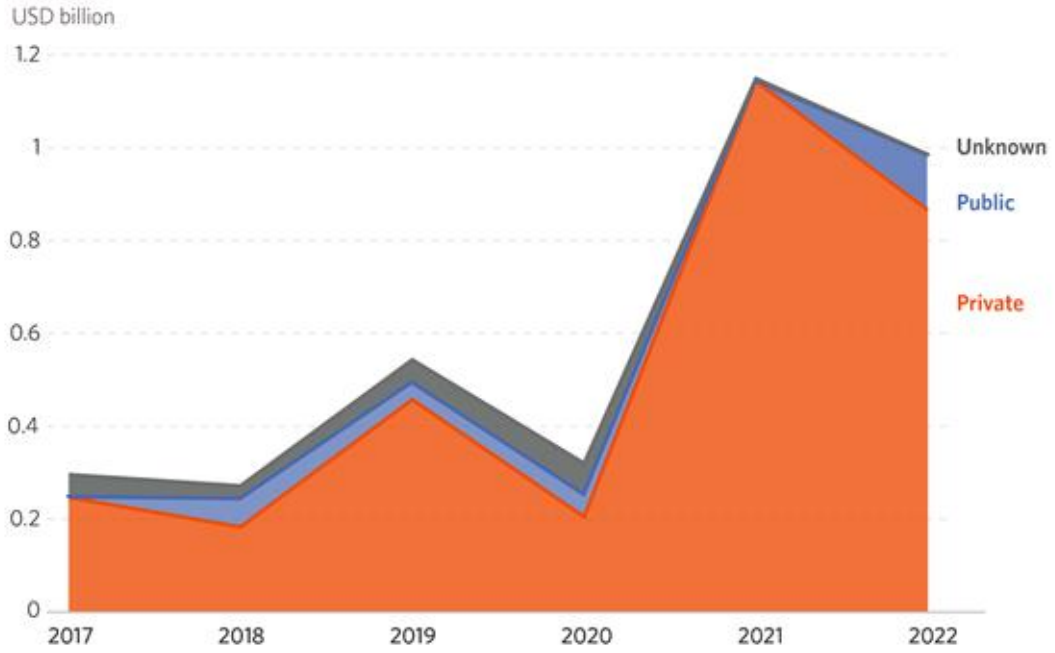


Data source: CPI. 2024. Global Landscape of Climate Finance 2024: Insights for COP 29.

- **The Philippines mobilized USD 22.5 billion in climate finance (2017–2022),** with flows overwhelmingly driven by international sources, accounting for ~84% of total financing.
- **Climate finance to the Philippines is largely sourced from bilateral and multilateral actors in the East Asia and Pacific region**, particularly development finance institutions such as Japan International Cooperation Agency (JICA).
- **Domestic climate finance remains limited but is predominantly private sector-led,** with private actors contributing over three-quarters of domestic flows.

Domestic climate finance in the Philippines remains limited, despite strong private sector participation

Figure 2: Domestic climate finance in the Philippines by funding source

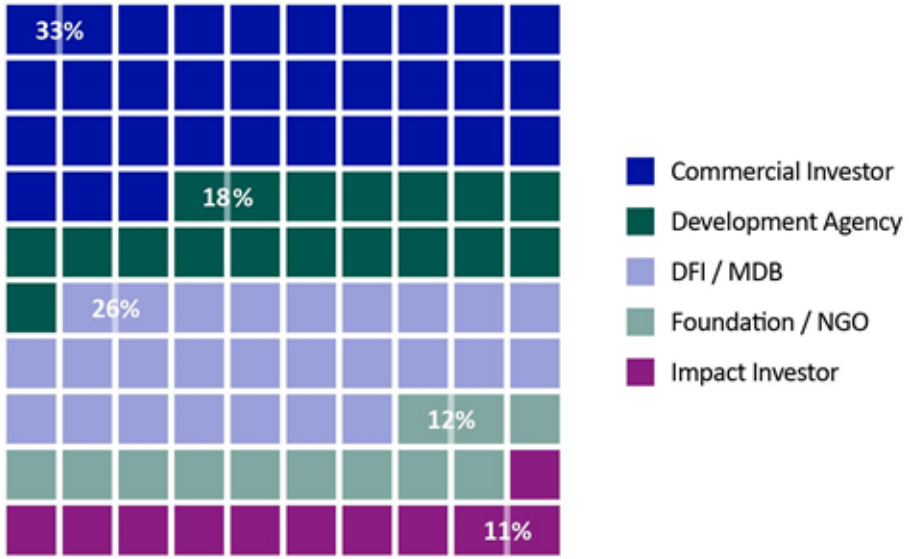


Data source: CPI. 2024. Global Landscape of Climate Finance 2024: Insights for COP 29.

