



World Food Programme

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Strengthening Inclusive Climate and Disaster Risk Financing in the Philippines

A Landscape Overview of Systems, Instruments, and Entry Points

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In collaboration with the Government of the Philippines, the Insurance Industry, and Development Partners. Content reflects ongoing consultations and evolving policy and operational contexts.

Disclaimer

This publication is a non-evaluative technical overview prepared by WFP to support dialogue on climate and disaster risk financing and insurance (CDRFI) in the Philippines. It reflects information available at the time of writing and draws on publicly available sources and selected stakeholder inputs. References to laws, policies, instruments, and initiatives are for informational purposes only and do not constitute legal interpretation, endorsement, or financial commitment. The analysis does not anticipate outcomes of pending legislation or implementing rules and the views expressed do not necessarily reflect those of the Government of the Philippines or other stakeholders.

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Contents

Introduction	4
Why CDRFI Matters for Food Systems and Vulnerable Populations	5
Risk Layering as the Foundation of the Philippine CDRFI Approach	6
Legal and Policy Foundations	6
Financial Instruments Across Risk Layers	8
Macro-level (Sovereign and Public Sector Instruments).....	8
Meso-level (Sectoral Instruments).....	8
Micro-level (Household-Level Instruments and Linked Arrangements).....	8
Key System-Level Challenges	9
Entry Points for Advancing Inclusive, Delivery-Ready CDRFI	10
Policy and Systems Strengthening	10
Institutional Coordination and Capacity Development	10
Operational and Innovation Pilots.....	11
Strategic Directions and Partnership Opportunities	12

Introduction

The Philippines ranks as the most hazard-exposed country globally, facing recurrent typhoons, floods, droughts, earthquakes, and climate-related shocks. These events generate substantial fiscal pressure, disrupt food systems, and disproportionately affect poor and vulnerable households, smallholder farmers, and fisherfolk.

Over the past decade, the Government of the Philippines has strengthened its disaster risk financing and insurance (DRFI) architecture through a mix of budgetary reserves, contingent credit, and insurance-based risk transfer. The recent passage of Republic Act (RA) 12287: Declaration of State of Imminent Disaster Act in 2025 marks a significant legal shift by enabling earlier disaster declarations and faster access to

financing. In parallel, the National Disaster Risk Financing and Insurance Strategy (NDRFIS) is undergoing revision to better reflect emerging instruments, fiscal practices, and delivery considerations.

WFP Philippines' engagement in anticipatory action, cash-based transfers, and shock-responsive social protection (SRSP) provides operational insights into how pre-arranged financing can translate into timely support for people and food systems. This overview is intended to support dialogue with international financing institutions (IFIs), donors, private sector actors, and government partners in advancing inclusive, delivery-ready climate disaster risk financing and insurance (CDRFI) in the Philippines.



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Why CDRFI Matters for Food Systems and Vulnerable Populations

Climate and disaster shocks directly affect food availability, access, and stability. Agriculture, fisheries, and food supply chains are highly exposed to climate variability, with repeated shocks eroding productive assets, increasing indebtedness, and undermining recovery prospects for smallholder farmers and low-income households.

For governments and development partners, ineffective or delayed financing increases fiscal stress and humanitarian response costs. For households and producers, delays in assistance often translate into negative coping strategies, asset depletion, and long-term food insecurity. **CDRFI addresses this gap by ensuring that financing is available predictably and early, reducing losses and supporting continuity of livelihoods and food systems.**

Critically, the effectiveness of CDRFI depends not only on the availability of financing, but on how well risk financing instruments connect to delivery systems, particularly social protection platforms and local government mechanisms that interface directly with impacted populations.



