



Mapping Potential Funding Sources for Ecosystem-based Adaptation Insurance Premiums

A Research Brief

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Authored by

Maria Concepcion Hina (GOPA AFC)
Roland Steinman (GOPA AFC)

Supported by

Dante Portula (GIZ)
Andrea Teran (GIZ)
Marilena Kuenzel (GOPA AFC)



On behalf of:



of the Federal Republic of Germany



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Acronyms

ADSS	Accident and Dismemberment Security Scheme
ADB	Asian Development Bank
AIP	Annual Investment Plan
BFAR	Bureau of Fisheries and Aquatic Resources
BLGF	Bureau of Local Government Finance
BLGS	Bureau of Local Government Supervision
BLPLS	Biri LaRoSa Protected Landscape and Seascape
BMB	Biodiversity Management Bureau
BTr	Bureau of Treasury
CCC	Climate Change Commission
CDP	Comprehensive Development Plan
COA	Commission of Audit
CRI	Climate Risk Insurance
CRM	Coastal Resource Management
DA	Department of Agriculture
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DEPDev	Department of Economy, Planning, and Development
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DRR	Disaster Risk Reduction
E-NIPAS	Expanded National Integrated Protected Areas System
E4DR	Strengthening Disaster Resilience and Risk Mitigation through Ecosystem-based Planning and Adaptation
EbA	Ecosystem based Adaptation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GOPA AFC	Gesellschaft für Organisation, Planung und Ausbildung" (Society for Organization, Planning, and Training) Agriculture and Finance Consultants GmbH
GSIS	Government Service Insurance System
LDRRMF	Local Disaster Risk Reduction Management Fund
LDRRMFIP	Local Disaster Risk Reduction and Management Fund Investment Plan
LGU	Local Government Unit
MOA	Memorandum of Agreement
MOOE	Maintenance and Other Operating Expenses
MPA	Marine Protected Area
MPDO	Municipal Planning and Development Office
NbS	Nature-based Solutions
NCA	Notice of Cash Allocation
NDRRMC	National Disaster Risk Reduction and Management Council
NDRRMF	National Disaster Risk Reduction and Management Fund
NDRFIS	National Disaster Risk Financing and Insurance Strategy
NGP	National Greening Program
NTA	National Tax Allotment
OCD	Office of the Civil Defense
PA	Protected Area
PAGASA	Philippine Atmospheric Geophysical and Astronomical Services Administration
PCIC	Philippines Crop Insurance Corporation
PENCAS	Philippine Ecosystem and Natural Capital Accounting System
PSF	People's Survival Fund
QRF	Quick Response Fund
RA	Republic Act
TA	Technical Assistance
ToR	Terms of Reference
TWG	Technical Working Group

Executive Summary



This secondary research brief presents an exploratory, legitimate, and fiscal analysis of potential public financing pathways that can enable Local Government Units (LGUs) to pay premiums for parametric insurance schemes aimed at protecting and restoring mangrove and marine ecosystems. As climate threats intensify, the integration of risk financing instruments such as parametric insurance into local planning offers a proactive approach to ecosystem-based disaster risk reduction and climate adaptation.

Likewise, the exploratory research assesses the legal permissibility, operational feasibility, and audit readiness of using various LGU-managed or nationally administered public funds to support insurance premiums. It frames the analysis within the context of Philippine public finance law, Commission on Audit (COA) regulations, and relevant mandates under RA 10121 (DRRM Act), RA 7160 (Local Government Code), and the People's Survival Fund Act (RA 10174).

A total of five potential funding avenues were reviewed:

- Local Disaster Risk Reduction and Management Fund (LDRRMF)
- LGU General Fund
- People's Survival Fund (PSF)
- National Disaster Risk Reduction and Management Fund (NDRRMF) for Insurance of Government Facilities
- National Greening Program (NGP)

Among these, the LDRRMF and the General Fund emerged as the most legally defensible and immediately accessible sources for premium payment by LGUs. These options are well-established within the LGU fiscal ecosystem and align with current planning and budget appropriation processes. The PSF offers potential as a co-financing source, while the National Disaster Risk

Reduction and Management Fund and NGP hold thematic alignment but require policy clarification or administrative evolution to support direct premium subsidies.

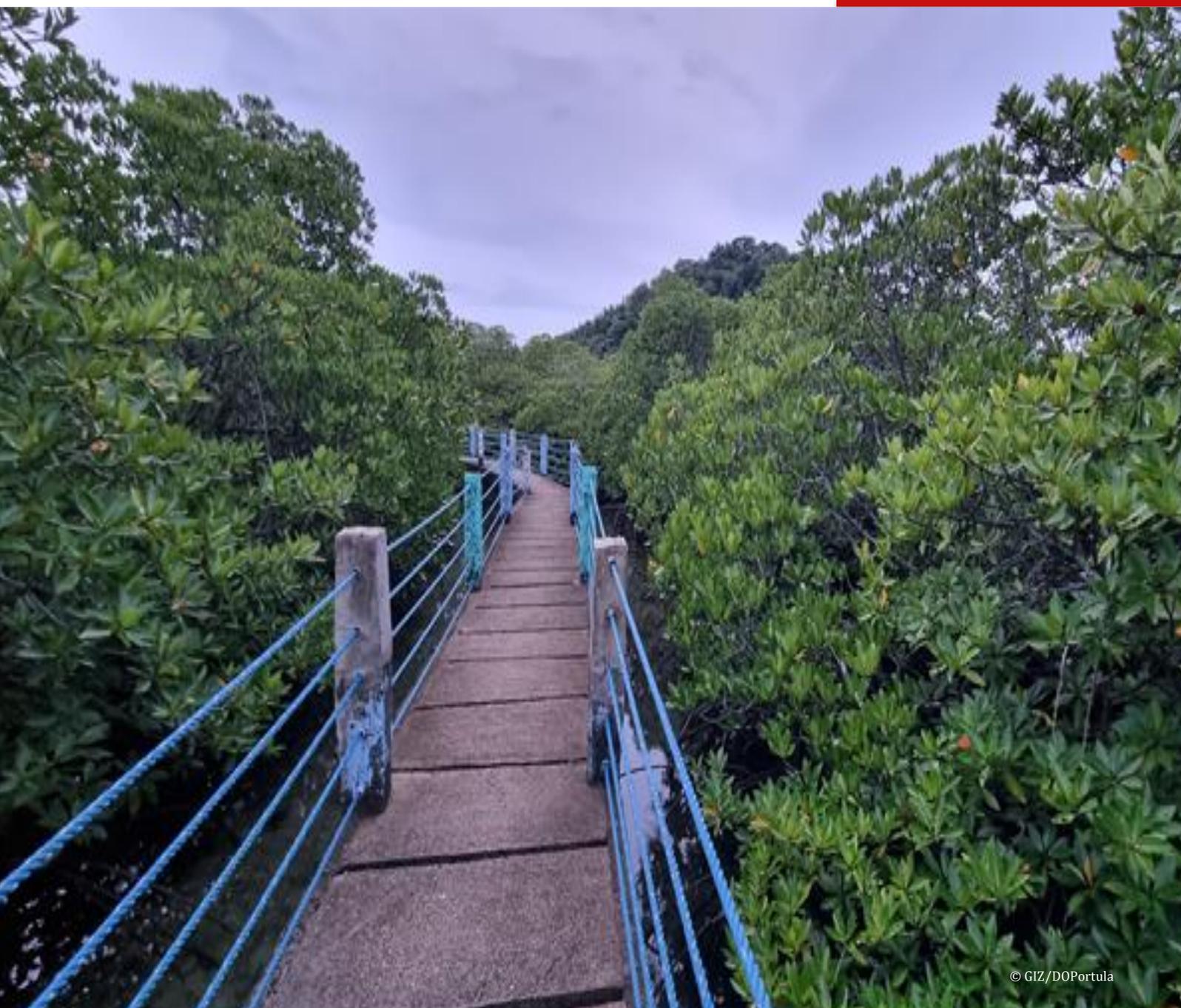
The brief also identifies four key legal and policy ambiguities that require resolution to ensure future compliance and avoid audit disallowances:

- Whether “property” — as an insurable asset — includes natural infrastructure such as mangrove forests.
- Whether “calamity insurance” as referenced in COA circulars and DRRM guidelines includes parametric instruments triggered by environmental indicators rather than post-disaster loss assessment.
- Whether the use of insurance payouts for ecosystem restoration is permissible under existing rules.
- Whether the People's Survival Fund can directly subsidize or co-finance LGU-held parametric insurance policies, or only channel funds through adaptation projects.

To clarify these uncertainties and lay a solid legal foundation for scale-up, the report recommends the engagement of a qualified legal expert with specialization in Philippine public fiscal administration, COA rules, and the Local Government Code. This expert will produce a legal memorandum, resolution templates, and a compliance roadmap to support LGUs in appropriating funds for climate and disaster risk insurance.

By advancing these legal clarifications and institutional tools, the research aims to support the mainstreaming of ecosystem-based parametric insurance within local climate finance strategies and disaster risk management planning in the Philippines.

1.0 Rationale



1.1 Project Background

In the first quarter of 2025, the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) commissioned a consulting assignment entitled "Developing Financial Solutions for the Protection and Restoration of the Marine and Mangrove Ecosystems." This initiative forms part of GIZ's broader program "Strengthening Disaster Resilience and Risk Mitigation through Ecosystem-Based Planning and Adaptation (E4DR)," and is envisioned to run for a 12-month implementation period. GOPA-AFC, a German consulting company with global presence won the competitive tender.

The primary objective of the assignment is to design the most suited financial instrument —particularly an insurance solution — that can support the financing of protection and restoration efforts in marine and mangrove ecosystems. These financial mechanisms are to be grounded in the principles of Republic Act 1195 or the Philippine Ecosystem and Natural Capital Accounting Systems (PENCAS), which recognizes natural ecosystems as an integral part of patrimony and heritage, and mandates the inclusion of ecosystem services in national and sub-national planning, policy, and budget allocation. Ecosystem-based Adaptation (EbA) promotes the use of biodiversity and ecosystem services as integral components of sustainable, community-based adaptation strategies to climate change.

The Terms of Reference (ToR) outline six core tasks under the assignment:

- **Development of Site Selection Criteria:** Formulate a robust set of criteria to identify project areas — whether provinces or clusters of municipalities — hosting significant marine and mangrove ecosystems;
- **Stakeholder Consultations and Area Finalization:** Conduct consultations with local stakeholders in candidate areas to secure the buy-in of two target locations. One must be a nationally managed marine protected area (MPA) under the Expanded National Integrated Protected Areas System (E-NIPAS) Act, and the other, a locally managed area designated through a local government ordinance;
- **Awareness-Raising and Capacity Building:** Design and implement stakeholder engagement activities — such as workshops, events, or trainings — to build awareness on EbA and nature-based financial solutions, and to strengthen local capacity in project implementation;
- **Development of Financial Products:** Create financial solutions, including insurance products, tailored to the marine and mangrove conservation needs of the two selected areas;

- **Engagement of Financial Actors:** Identify and negotiate with relevant financial actors such as insurance underwriters, distribution channels, technology providers, and potential policyholders or beneficiaries of the financial products; and
- **Progress Reporting:** Submit periodic reports documenting the progress, implementation status, and emerging insights from the assignment.

This research brief is a preliminary activity before the development of financial products, including a parametric insurance solution.

1.2 Objective

This research note seeks to identify and analyze potential public financing pathways for the payment of parametric insurance premiums designed to protect mangrove ecosystems within the pilot Marine Protected Areas (MPAs) covering the BiriLaRoSa Protected Landscape and Seascape (BLPLS) in Northern Samar and the municipality of Saint Bernard in Southern Leyte.

Specifically, it aims to:

- Provide Local Government Units (LGUs) and project partners with a clear, actionable framework for the legally compliant allocation of funds for future insurance premium payments. Examine and review relevant laws, policies, and budgetary guidelines to determine allowable sources of funding for parametric insurance products.
- Identify gaps and ambiguities in existing regulations and recommend areas for further stakeholder consultation and legal clarification.
- Outline potential blended financing strategies that may be adopted during future pilot implementation phases to ensure the long-term financial sustainability of the proposed insurance products.

1.3 Scope and Limitation

This research note is exploratory and limited to a desk-based review of secondary data, including publicly available laws, government circulars, policy issuances, and literature related to disaster risk financing and climate adaptation in the Philippines. It does not involve primary data collection or direct consultations with key stakeholders such as LGUs, oversight agencies, or insurance providers.

The analysis is constrained by the limited availability of published documentation on LGU practices in procuring or paying insurance premiums, particularly for parametric or ecosystem-based insurance instruments. As such, the findings are indicative rather than definitive, and assumptions on fund source eligibility

are inferred from general policy language rather than confirmed precedents.

In addition, the policy and institutional landscape is evolving, particularly in the context of the post-Mandanas-Garcia Ruling on fiscal decentralization. Guidelines on budget tagging, insurance procurement, and climate financing may be updated, potentially affecting the relevance of some findings over time. Furthermore, the permissibility of using specific LGU funds (e.g., LDRRMF or the 20% Development Fund) for

premium payments remains contingent on the Commission on Audit's (COA) interpretations and the Department of Budget and Management's (DBM) guidance, which may vary across LGUs' jurisdictions.