- **Domestic sources account for just 16% of the Philippines' climate finance flows,** with most financing originating from international actors.
- **Domestic climate finance is predominantly driven by private actors (80%),** led by corporates (41%) and commercial financial institutions (36%), reflecting strong private sector participation.
- **Domestic banks are increasingly financing climate activities**, particularly energy, but lending remains concentrated in traditional sectors and limited by low familiarity with renewables.

Philippines receives a smaller proportion of climate blended finance relative to region

Figure 3: Breakdown of blended climate finance in the Philippines by investor sub-sector



Data Source: Convergence Market Data as of November 2024.

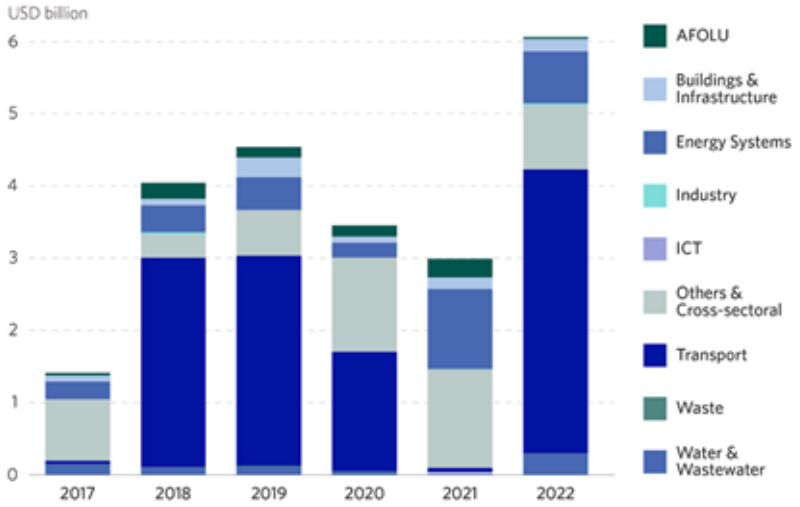
- **Blended climate finance represents a smaller share of the Philippines' overall climate finance market,** totaling USD 2.6 billion (2017–2022), with most capital sourced from international actors.
- **Commercial investor participation in blended climate finance remains moderate (33%),** lower than regional peers such as Indonesia and Vietnam, with international development finance institutions (DFIs) and multilateral banks (MDBs) playing a dominant role.
- **International actors**, including DFIs such as Dutch Entrepreneurial Development Bank (FMO) US Development Finance Corporation (DFC), and BIO-Invest, are among the most active investors, while domestic participation remains limited and concentrated among financial institutions and corporates.

Investor Spotlight: Philippine Guarantee Corporation (PhilGuarantee)

PhilGuarantee is the principal agency for state guarantee finance in the Philippines and plays a key role in supporting domestic lending to climate-related sectors. It provides guarantees through programs such as the Sustainable Energy Credit Guarantee Facility and the Agriculture Credit Guarantee Program, covering a portion of loan risk and enabling longer-tenor financing. These guarantees have supported lending by domestic financial institutions to sectors including renewable energy and agriculture, particularly for borrowers that may face constraints in accessing commercial credit.

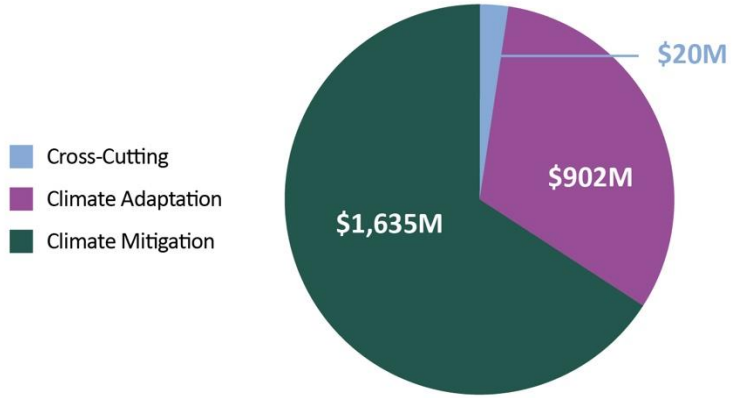
Blended finance plays a key role in advancing the Philippines' climate adaptation goals

Figure 4: Climate finance in the Philippines by sector



Note: Less than USD 0.1 bn came from unknown sources in 2021 and 2022. AFOLU stands for Agriculture, Forestry, Other land uses and Fisheries. ICT stands for Information and Communications Technology.
Data source: CPI. 2024. Global Landscape of Climate Finance 2024: Insights for COP 29.