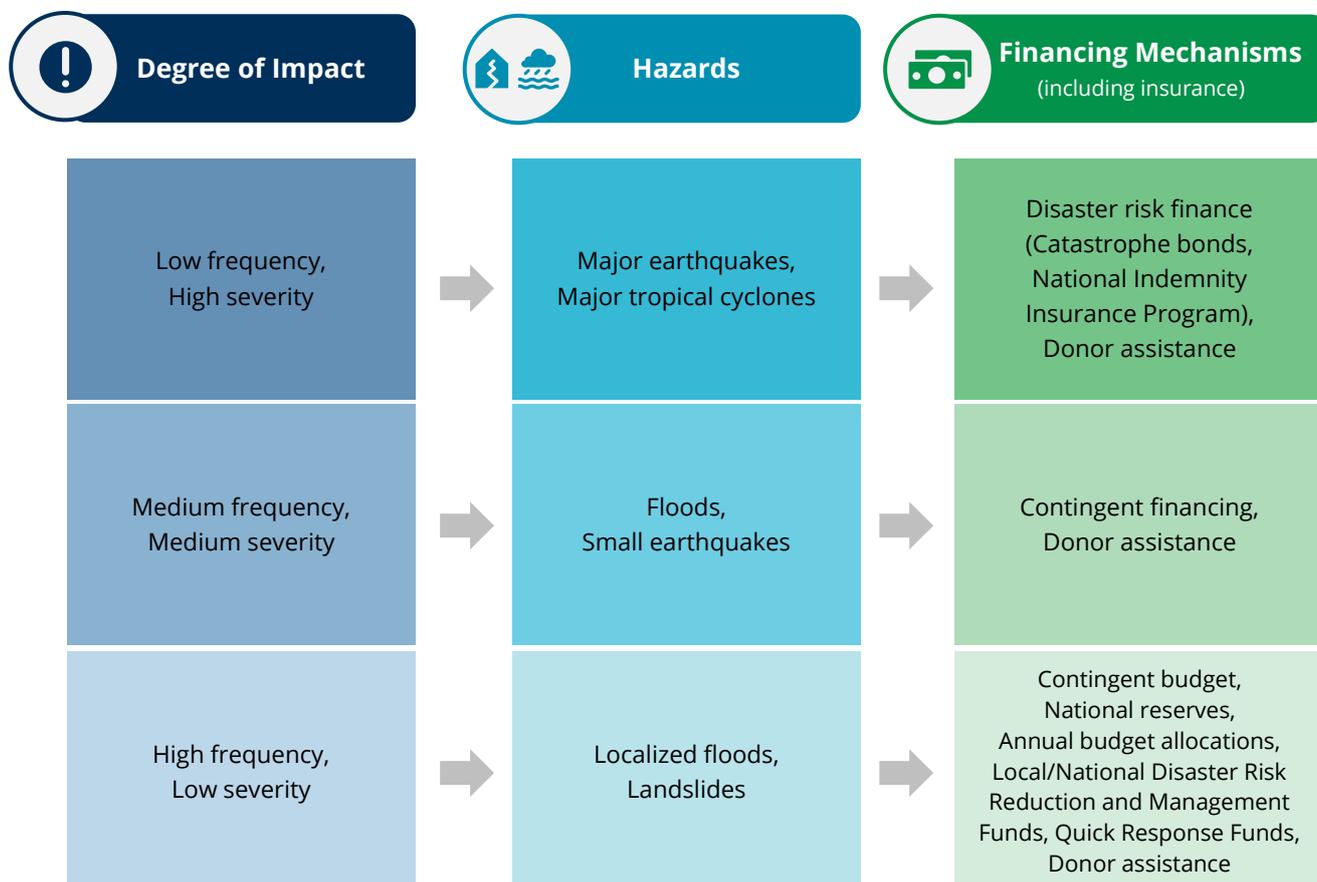
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Risk Layering as the Foundation of the Philippine CDRFI Approach

Risk layering is the organizing principle of the Philippines' DRFI approach, aligning financing instruments with the frequency and severity of shocks:

- **High-frequency, low-impact events** are best managed through budgetary mechanisms, microinsurance, and local-level instruments that support rapid response.
- **Medium-frequency shocks** affecting livelihoods and production cycles require sectoral insurance, pooling arrangements, and meso-level risk financing.
- **Low-frequency, high-impact events** necessitate sovereign-level contingent credit and risk transfer to protect fiscal stability and ensure continuity of essential services.

For IFIs and insurers, this framework clarifies the role of different instruments within a coherent system. For donors and development partners, it highlights where concessional finance, technical assistance, and pilots can complement market-based solutions. For food systems, risk layering underscores the importance of sequencing and alignment to ensure that financing at each layer ultimately supports household- and producer-level outcomes.