This research note does not constitute legal advice and should be supplemented by stakeholder consultations and legal review before any pilot implementation or financial commitments.

2.0 Mapping of Funding Sources for LGU Insurance Premiums



The mapping exercise identified five potential funding sources LGUs could consider tapping into:

- Local Disaster Risk Reduction and Management Fund (LDRRMF)
- LGU General Fund (GF)
- People's Survival Fund (PSF)
- National Disaster Risk Reduction and Management Fund for Insurance of Government Facilities
- National Greening Program (NGP)

The review centres on the two most promising funding mechanisms: the LDRRMF and LGU GF. A review of key national circulars and existing LGU practices reveals a strong, albeit nuanced, legal foundation.

- **Legal Basis:** Joint Memorandum Circular (JMC) No. 2013-001 between the Department of Interior and Local Government (DILG) and National Disaster Risk Reduction Management Council (NDRRMC) explicitly authorizes the use of the LDRRMF for the "payment of premiums on calamity insurance." This provides the broad statutory authority.
- **Strategic Precedent:** JMC No. 2017-01 (DOF-DBM), which established a national parametric insurance pool for government assets, provides a powerful analogical argument. It demonstrates that parametric insurance is a legitimate and strategic government expenditure for disaster risk reduction, a principle that can be applied at the local level to protect critical natural infrastructure.
- **Established LGU Practice:** Documented precedents, such as the Hinunangan Municipality using a portion of the LDRRMF for insurance of response personnel and DRRM building (refer to Section 2.1.4), and the Province of Cebu's ₱8 million premium payment for fisherfolk insurance, demonstrate that LGUs have already operationalized this authority (refer to Section 2.2.2), channeling local government funds through established partners like the Philippine Crop Insurance Corporation (PCIC).
- **COA Circular No. 2012-002:** Definitive guide on how LGUs must account for and use their LDRRM Fund and operationalize Section 21 of the Philippine Disaster Risk Reduction and Management Act of 2010 (Republic Act 10121), which is discussed in detail in Section 2.1.3.
- Other potential fund sources, such as the People's Survival Fund (Section 2.3).

2.1 Local Disaster Risk Reduction and Management Fund

2.1.1 Legal Basis and Core Analysis

The LDRRMF is a mandatory allocation within the LGU's General Fund, earmarked for activities related to disaster risk reduction and management (DRRM). As earlier mentioned, the fund shall constitute not less than 5% of the LGU's estimated revenues from regular sources, dedicated to programs and projects in prevention and mitigation, preparedness, response, and rehabilitation or recovery.

The 2013 NDRRMC-DILG Joint Memorandum Circular (JMC) No. 2013-1¹ clarifies the 70/30 allocation rule, specifying that 70% of the LDRRMF must support prevention, mitigation, and preparedness activities, while 30% serves as a Quick Response Fund (QRF) for relief and recovery operations during calamities. The Circular guides LGUs in the preparation of the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP). The LDRRMFIP ensures that the fund's utilization is strategic, transparent, and aligned with the LGU's Local Disaster Risk Reduction and Management Plan (LDRRMFMP) and Comprehensive Development Plan (CDP). This framework institutionalizes a shift from reactive disaster spending toward proactive and risk-informed financing, emphasizing risk transfer mechanisms such as insurance.

Importantly, both the DRRM Act and its implementing circulars explicitly authorize the use of the LDRRMF for the payment of premiums on calamity or disaster insurance. This provides the legal foundation for LGUs to adopt parametric insurance as a financial protection tool for disaster-prone sectors and assets. In the context of PENCAS Law and ecosystem-based adaptation, premiums for parametric insurance that safeguard mangroves, reefs, and other coastal natural assets are consistent with the fund's preventive and risk-mitigation objectives.

Parametric insurance premiums that protect coastal communities and green infrastructure (e.g., mangroves/reefs) can be viewed to fit squarely within the prevention/mitigation scope. Since the circular translates the mandates of RA 10121 into concrete procedures on the use of LDRRMF to support activities across the four thematic areas of disaster management: prevention and mitigation, preparedness, response, and rehabilitation and recovery, it explicitly authorizes the use of the fund for the "payment of premiums on calamity insurance," thereby, providing a legal basis for LGUs to explore innovative financial mechanisms, such

¹ <https://www.dbm.gov.ph/wp-content/uploads/Issuances/2013/Joint%20Memorandum%20Circular/JMC2013-1.pdf>

as parametric insurance, to enhance their resilience against disasters.

2.1.2 Accounting of Premium Payments

While the LDRRMF can be the source of the premium, the insurance payout follows a distinct, legally-mandated accounting track as a Trust Fund, ensuring the funds are restricted for their intended purpose.

i. **Premium Financing: An LDRRMF Expenditure.**

The payment of the annual insurance premium is a legitimate pre-disaster activity funded from the LDRRMF. This is firmly grounded in the COA Circular No. 2012-002², which explicitly lists the "payment of premiums on calamity insurance" as a valid use of the fund (Circular Sections 3.3 and 4.2). Operationally, this involves:

- **Appropriation:** The premium cost is included as a specific line item in the LGU's LDRRMFIP, utilizing the official accounting code for "Premiums on Calamity Insurance" (Program 94, Project Code 4) as specified in the Circular's Annex A.
- **Obligation and Payment:** The LGU obligates the funds and pays the premium to the insurer (e.g., PCIC) following standard public financial management and procurement procedures.
- **Accounting Entry:** This transaction is recorded as an expense against the LDRRMF within the LGU's General Fund books. The premium payment is thus a final expenditure from this appropriated fund.

ii. **Payout Receipt: Classified as a Trust Liability.**

Contrary to the notion that a payout would replenish the LDRRMF, national government accounting rules mandate a different treatment. Insurance proceeds are classified as non-tax revenue and are not considered a replenishment of the original appropriation.

- **Legal Basis:** Republic Act No. 10924 (The General Appropriations Act of 2017)³, Section 6, stipulates that "all non-tax revenues... including... insurance proceeds, shall be deposited with the National Treasury and recorded as... a trust receipt."
- **Accounting Treatment:** Upon a trigger event, the insurance payout is received by the LGU and must be recorded in its Trust Fund books. Following the principle in COA Circular 2012-002, Section 5.2.4, the payout is booked as a "Trust Liability" under the account "Trust Liability-DRRM" (Code 438). This treatment is

analogous to funds received from donors or other external sources for a specific purpose, ensuring the money is not commingled with the LGU's general revenues

- #### iii. **Payout Utilization: Restricted for Restoration.**
- The "Trust Liability" classification legally obligates the LGU to use the funds solely for the purpose for which they were received—in this case, the post-disaster restoration of the calamity-related damages. The payout is restricted for restoration activities, as stipulated in the insurance policy contract. This ensures that the funds directly enable the product's core objective: rapid ecosystem and economic recovery. To utilize the funds, the LGU follows its standard procurement and project implementation processes for the mangrove restoration work. The expenses are charged against the "Trust Liability-DRRM" account. This separate accounting creates a clean, transparent, and auditable trail from the premium payment (LDRRMF expense) to the payout receipt (Trust Liability) and its final use (restoration expense), fully compliant with COA's standards.