Figure 5: Breakdown of blended climate finance flows in the Philippines by climate theme

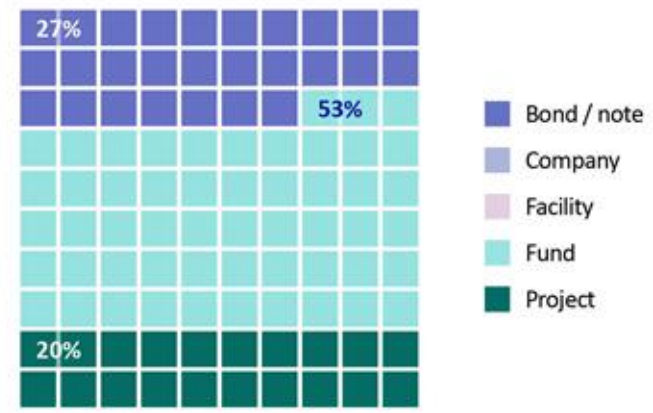


Data Source: Convergence Market Data as of November 2024.

- **Overall, climate finance in the Philippines is concentrated in mitigation activities** (66% of total financing), particularly in transport and cross-sectoral infrastructure where investment volumes are highest.
- **Adaptation accounts for 32% of total climate finance,** representing the highest share among regional peers and reflecting the country's climate vulnerability priorities.
- **Blended climate finance also primarily supports mitigation (USD 1.6 billion),** though the Philippines shows a more balanced distribution between mitigation and adaptation compared to regional peers.
- **Adaptation-focused blended finance (USD 902 million) and cross-cutting investments are more prominent relative to regional peers,** reflecting a more balanced allocation beyond mitigation.

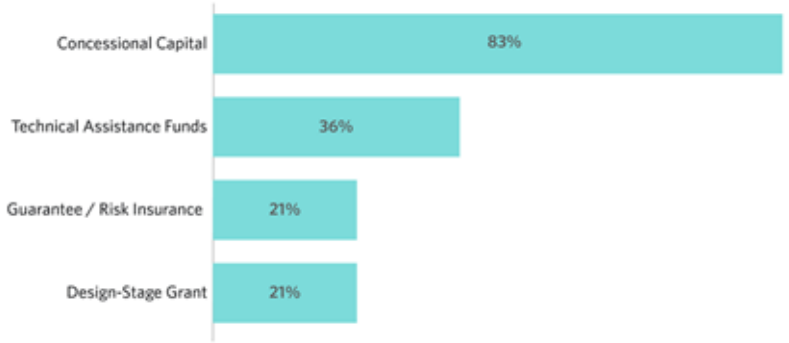
Blended finance is led by fund vehicles, with higher use of grants and increasing role of guarantees

Figure 6: Proportion of climate blended finance transactions by vehicle in the Philippines



Data Source: Convergence Market Data as of November 2024.

Figure 7: Proportion of climate blended finance transactions by blending archetype in the Philippines



Data Source: Convergence Market Data as of November 2024.

- **Fund-based vehicles account for the majority of blended finance transactions (53%),** often structured as multi-country funds where the Philippines is one of several target markets.
- **Bonds represent a significant share of transactions (27%),** supported by a growing green bond market led by domestic financial institutions and corporates investing in renewable energy and infrastructure.
- **Only 20% of transactions are structured as project-level investments,** indicating a more limited pipeline of bankable, standalone projects.
- **Concessional capital underpins most blended finance transactions (83%),** in line with regional trends.
- **Grant funding plays a more prominent role in the Philippines than in regional markets,** particularly through technical assistance (36% vs. 28%) and design-stage grants (21% vs. 11%).
- **Guarantees are increasingly used to de-risk investments and extend financing tenors,** with institutions such as PhilGuarantee playing a growing role in catalyzing commercial lending to climate-related sectors.