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Legal and Policy Foundations

Recent legal and policy developments provide an enabling environment for more anticipatory and integrated CDRFI. Enacted into law in 2025, RA 12287 allows earlier access to financing and strengthens linkages between disaster risk financing, local government systems, and social protection mechanisms. This creates opportunities to operationalize pre-disaster financing and anticipatory action at scale.

The National Disaster Risk Financing and Insurance Strategy (2015) remains the last formally adopted framework but is currently under revision. This transition presents an

opportunity to clarify institutional roles, strengthen fiscal integration, and align sovereign instruments with sectoral and household-level delivery systems.

At the same time, the Philippines continues to rely heavily on public budgetary mechanisms such as the National and Local Disaster Risk Reduction and Management (DRRM) Funds. These funds remain essential for response and early recovery, but do not substitute for pre-arranged risk financing and insurance instruments, particularly for managing large-scale or recurrent shocks.

Financial Instruments Across Risk Layers

Macro-level (Sovereign and Public-Sector Instruments)

At the macro level, the Philippines employs contingent credit and insurance-based risk transfer to manage major disasters. These instruments provide rapid liquidity, helping stabilize public finances and reduce reliance on ad hoc reallocations or emergency borrowing. Ongoing reforms aim to strengthen their integration with national budgeting processes and anticipatory financing provisions under RA 12287.

For IFIs, these instruments represent entry points for policy-based financing and fiscal risk management. For insurers and reinsurers, they create demand for structured risk transfer backed by credible data and governance arrangements.

Meso-level (Sectoral Instruments)

In agriculture and food systems, insurance instruments play a central role. Existing arrangements include indemnity-based crop and livestock insurance, alongside emerging co-insurance and parametric approaches designed to improve timeliness and scalability. Cooperative-based pooling arrangements also extend coverage to micro, small, and medium enterprises within food systems.

Climate finance and concessional funding support enabling investments—such as early warning systems, data infrastructure, and institutional capacity—that reduce exposure and vulnerability and strengthen the foundations of effective CDRFI.

Micro-level (Household-Level Instruments and Linked Arrangements)

At the micro level, microinsurance and parametric products aim to protect livelihoods and smooth consumption. In practice, linked arrangements exist where access to agricultural credit is conditioned on enrolment in insurance. While these are not bundled financial products, they offer practical pathways to strengthen resilience, improve lender confidence, and expand coverage when aligned with delivery systems and social protection platforms.



Key System-Level Challenges

Across instruments and actors, several interrelated challenges continue to constrain effective CDRFI implementation in the Philippines.



Institutional fragmentation reflects the dispersion of CDRFI-related mandates, functions, and decision-making authority across multiple agencies and policy domains, including public finance, insurance regulation, agriculture, social protection, disaster risk management, and local government administration. Responsibilities for risk assessment, instrument design, budget allocation, trigger definition, fund release, and last-mile delivery are governed by separate legal bases, policies, and operational rules, which are not always aligned in timing or objectives. As a result, coordination across agencies tends to be ad hoc and accountability for converting risk financing into timely, household-level support is diffused.



Activation and fund flow delays remain a critical constraint, particularly in operationalizing sovereign-level financing into timely assistance and disbursing funds through administrative layers to reach local governments, households, and food-system actors when shocks occur.



Data limitations continue to affect both risk financing and delivery. While hazard and exposure data exist across multiple agencies, access to standardized, interoperable, and quality-assured datasets—particularly historical loss and damage data—remains constrained. Limited availability and use of agency datasets (e.g., across meteorological, disaster loss, agriculture, and social protection systems) reduce their usability for parametric product design, calibration, verification, and broader risk transfer applications.



Delivery readiness gaps are evident at subnational levels, where capacity constraints, unclear fund-flow arrangements, and fragmented policy guidance affect preparedness. These challenges contribute to the low and uneven utilization of Local DRRM Funds, particularly for pre-disaster and anticipatory actions, despite available financing windows.

These challenges are not unique to the Philippines and reflect broader structural issues in aligning risk finance with delivery systems. Addressing them requires coordinated reforms that strengthen institutional alignment, data governance, and delivery readiness to ensure that CDRFI instruments can function effectively across all risk layers.