In summary:

- Ultimate revenue source: largely NTA (plus local revenues) flowing into the General Fund;
- Specific, auditable mechanism for hazard-triggered/parametric cover: the LDRRMF (programmed in the Annual Investment Plan (AIP)/DRRM Plan; obligated and reported under standard insurance expense codes).
- Other lawful routes exist (e.g., employee or asset insurance under PS/MOOE), but for disaster/parametric cover tied to DRRM outcomes, the LDRRMF is the cleanest, most defensible fund source.

While the LDRRMF can be the source for the premium, the subsequent insurance payout is not a replenishment of the LDRRMF. In compliance with RA 10924 and COA Circular 2012-002, the payout is received as a 'Trust Liability'. It must be used specifically for the post-disaster restoration activities stipulated in the insurance policy, ensuring a transparent and auditable financial flow dedicated to ecosystem recovery.

2.1.3 COA Circular No. 2012-002 on the Use of LDRRMF

Issued on September 12, 2012, the COA Circular provides the definitive regulatory framework for the utilization, accounting, and auditing of the LDRRMF by LGUs. It operationalizes the provisions of Republic Act No. 10121 (Philippine Disaster Risk Reduction and Management Act of 2010), specifically clarifying the

² COA Circular 2012-002. https://www.coa.gov.ph/wpfd_file/coa-circular-no-2012-002-september-12-2012/

³ Republic Act No. 10924, <https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2017/Volumel/GENPRO.pdf>

scope of eligible expenditures that LGUs can charge against the LDRRMF. The circular authorizes the payment of insurance premiums for both tangible government properties and personnel (e.g., community disaster volunteers), provided that the coverage includes perils such as fire, earthquake, storm, and other calamities. Notably, it reinforces this by including calamity insurance premiums as a valid entry in the Local DRRM Fund Investment Plan (LDRRMFIP) under a distinct program code (Code 4 – Premiums on Calamity Insurance).

Furthermore, the circular underscores the importance of disaster preparedness and risk financing by listing insurance as a recognized disaster risk reduction strategy. This regulatory stance provides a strong legal foundation for LGUs to consider innovative insurance mechanisms, including parametric insurance, to protect both physical infrastructure and, potentially, through further clarification, natural assets like mangrove ecosystems that offer critical protection against typhoons and storm surges. While the circular does not yet explicitly mention parametric insurance or the coverage of natural ecosystems, its flexible language, broad definitions, and commitment to resilience provide a legal pathway that can be further validated through consultation with COA regional offices or legal opinion.

The following presents relevant excerpts from the COA Circular:

- i. Section 3.3: Explicit Allowance for Insurance Premiums
 - *"Payment of insurance premiums on property if indemnity includes damages or loss due to fire, earthquake, storm, or other casualties, and on the personnel accident insurance of Accredited Community Disaster Volunteers."*
 - Analysis:
 - This is the most direct evidence. The circular explicitly allows the use of the LDRRMF for "payment of insurance premiums."

- The perils of "storm" directly cover typhoons, which are the primary risk to the mangroves in Northern Samar and Southern Leyte.
- The phrase "other casualties" can be argued to include storm surges and coastal flooding, which are direct effects of the covered "storm" peril.

- ii. Section 4.2: Broad Scope of DRM Activities
 - *"The appropriated funds for LDRRM shall be used to support disaster risk management activities, such as but not limited to pre-disaster preparedness activities, post-disaster activities, and other related activities, including payment of premiums on calamity insurance."*
 - Analysis:
 - This reinforces Section 3.3. It categorizes insurance premium payment as a recognized "disaster risk management activity."
 - The phrase "such as but not limited to" is critical. It indicates that the list of activities is illustrative, not exhaustive. This opens the door to innovative approaches, such as parametric insurance.
- iii. Annex A (LDRRMFIP Format): Categorical Code for Insurance
 - The template for the LDRRMFIP includes a specific project code:
 - Code "4" - "Premiums on Calamity Insurance" under the program "94 – Disaster Risk Reduction and Management" (Figure 1).
 - Analysis:
 - This is a practical confirmation. COA itself has created a specific accounting code for this exact type of expenditure. An LGU can legitimately include a line item for the mangrove insurance premium in its LDRRMFIP using this code.

Figure 1. Annex A of COA Circular No. 2012-002

Annex A

Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP)
January to December 20__

Province/City/Municipality/Barangay _____

Functional Classification (1)	Program/Project/Activity Code and Description (2)	Implementing Office (3)	Schedule of Implementation		Expected Output (6)	Funding Source (7)	Amount of Approp/Allo		
			Starting Date (4)	Completion Date (5)			MOOE (8)	CO (9)	Total (10)
9 - Other Purposes	94 - Disaster Risk Reduction and Management Program 1-Relief and Recovery *	LDRRMO	NA	NA		LDRRMF	xx		xx
	2- Preparedness and Mitigation Projects -MOOE								
1 - General Public Services	• Training								
4- Health	• Medical Supplies • Medicines								
	3- Preparedness and Mitigation Projects - CO								
3- Education	• Rehabilitation of school buildings								
6- Housing & Community Development	• Construction of Evacuation Center								
	4- Others								
6- Housing & Community Development	• Premium on insurance of evacuation center								

* Functional Classification will be based on projects and activities implemented.

Prepared by: _____ Approved by: _____

2.1.4 Example of LDRRMF Use to Pay Insurance - Municipality of Hinunangan

The Municipality of Hinunangan in Southern Leyte provides a concrete example of how LGUs can utilize the LDRRMF to finance insurance premiums as part of their disaster risk financing strategy. Consistent with the allowable uses of the LDRRMF under RA 10121 and DBM-DILG JMC No. 2013-1, which authorizes LGUs to allocate funds for disaster risk transfer mechanisms, Hinunangan has allocated a portion of its LDRRMF to pay for insurance coverage. In its municipal documentation⁴, the LGU recorded the payment of insurance premiums under the budget item

“Preparedness and Mitigation Projects” (Figure 2) for insurance coverage of response personnel and the LGU and DRRM building for 2025. This demonstrates local compliance with national policy frameworks that promote proactive financial protection against natural hazards. This case provides empirical support to earlier findings that LGUs can — and do — use their disaster funds to finance insurance instruments, including potential parametric insurance products for ecosystems such as mangroves or marine resources. Hinunangan’s experience shows that risk-transfer mechanisms are not only permissible but already practiced at the municipal level, strengthening the basis for expanding ecosystem-based parametric insurance models in vulnerable coastal areas.