Barriers & Recommendations

Challenge	Opportunity
Limited access to finance for small renewable energy developers ❖ Low revenue certainty under earlier feed-in tariff (FIT) design (e.g., installation caps, eligibility only confirmed at commissioning) constrained project finance. ❖ Smaller developers lack balance sheets to self-finance and face strict collateral and capital requirements from banks. ❖ As a result, financing is dominated by balance sheet financing (55%) vs. bank lending (27%).	**Public financing and guarantees can improve risk-return profiles for smaller developers** • PhilGuarantee facilities (50–80% coverage, up to 15-year tenors) reduce credit risk and enable lending to MSMEs. • DBP programs (e.g., FUSED) can mobilize large-scale capital and support project preparation for smaller developers and cooperatives. **Aggregation and blended finance models can scale smaller projects to meet electricity demands** • Portfolio approaches (e.g., mini-grid aggregation, the Local Utility Project Aggregator (LUPA) model) pool projects to improve bankability and meet investor scale requirements.

Challenge	Opportunity
Green bond market supply does not align with domestic investor preferences	**PPP reforms and technical assistance can expand and diversify green bond issuance**
❖ Issuances are dominated by large corporates and financial institutions, with limited public sector participation. ❖ ~71% of sustainable debt is foreign currency-denominated, despite investor preference for peso-denominated bonds. ❖ Lack of sovereign green bonds contributes to undersupply relative to demand.	• The PPP Code (2023) enables project bonds and opens opportunities for LGUs to issue green bonds for local infrastructure. • TA can support issuers in identifying eligible projects and structuring bonds across sectors beyond renewables.

Challenge	Opportunity
Persistent financing gaps in adaptation sectors (agriculture & water) ❖ High perceived risks, lack of collateral, and limited borrower data constrain agricultural lending. ❖ Water sector is underfunded, with small providers and low tariffs reducing financial viability. ❖ Investment needs (e.g., ~USD 20 billion for water) far exceed current levels (~USD 60 million annually) .	**Credit enhancement tools can unlock financing for adaptation sectors** • Blended finance structures such as the Philippines Water Revolving Fund reduce risk and attract private investment to sectors such as water and sanitation. • Insurance mechanisms and premium subsidies can improve risk coverage and incentivize lending to agriculture, for example, PhilGuarantee offers a 50-80% discount on guarantee fees for agricultural loans insured by the Philippines Crop Insurance Corporation.

Challenge	Opportunity
Limited capacity of local institutions to channel climate finance ❖ Rural banks face liquidity constraints and focus on short-term lending ❖ Local Government Units (LGUs) play a key role in adaptation but lack technical capacity to structure and finance projects ❖ Limited ability to access and deploy available financing mechanisms	**Strengthening local financial institutions and subnational actors can scale climate finance delivery** • Capacity-building programs, digitalization, and technical assistance can enable rural banks to expand into medium-and long-term lending • Support to LGUs (e.g., PPP units, access to People's Survival Fund) can enhance their role in financing and implementing adaptation projects

Case Study

Ayala Electric Mobility Ecosystem Project

Overview	This case study demonstrates the leadership role of national conglomerates in driving climate innovation in nascent markets. Following the Philippines' Electric Vehicle (EV) Industry Development Act, Ayala Corporation began investing in building the EV market, helping build confidence and attract private sector interest. In 2024, Asian Development Bank (ADB) supported this effort with financing to roll out charging stations and electric vehicles, helping address high upfront costs and uncertainty around the technology.
Capital Structure and Key Stakeholders	**Senior debt:** ADB provided a USD 85 million dual-currency loan to support e-mobility subprojects, including EV charging stations and fleet deployment. **Concessional financing:** A USD 15 million concessional loan from ADB and the Canadian Climate and Nature Fund enhanced financial viability by reducing overall project costs and risk exposure. **Sponsor:** Ayala Corporation is the lead private sector sponsor, funding remaining project costs (amount undisclosed)
Technical Assistance	**ADB Transport Sector Office:** Supported due diligence of Ayala's e-mobility business, including assessment of greenhouse gasses (GHG) emissions reductions and total cost of ownership of EVs compared to internal combustion vehicles.
Impact	**Expected:** Establish a national EV charging network to address infrastructure gaps, reduce range anxiety, and improve accessibility to electric mobility solutions. **Additional outcomes:** Promote gender inclusion within technical teams and workplace practices.
Lessons Learned	• A strong local conglomerate can play a critical role in anchoring and scaling nascent climate markets. • Concessional capital is essential to offset high upfront costs and technology risks in early-stage sectors like e-mobility. • Blended finance structures can enhance bankability and crowd in private investment by improving risk-return profiles. • Long-standing relationships with reputable sponsors help mitigate perceived risks in emerging sectors.

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Contact

ccfacility.org

info@ccfacility.org

@ClimateFacility

@catalytic-climate-finance-facility

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