

Intervention of the Bangko Sentral ng Pilipinas

Excellencies, distinguished delegates,

Good afternoon.

Thank you for the opportunity to share the Philippine experience. What I would like to offer today are **three early insights** emerging from the Blended Finance Forum we convened last October with Convergence and Australia's DFAT. These insights reflect where we currently stand in the Philippines as we work to build a blended finance ecosystem that supports climate adaptation.

Let me begin with the central bank's perspective.

Given the Philippines' exposure to climate shocks, adaptation outcomes feed directly into financial stability. They shape asset values, borrower resilience, and the overall risk environment in which our financial institutions operate. This is why adaptation finance matters to us at the BSP: it reduces losses, stabilizes cashflows, and lowers default risk—real financial benefits, even when expressed as avoided losses rather than new revenues.

But these benefits cannot materialize if adaptation investments remain small and slow. And this is precisely where blended finance becomes relevant for us. It can help address the barriers that currently prevent adaptation projects from reaching scale—whether due to uncertain cashflows, fragmented project sizes, or limited capacity among local actors

Data from Convergence shows that around USD 6 billion have been mobilized across 41 transactions in the Philippines, but these are concentrated in clean energy and financial services. Adaptation investments—water security, resilient agriculture, nature-based solutions, and local infrastructure—remain very modest. Domestic investor participation is also limited, with most capital sourced internationally.

Stakeholders continue to point to familiar constraints: a thin pipeline of investable adaptation projects, high transaction costs for small and distributed deals, capacity gaps among both financiers and project sponsors, administrative bottlenecks, and the lack of standardized structuring and impact-measurement tools.

These challenges led us to convene a two-day Forum to understand what a more functional blended finance ecosystem for adaptation would require. From that conversation, **three early insights** emerged.

INSIGHT 1: Adaptation becomes more investable when it is clear, financially relevant, and measurable.

The first insight is that adaptation finance only moves when the market understands what adaptation looks like and how it creates financial value.

Right now, ambiguity around what qualifies as adaptation, and limited ability to quantify avoided losses, create uncertainty for investors. This is why the BSP, together with partners, is developing the **Philippine Adaptation & Resilience Catalogue, or PARC** as a supplement to our principles-based sustainable finance taxonomy guidelines.

PARC aims to provide more granular guidance, including metrics, to help users assess what constitutes as an adaptation activity. It brings together sector assessments and science-based information so local actors—LGUs, financial institutions, project developers—can better understand what adaptation looks like in practice.

For financiers, this clarity matters. When adaptation is well-defined, its **financial logic** becomes more apparent: reduced business disruption, more resilient borrowers, and more stable asset values. These avoided losses have clear financial significance. Better measurement—whether through avoided-loss modelling or performance indicators—helps investors understand long-term value.

From a prudential lens, we are also beginning to examine whether the risk-reducing effects of adaptation and blended finance structures have implications for risk assessments over time. This is exploratory work, but it signals an important shift: the financial system is starting to recognize that **investing in resilience can lower future financial risk**.

The implication is clear: countries must invest not only in mobilizing capital, but in end-to-end project preparation and a more robust understanding of adaptation. Without systematic preparation—supported by clearer definitions, better data, and agreed metrics—blended finance will continue to gravitate toward mature mitigation sectors rather than the adaptation needs that matter for long-term resilience.

The broader insight is straightforward: adaptation becomes investable when it is clearer, more measurable, and commercially interpretable.

INSIGHT 2: Blended finance can scale only when structural barriers in the domestic market are addressed.

The second insight is that blended finance alone cannot unlock adaptation. It must be paired with efforts to address structural frictions in our market.

One of the clearest observations from our Forum was what participants described as the “**Snow White and the Seven Dwarfs**” dynamic. A few large institutions—our “Snow White”—have the balance sheets, technical capacity, and familiarity to engage in blended finance structures. But the vast majority of actors who are closest to climate impacts—local governments, cooperatives, MSME lenders, and smaller developers—struggle to participate meaningfully. They face collateral constraints, documentation burdens, limited staffing, and project sizes that are often too small to be attractive on their own.

This mismatch is not about interest; it is about feasibility. And unless blended finance is deliberately structured to bring these smaller actors in, adaptation investments will continue to be concentrated among only a handful of institutions.

Our Forum discussions highlighted several practical adjustments: simpler and more standardized structures, pooling and aggregation to achieve scale, early engagement with local institutions so they can help shape transactions, and proportionate reporting requirements that do not unintentionally exclude smaller actors. Support for LGUs to turn climate-risk assessments into bankable resilience investments is also essential.

These insights emphasize that blended finance is not just about concessionality. It depends on structuring transactions in ways that local institutions can realistically participate in.

INSIGHT 3: A blended finance ecosystem must evolve collaboratively—and domestic capital, including commercial lenders, must play a catalytic role.

The third insight is that blended finance does not fit neatly under any single agency. It touches public investment, economic planning, development cooperation, financial regulation, and local government priorities. No single institution “owns” it.

A more realistic path—and one strongly supported by stakeholders—is to treat blended finance as an **ecosystem-building effort**, where each actor contributes what it does best. But for this ecosystem to function, the pieces must connect.

This is why one of the strongest ideas emerging from the Forum was the value of a **national coordination platform**. Stakeholders were not asking for a new bureaucracy, but a practical space where government, financiers, developers, insurers, philanthropies, and development partners can regularly come together—not just to exchange insights, but to **help transactions move**.

Such a platform could provide visibility on emerging adaptation opportunities, flag bankability issues early, help identify where concessional capital or guarantees are needed, and surface administrative or regulatory bottlenecks before they slow progress.

And crucially, this ecosystem can only scale when domestic institutions—pension funds, insurers, development financial institutions, and even commercial lenders—participate early in blended finance structures. Their involvement sends a strong market signal that risks are understood and manageable, attracting additional capital.

When domestic actors hesitate, deals struggle to advance, regardless of concessionality.

Closing

To close, our early learnings suggest three essentials:

First, adaptation becomes more investable when it is clearer, more measurable, and more commercially interpretable supported by tools like an adaptation taxonomy or catalogue.

Second, blended finance must be structured in ways that work for local institutions—through simplicity, aggregation, and early engagement.

Third, ecosystem development is inherently collaborative, and a coordination platform can help ensure that conversations translate into real transactions.

We are early in this journey, but these insights are shaping how we see our role as regulator and partner in building a blended finance ecosystem that can mobilize meaningful resources for climate adaptation.

Thank you very much.