⁴ The document was provided by the LGU Budget Office through the MENRO during the conduct of the consultation and training

needs assessment conducted by the GOPA-AFC consultant in October 2025.

Figure 2. Excerpt from the 2025 Budget of Hinunangan Municipality⁵

LOCAL DISASTER RISK REDUCTION and MANAGEMENT FUND INVESTMENT PLAN(LDRRMFIP) JANUARY to DECEMBER 2025									
Municipality of Hinunangan, Province of Southern Leyte									
Functional Classification (1)	Program/Project/Activity Code and Description (2)	Implementing Office (3)	Schedule of Implementation		Expected Output (6)	Funding Source (7)	Amount Appropriated/Allotment		
			Starting Date (4)	Completion Date (5)			MOOE (8)	CO (9)	Total (10)
9-Other Purposes	94 - Disaster Risk Reduction and Management Program (30% Quick Response Fund)	LDRRMO / MSWOO				LDRRMF			3,150,079.00
1-General Public Services	1- Relief and Recovery								
	Provision of Food, Non-Food and Medicine Items	MSWOO/RHJ	January 2025	December 2025	Stockpile of Goods Purchased	LDRRMF	300,000.00		300,000.00
	2- Preparedness and Mitigation Projects MOOE								
	Purchase of Cadaver Bags	LDRRMO	January 2025	December 2025	MDM Capacitated	LDRRMF	50,000.00		50,000.00
	Training, Education, Seminar and Workshop	LDRRMO	January 2025	December 2025	MDRRM Capacitated	LDRRMF	1,000,000.00		1,000,000.00
	Provision of Insurance for Response Personnel	LDRRMO	January 2025	December 2025	Response Personnel Insured	LDRRMF	30,000.00		30,000.00
	Provision of Insurances	LDRRMO	January 2025	December 2025	Insured LGU and DRRM Building	LDRRMF	300,000.00		300,000.00
	Renewal of Radio Communication System License	LDRRMO	January 2025	December 2025	Operational Emergency Communication System	LDRRMF	30,000.00		30,000.00
	3- Preparedness and Mitigation Projects CO								
	Construction of Seawall at Barangay Caripaoen (Tsunami / Storm Surge Mitigation Structure)	MEO	January 2025	December 2025	Constructed Seawall at Barangay Caripaoen	LDRRMF		5,000,000.00	5,000,000.00
	Procurement of Communication Equipment	LDRRMO	January 2025	December 2025	Operational Emergency Communication System	LDRRMF		70,000.00	70,000.00
	Purchase of Rescue Equipment	LDRRMO	January 2025	December 2025	MDRRMO-Rescue Capacitated	LDRRMF		570,184.00	571,184.00
	Disaster Risk Reduction and Management Program (70% Preparedness Fund)								7,350,184.00
Sub-Total									7,350,184.00
LDRRM Fund GRAND TOTAL									10,500,263.00

Functional Classification will be based on projects and activities implemented.

Insurance premium (Response Personnel)

Insurance premium (LGU Bldg.)

2.1.5 Perceived Gaps and Ambiguities that Need Clarification

Despite the strong basis, several ambiguities must be proactively addressed to prevent a COA disallowance (Table 1).

Table 1. Summary of COA Circular Provision Relevant to Parametric Insurance

Gap / Ambiguity	Why It Matters	Question for COA Clarification
1. Definition of "Property"	Section 3.3 refers to insurance for "property." COA's traditional interpretation likely leans towards tangible, built assets (e.g., buildings, equipment). Mangroves are a natural asset or natural infrastructure.	Does the term 'property' in Section 3.3 of COA Circular 2012-002 encompass natural assets and ecosystems, such as mangrove forests, that provide critical disaster risk reduction functions and are recognized as such in the LGU's development plans?
2. Type of Insurance: Parametric vs. Indemnity	The circular was written when traditional indemnity insurance (paying for proven losses) was the norm. Parametric insurance pays out based on a pre-agreed trigger (e.g., wind speed), without needing a traditional damage assessment.	Is the 'payment of premiums on calamity insurance' applicable to parametric insurance products, which disburse funds based on the occurrence of a pre-defined trigger event (like typhoon wind speed) rather than traditional indemnity-based loss assessment?
3. Use of Payouts for Ecosystem Restoration	The circular details the use for the LDRRMF itself (the premium) but is silent on how insurance payout proceeds must be used.	Proceeds from a parametric insurance policy, triggered by a typhoon event, would be used solely for the restoration and rehabilitation of the insured mangrove ecosystem.

⁵ The document was provided by the LGU Budget Office through the MENRO during the conduct of the consultation and training needs assessment conducted by the GOPA-AFC consultant in October 2025

Gap / Ambiguity	Why It Matters	Question for COA Clarification
		<p><i>Can they be used for mangrove replanting/restoration, or are they restricted to following list in Section 3 of the Circular:</i></p> <ul style="list-style-type: none"> • <i>Pre-disaster preparedness programs such as training of personnel, and purchase of life-saving and rescue equipment, supplies, and medicines;</i> • <i>Post-disaster activities such as repair and rehabilitation of public infrastructures and purchase of office/school equipment damaged by calamities during the budget year;</i> • <i>Payment of insurance premiums on property if indemnity includes damages or loss due to fire, earthquake, storm, or other casualties, and on the personnel accident insurance of Accredited Community Disaster Volunteers; and</i> • <i>Relief and recovery programs in communities or areas stricken by disasters, calamities, epidemics, or complex emergencies.</i> <p><i>Does this intended use align with the purposes of the LDRRMF as outlined in the Circular?</i></p>
4. "Calamity Insurance" vs. "Ecosystem Insurance"	The term "calamity insurance" is used, which is generic. The product is specifically "parametric ecosystem insurance." A conservative auditor might see this as a non-standard product not specified by the circular.	<p><i>Does the Circular's approval of 'calamity insurance' provide sufficient basis for LGUs to engage in newer, specialized insurance products designed for ecosystem protection, provided the peril covered (e.g., typhoon) is listed in the Circular? It must be noted that calamity insurance" is not a widely used term in the industry. It is closed to "catastrophe insurance" or "natural catastrophe insurance". The distinction between indemnity and parametric is rather technical in the sense that it describes the way how it is activated and administered, not what type of hazard/risk is covered.</i></p>

Based on the review of the COA Circular, the utilization of the LDRRMF for LGUs to pay for the calamity insurance premium is firmly grounded in established policy. Since there is no clear definition of calamity insurance in the Circular, it is uncertain if this also covers parametric insurance. Parametric insurance is also not defined in the Insurance Code of the Philippines or in any of the government's published Circulars or Issuances.

