WBG Governor's Statement No. 11

October 14, 2022

Statement by the Hon. **BENJAMIN E. DIOKNO,**
Governor of the Bank for **THE PHILIPPINES**

Statement by the Hon. Benjamin E. Diokno,

Governor of the Bank for the Philippines

The international community has gone a long way since the onslaught of the COVID-19 pandemic. More than two years later, we face new and serious threats to food security, energy security, climate change adaptation and mitigation, and post-pandemic learning recovery.

Along with the rest of the world, the Philippines is confronted with rising inflation. High fuel prices owing to disruptions in oil supply, as a result of the Russia-Ukraine conflict, are the major source of inflation. Food items are the other drivers of inflation, resulting from limited supply due to inadequate domestic production and weather-related disturbances.

To cushion the effects of inflation on the most vulnerable sectors of society, the Philippine government continues to extend direct targeted support such as fuel subsidies for public transport workers, fuel discounts for farmers and fisherfolk, and social pension for indigent senior citizens.

The Philippine government is committed to investing in long-term solutions to manage inflation. We are implementing improvements to local food production, ensuring the timely importation of goods, improving distribution efficiency, ensuring adequate power supply, and carefully calibrating wage and transport fare hike adjustments.

We expect inflation to remain elevated as long as world prices of oil remain high. Nevertheless, with our combination of fiscal and monetary policies, we are optimistic that the average inflation rate will be within our target of 4.5 percent to 5.5 percent for 2022. We also expect to grow by 6.5 to 7.5 percent this year.

Meanwhile, the impacts of climate change continue to worsen in virtually all continents. The Philippines, which experiences an average of 20 typhoons a year, bears the brunt of the ill effects of climate change and stands to suffer large damages in the long run.

Delayed and insufficient action will have harsh consequences. Our initiatives must be swift, effective, and innovative.

To address these challenges, the Philippine government has integrated green, resilient, and inclusive development (GRID) strategies in our post-pandemic recovery plans.

The Philippines adopted its first Nationally-Determined Contribution under the Paris Agreement. This aims to address climate change by reducing greenhouse gas emissions by 75 percent by 2030; adapting to the impacts of climate change; and mainstreaming gender and social inclusion into climate action.

As we face ongoing challenges to our economic recovery and growth, mobilizing resources for climate action is crucial to achieve balance between sustainable climate action and economic growth. We cannot have one without the other.

To this end, we advocate for climate finance as a blended approach of grants, investments, and subsidies that adopts a whole-of-society and whole-of-government approach.

This requires the institutionalization of robust transparency and accountability mechanisms to ensure that recipient countries utilize the provided financing efficiently towards concrete climate action.

In October 2021, the Philippines launched its first-ever Sustainable Finance Roadmap and Guiding Principles. These tackle the policy and regulatory gaps in promoting sustainable finance and aims to synergize public and private investments towards green projects. These are aligned with the ASEAN Standards for Green Bonds and EU Taxonomy.

The Department of Finance, with the Bureau of the Treasury, established a Sustainable Finance Framework to guide how our government intends to raise Green, Social or Sustainability bonds, loans, and other debt instruments in the international capital markets.

Our Central Bank also issued a Sustainable Finance Framework to integrate sustainability principles, including those covering environmental and social risk areas, in the corporate governance and risk management frameworks of banks.

In 2022, the Philippines successfully tapped the international capital markets for the first time with its offering of 2.25 billion US-dollar triple tranche 5-year, 10.5 year, and 25-year Global Bonds. The 25-year Global Bonds were issued under the Sustainable Finance Framework and marks the Philippines debut ESG Global Bonds offering. The transaction also marks the first triple tranche USD offering from the Philippines.

The total ASEAN-labeled Green, Social, and Sustainability Bonds issued amounted to 22.78 billion US dollars, of which 6.54 billion US dollars or 29 percent were issued by Philippine companies as of May 2022.

The World Bank Group, as the largest multilateral provider of climate funding, plays a key role in supporting GRID programs and projects. We are grateful for the World Bank's support and look forward to its commitment in leveraging more resources for sustainability investments.

Lastly, we must continue investing heavily in human capital development to address the learning losses incurred by our children during the pandemic.

The Philippines has a rich talent pool of young, highly educated, and tech-savvy workers. This demographic sweet spot has provided us with the intellectual capital required to create and spur domestic demand.

To ensure that the pandemic does not stall these gains and that no learner is left behind, we must remain focused on recovering learning losses and further improving skills development for our youth to prevent long-term scarring.

We thank the Bank for scaling up its technical and financial assistance to address these education challenges. This complements our efforts to increase spending in education and improve the readiness of our youth in a more digital world.

In closing, we appreciate the World Bank's unwavering support to developing countries and look forward to its commitment in protecting the most vulnerable populations who are most affected by these rising uncertainties and unprecedented risks. The Philippines stands ready to work with the international community to tackle these global challenges.

###