Entry Points for Advancing Inclusive, Delivery-Ready CDRFI

WFP's analysis identifies three strategic and complementary entry points where collaboration among government, development partners, IFIs, and the private sector can help address these challenges and advance inclusive, delivery-ready CDRFI in the Philippines.

Policy and Systems Strengthening

Policy and systems strengthening is essential to reduce institutional fragmentation and clarify how different components of the CDRFI architecture function together. While recent legal reforms, particularly RA 12287, and the ongoing update of the NDRFIS provide an enabling framework, their effectiveness depends on how clearly mandates, triggers, and fund-flow arrangements are operationalized across agencies and levels of government.



Key opportunities in this area include:

- Clarifying the roles of finance, insurance, disaster risk management, agriculture and social protection institutions in the activation and use of CDRFI instruments;
- Aligning budgetary, insurance, and social protection policies to ensure that risk financing can be converted efficiently into actionable resources and permeate delivery systems without delay; and
- Strengthening regulatory and fiscal guidance to support anticipatory and pre-arranged financing, including the use of insurance and parametric instruments alongside public budgetary mechanisms.

Institutional Coordination and Capacity Development

Fragmentation across institutions is not only a policy issue but also an operational one. Effective CDRFI requires sustained coordination across agencies responsible for risk assessment, instrument design, trigger definition, fund release, and last-mile delivery.

Priority areas for coordination and capacity development include:

- Establishing clearer coordination mechanisms and working arrangements across finance, insurance regulation, agriculture, social protection, and local government systems;
- Building technical capacity to manage integrated CDRFI instruments, including understanding how fiscal tools, insurance products, and delivery systems interact across risk layers; and
- Strengthening data governance and interoperability so that datasets held by different agencies—such as hazard, exposure, loss and damage, agriculture, and social protection data—can be used more effectively for risk transfer instruments, trigger calibration, and payout verification.

Improved coordination and capacity can reduce delays in activation, enhance confidence among market actors, and improve the reliability of payouts and assistance.

Operational and Innovation Models

Operational and innovation models play a critical role in addressing delivery readiness gaps and generating practical evidence on what works in real-world conditions. These models provide opportunities to test how CDRFI instruments perform once activated and how effectively they connect to local government and social protection delivery systems.

Potential areas for modelling include:

- End-to-end testing of fund-flow and delivery processes at local government level to assess readiness, timing, and accountability;
- Models linking agricultural insurance with access to credit, designed to strengthen food system resilience while remaining contractually separate instruments; and
- Testing the use of social protection systems as delivery channels for risk financing, including anticipatory and early response assistance.

Such models can help identify operational bottlenecks, inform policy refinement, and build confidence on scalability among stakeholders, including insurers and funding windows.



Strategic Directions and Partnership Opportunities

The Philippines is at a pivotal stage in advancing a more anticipatory, data-driven, and people-centred CDRFI system. Legal reforms and emerging instruments have strengthened the overall architecture, but the ability of the system to deliver timely support to households and food system actors depends on resolving the system-level challenges outlined earlier.

Strategic priorities moving forward include:

- **Reducing institutional fragmentation** by strengthening alignment between public finance, insurance, disaster risk management, agriculture, and social protection systems;
- **Improving the conversion and permeation of risk financing** so that resources mobilized at the sovereign level reach local governments and households in a timely and predictable manner;
- **Expanding the availability and use of high-quality, interoperable datasets** to support risk transfer instruments, particularly parametric insurance and other market-based solutions; and
- **Strengthening delivery readiness at subnational levels**, including clearer guidance and improved utilization of LDRRM Funds for pre-disaster and anticipatory actions.



WFP's role focuses on supporting government-led systems through operational proof, delivery system design, and evidence generation. By working alongside government counterparts, IFIs, donors, private insurers, and development partners, WFP aims to help ensure that CDRFI instruments function as intended, protecting livelihoods, strengthening food security, and reducing the human and fiscal costs of climate and disaster shocks.

This overview is intended to support continued dialogue and collaboration among partners in advancing an inclusive, delivery-ready CDRFI in the Philippines.



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