However, in the Insurance Commission's (IC) published article, catastrophe risk and parametric insurance are defined as "one that does not indemnify the actual loss, but rather pays out pre-agreed amounts when certain thresholds or triggers (e.g., wind speed, quake magnitude) are exceeded"⁶. The same article also defined it as "an insurance contract where the ultimate payment or contract settlement is determined by a weather or geological observation or index, such as average temperature or rainfall over a given period or the intensity of an earthquake or wind storm. Parametric insurance payouts are not based on individual loss adjustments but are determined according to the measurement of a highly correlated index. Therefore, there is the potential for a mismatch between parametric insurance claims settlement and the actual losses of the insured, which is generally referred to as basis risk."

Likewise, the COA Specialized Manual for the Audit of DRRM⁷, as articulated in the Circular, provides a clear foundation for insurance premium expenditure, explicitly categorizing it as a legitimate use of calamity funds. This analysis confirms the legality of the proposed action while also outlining a prudent path to navigate its innovative application, ensuring full compliance and mitigating potential audit risks.

- **Strong foundation:** Sections 3.3 and 4.2 of COA Circular 2012-002 establish that premium payment is an explicitly allowed use of the LDRRMF for storms and other calamities.
- **Proactive gap addressing:** While the circular provides a strong basis, the innovative nature of the product warrants proactive clarification, as outlined in Table 1.
- **Proposed path forward:** There is a need to seek a formal/official opinion from the COA Regional Office to clarify the gaps and ambiguities. This "pre-clearance" would de-risk the expenditure that the LGU may incur.

- **Implementation Step:** Advise LGUs that the premium must be included in the annually prepared LDRRMFIP (Annex A of the Circular) under the specific code "4 - Premiums on Calamity Insurance."

In summary, the COA Circular 2012-002 provides a strong legal instrument for the use of LDRRMF. Although the gaps are not prohibitive, they serve as points of interpretation that can and should be clarified with COA. COA has the mandate to recommend measures to improve the economy, efficiency, and effectiveness of DRRM initiatives, as well as to utilize LDRRMF better, as stipulated in its Special Audit Manual for DRRM⁸.

2.2 LGUs' General Fund

The National Tax Allotment (NTA), previously known as the Internal Revenue Allotment (IRA), is the LGU's automatic share of national taxes released by the national government. In practice, it forms the backbone of an LGU's General Fund's annual budget—the large revenue inflow that enables appropriations for operations, development programs, mandated allocations, and services. The Mandanas-Garcia Ruling (2019), which is the Philippine Supreme Court's landmark decision that expanded the share of LGUs in national tax revenues, including internal revenue taxes, has expanded LGUs' fiscal autonomy, enabling more strategic investments in local priorities like climate resilience. While the NTA is not a line item that is spent directly, it funds the General Fund against which specific programs (including insurance) are appropriated.^{9 10}

Local government insurance premiums are ultimately paid from an LGU's General Fund, which is financed largely by the NTA, together with own-source revenues (local taxes, fees, and charges). Within the General Fund, RA 10121 earmarks an LDRRMF equal to at least 5% of estimated revenues from regular sources. Understanding how these elements connect clarifies where parametric insurance premiums can be budgeted and recorded.

2.2.1 Overview of the Fund Structure

The General Fund is the main operating fund of the LGU. NTA proceeds and local revenues flow into this fund. From here, the LGU appropriates spending for Personnel Services, Maintenance and Other Operating Expenses (MOOE), capital outlays, and dedicated

⁶ Insurance Commission. 2016. Catastrophe Risk and Parametric Insurance. <https://www.insurance.gov.ph/catastrophe-risk-and-parametric-insurance/>

⁷ COA. Specialized Manual for the Audit of DRRM. <https://www.coa.gov.ph/issuances/manuals/#110-2301-specialized-manual-on-the-audit-of-disaster-risk-reduction-and-management-drrm>

⁸ Ibid. Section 2.1.3. pg11.

⁹ DBM – Local Budget Memorandum on NTA shares (example: LBM No. 90-A, FY2025; LBM No. 92, FY2026): <https://www.dbm.gov.ph/index.php/dbm-issuances/local-budget-memorandum?catid=355&id=3153%3Alocal-budget-memorandum-no-90-a&view=article>

¹⁰ DBM – Local Budget Memorandum No. 92 (FY2026 NTA shares, explanatory notes): <https://www.dbm.gov.ph/wp-content/uploads/Issuances/2025/Local-Budget-Memorandum/LOCAL-BUDGET-MEMORANDUM-NO.-92-DATED-JUNE-9%2C-2025.pdf>

allocations such as the LDRRMF. Most routine insurance outlays (e.g., vehicle and building insurance, employee benefits) are charged to the appropriate objects under PS/MOOE. For disaster/parametric insurance that protects communities and natural defences, the LDRRMF is the most defensible funding window.

2.2.2 Specific Examples: LGUs Paying Insurance Premium

Actual examples of practices demonstrate that LGUs across the country already possess the legal authority and operational capacity to fund insurance premiums for vulnerable sectors, including those in coastal communities, from the general fund. These precedents provide a critical analogical foundation for parametric insurance for natural assets like mangroves.

Provincial-Level Examples:

- Province of Cebu: Since 2011, the Cebu Provincial Government has partnered with the Philippine Crop Insurance Corporation (PCIC) to provide free agri-fishery insurance coverage to marginalized farmers and fisherfolk. Initially launched under the Integrated Farming Systems Development Program (IFSDP), this initiative was designed to shield vulnerable agricultural communities from climate-related risks and natural disasters. In 2014, the Provincial Board (PB) of Cebu approved a resolution providing free insurance to marginal farmers and fishermen, and the provincial government paid the 8 million pesos premium for the free insurance.¹¹ Originally, the cost-sharing scheme required participating local government units (LGUs) to shoulder 10% of the insurance premium. However, due to budget constraints faced by many LGUs, the Provincial Government amended the arrangement and now fully subsidizes the premiums. This adjustment has ensured continuous insurance coverage for over 100,000 accredited beneficiaries.¹²

While there is no officially published ordinance or budget report specifying whether the insurance premiums are sourced from the LDRRMF or the General Fund, the program's proactive risk management and post-disaster recovery objectives strongly align with the eligible uses of the LDRRMF under Section 21 of Republic Act No. 10121. Given that the LDRRMF is part of the General Fund and the program aims to protect livelihoods from climate-induced hazards such as typhoons and droughts, it is reasonable to infer that the LDRRMF may be the funding source

- Province of Isabela: The Bojie-Rodito Opportunities–Paneguro sa Pananim (BRO-PSP) is a flagship social protection initiative of the Provincial Government of Isabela (PGI), aimed at strengthening the financial resilience of smallholder farmers, fisherfolk, and other vulnerable constituents. Launched in 2010 and continually scaled up, the program reflects the province's broader commitment to inclusive, climate-resilient development, particularly for communities frequently affected by natural hazards.¹³

Administered in partnership with the PCIC, the BRO-PSP program provides fully subsidized insurance coverage to marginalized rice and corn farmers (tilling no more than one hectare), as well as fisherfolk residing in coastal municipalities. The program has consistently allocated funding from provincial coffers—including a documented ₱10 million allocation in 2012 for two cropping seasons—to subsidize both crop insurance and Accident and Dismemberment Security Scheme (ADSS) premiums. During Phase IV of implementation alone, the program covered 11,000 smallholder farmers with insurance protection totaling ₱118 million, and 1,000 fisherfolk with accident insurance valued at ₱50 million.

More than an agricultural insurance scheme, the BRO Insurance Program is positioned by PGI as a key pillar of its social protection framework. The program was envisioned to shield poor farming households from resorting to usurious lending sources during periods of shock, such as accidents or the untimely death of a family member. In support of this vision, the province also provides annual individual accident insurance premiums amounting to ₱50 per person for qualifying smallholder farmers (including spouses), registered fisherfolk, and provincial scholars. These policies guarantee benefits in cases of accidental death, dismemberment, or permanent disability, thereby complementing broader livelihood protection strategies.

From an institutional standpoint, the program demonstrates a highly localized and adaptive approach to agricultural insurance delivery. While official budget documents are not publicly accessible, PCIC press releases and provincial reports confirm that Isabela directly remits premium subsidies to PCIC, strongly indicating the use of the provincial General Fund.¹⁴ However, given the program's role in addressing disaster-

¹¹ Celia M. Reyes, Adrian D. Agbon, Christian D. Mina, and Reneli Ann B. Gloria, Expanding Coverage of the Agricultural Insurance Program: PCIC and LGU Partnerships (PIDS Discussion Paper Series No. 2017-01, Philippine Institute for Development Studies, 2017), <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1701.pdf>, Pg.9.

¹² Sunstar, 2014. 100T Farmers, Fisherfolks to Receive Free Insurance, <https://www.sunstar.com.ph/more-articles/100t-farmers-fisherfolks-to-receive-free-insurance>

¹³ Ibid. Footnote #11

¹⁴ PCIC. PCIC, Isabela Renew Partnership for Insurance of Marginalized Farmers and Fisherfolks. <https://pcic.gov.ph/pcic->

related livelihood shocks, there is reasonable justification to explore whether partial financing could also be attributed to the LDRRMF, in line with Section 21 of the DRRM Act (RA 10121), which permits premium payments as an eligible expenditure.

Regardless of funding source, the BRO-PSP stands as a replicable example for how local governments can use devolved resources to proactively finance risk protection measures, thereby supporting vulnerable sectors in adapting to both economic and climate-related disruptions.

- **Province of Negros Occidental:** Institutionalized the *Negros First Universal Crop Insurance Program (NFUCIP)*.¹⁵ The Province of Negros Occidental institutionalized the NFUCIP in partnership with the PCIC. In 2019, the provincial board approved an additional ₱5 million allocation to support farmer enrolments in NFUCIP, with premiums partially subsidized by the province. The subsidy covered a ₱840 enrolment premium per cropping season, with the possibility of rising to ₱1,175 if life insurance was included. The provincial government officially turned over ₱4.92 million as a direct remittance to PCIC for premium subsidy payments. Under NFUCIP, the provincial government treats premiums as a loan to beneficiaries, inverting the original counterpart system where farmers paid part of the premium themselves (e.g. ₱340 out of ₱840), and the rest was subsidized.

By 2021, over 83,000 farmers were enrolled, with indemnity claims reaching ₱213.455 million distributed by PCIC for affected farmers.¹⁶ Despite these reported provincial allocations and subsidy transfers, public records do not specify whether these premium payments are sourced from the province's LDRRMF or from its General Fund. Nonetheless, confirming the actual fund source—whether LDRRMF, general appropriations, or special funds—requires review of provincial budget documents or inquiries with the provincial finance office.

Municipal and City-Level Example:

- **Municipality of Alcala, Pangasinan.** The Municipality of Alcala in Pangasinan provides a clear precedent for municipal-level financing of insurance premiums, demonstrating a viable pathway for other LGUs to follow. In February 2023, the municipal government formalized a partnership with the PCIC through a Memorandum of Agreement to provide a full

premium subsidy for the Accident and Dismemberment Security Scheme (ADSS), granting free accident insurance coverage to its registered subsistence farmers and fisherfolk. This initiative is verifiably confirmed by PCIC's official public announcements, which explicitly state the LGU's commitment to bearing the full cost. However, while the PCIC reports confirm the fact of the premium payment, they do not specify the specific municipal fund used as the financial source.¹⁷ This critical detail—whether the subsidy was drawn from the LDRRMF under its disaster preparedness mandate or from the General Fund as a social protection measure—remains ambiguous in the public domain. Despite this ambiguity, Alcala's example is significant as it proves that the administrative mechanism for an LGU to pay premiums for its vulnerable sectors directly is not only legally permissible but is already being implemented, thereby providing a foundational argument for other municipalities to adopt and explicitly fund similar risk-transfer mechanisms through their LDRRMF.

2.2.3 Key Implications and Deductions

The examples of the abovementioned LGUs provide clear precedent that they can legally and operationally pay for insurance premiums on behalf of their constituents. These LGUs have entered into formal Memoranda of Agreement (MOAs) with the PCIC to cover premium costs for crop, fisheries, and accident. In most cases, the funds were drawn from the LGUs' general fund, and under the LDRRMF (Hinunangan's example), especially when framed as part of climate risk reduction or disaster preparedness. While the RA No. 10121 (DRRM Act) allows LDRRMF to be used for "payment of premiums on calamity insurance," and climate finance policies like JMC 2017-01 promote climate-tagging of budgets under the Local Climate Change Action Plan (LCCAP), there remains ambiguity as to whether these provisions extend to parametric insurance and ecosystem-based coverage. This ambiguity highlights the need for policy guidance and consultations with key agencies such as the Department of Budget and Management (DBM), the Commission on Audit (COA), and LGU finance and planning offices to ensure compliance and auditability.

The precedent set by LGUs in financing conventional insurance premiums can be extended to parametric insurance schemes that protect

[isabela-renew-partnership-for-insurance-of-marginalized-farmers-and-fisherfolks/](https://www.pna.gov.ph/articles/1076174)

¹⁵ Philippine News Agency. 2019. NegOcc Allocates P5-M more for Crop Insurance Fund. <https://www.pna.gov.ph/articles/1076174>

¹⁶ Ibid.

¹⁷ PCIC. <https://pcic.gov.ph/alcala-pangasinan-lgu-enrolls-towns-farmer-fisherfolk-in-accident-insurance/>

mangrove and marine ecosystems, which are increasingly recognized as natural infrastructure with a key role in climate adaptation and coastal protection. Because such ecosystems mitigate flood risks, buffer typhoons, and safeguard livelihoods, parametric insurance for their rehabilitation aligns with the core mandates of DRRM and EbA. This positions the product not merely as a financial service, but as a public good contributing to long-term resilience. LGUs can include parametric insurance premiums as a line item in their Annual Investment Plans (AIP), particularly under climate-tagged activities within their LCCAP or the DRRM Plan.

As earlier mentioned, while documented examples do not yet explicitly cover parametric insurance for ecosystems, they offer strong evidence that LGUs possess both the authority and mechanisms to fund insurance premiums. These precedents confirm that the financing mechanism is not a legal barrier. Therefore, LGUs can similarly charge premiums for parametric disaster insurance to the prevention and mitigation portion of the LDRRMF, provided the expenditure undergoes proper appropriation via a Sangguniang Bayan (Provincial Council) Resolution and is supported by the Commission on Audit (COA)-compliant documentation integrated into the LDRRMF and AIP. The examples presented shift the question from if LGUs can fund such insurance to how they can adapt a proven tool for protecting natural infrastructure.

With appropriate documentation, policy framing, and inter-agency coordination, LGUs can lead the way in adopting innovative financial instruments like parametric insurance to protect and rehabilitate their coastal ecosystems in a climate-risk-prone context.

2.3 People's Survival Fund

2.3.1 Legal Mandate and Institutional Framework

The People's Survival Fund (PSF), established by RA 10174¹⁸, is a special national fund created by the 2012 Act Establishing the People's Survival Fund (RA 10174) to provide long-term finance streams for LGUs and accredited local/community organization climate-adaptation projects.

Managed by the Climate Change Commission (CCC), it supplements agency and LGU budgets and is overseen by the PSF Board (chaired by the DOF Secretary). It finances climate-adaptation projects of LGUs and accredited community organizations. Official guidance enumerates eligible activities across key sectors and notes that the PSF may serve

as a guarantee for risk insurance needs. Recent PSF approvals include mangrove rehabilitation, confirming ecosystem-based adaptation is within the scope. What remains to be clarified with CCC is whether PSF can directly finance insurance premiums—particularly parametric coverage that provides rapid, rule-based liquidity to restore mangroves after typhoons—and, if so, the exact legal and accounting pathways to combine PSF with LDRRMF, where parametric premiums are already allowed for LGUs.

2.3.2 Relevance to Ecosystem-Based Adaptation

The eligible activities under the law include adaptation investments in water, land, agriculture and fisheries, health, forecasting/early warning systems, and explicitly mentions that the PSF may serve as a *“guarantee for risk insurance needs for farmers, agricultural workers and other stakeholders (Section 20.f).”*¹⁹ Although RA 10174 does not provide details of the guarantee for risk insurance needs, it can be deduced that this refers to the strategic use of the PSF as a financial risk management tool to strengthen climate resilience in the agriculture and fisheries sectors. This provision allows the PSF to serve not merely as a source of direct subsidies but as a guarantee mechanism to support or underwrite insurance schemes designed to protect vulnerable communities from the increasing frequency and severity of climate-induced disasters.

Rather than directly paying premiums for individual policyholders, the PSF may serve as a financial backstop or risk-sharing mechanism that enables the expansion of insurance coverage to high-risk, low-income groups that are typically underserved by conventional insurance markets. By absorbing part of the systemic risk or potential losses, the PSF makes it more viable for insurers to offer affordable and inclusive risk-transfer products tailored to the needs of farmers, fisherfolk, and other rural stakeholders.

Since the PSF supplements the annual appropriations allocated by relevant government agencies and local government units for climate-change-related programs and projects, in practice, this “guarantee” function can take several forms, such as:

- Co-financing of insurance pools for agricultural risks (e.g., droughts, typhoons, floods) through public-private partnerships;
- Capital contributions or reserves that cushion insurers or cooperatives offering community-based parametric insurance;

¹⁸ Republic Act No. 10121, The Philippine Disaster Risk Reduction and Management Act of 2010. (2010). Official Gazette of the Republic of the Philippines.

<https://www.officialgazette.gov.ph/2010/05/27/republic-act-no-10121/>

¹⁹ Ibid.

- Performance-based premium subsidies, contingent on the adoption of climate-resilient practices or technologies.

In this regard, the PSF can support innovation in agricultural insurance delivery, facilitate access to indemnity or parametric insurance products, and reduce the vulnerability of farming and fishing communities to climate-related income shocks. Ultimately, this strengthens adaptive capacity, promotes continuity of livelihoods, and aligns with the PSF's core objective of supporting community-led adaptation projects that reduce climate risk.

2.3.3 Ambiguities in Current PSF Guidance

The PSF has already established a critical precedent for funding mangrove-related climate adaptation²⁰, having approved grants for rehabilitation projects

such as the one in the Municipality of Catanauan, Quezon, valued at ₱2.64 million.²¹ This clearly demonstrates that EbA, including the protection and restoration of mangroves as a natural defense against climate impacts, is squarely within the PSF's scope. However, an analysis of publicly available PSF project lists indicates that financing has been directed towards physical rehabilitation and management activities, with no current cases showing the Fund being used to pay for parametric insurance premiums. This presents a strategic opportunity: while the PSF validates the importance of protecting mangrove ecosystems, the complementary mechanism of pre-disaster risk financing through insurance remains an innovative, untapped avenue to ensure the resilience and rapid restoration of these vital assets. However, certain ambiguities need to be clarified with the CCC (Table 2).

Table 2. Summary of PSF's Provisions Relevant to Parametric Insurance

Gap/Ambiguity	Why It Matters	Questions for Clarification with CCC
Direct premium payment vs. "guarantee" only	RA 10174 and CCC summaries say PSF may serve as a guarantee for risk insurance needs, but do not explicitly say PSF can pay premiums. It is unclear whether PSF can fund ex-ante premiums for a mangrove parametric cover.	<i>Can PSF finance full or partial premium payments for an LGU-held parametric policy protecting coastal ecosystems? If yes, under which legal/operational category (e.g., risk financing under agriculture/fisheries/EbA)?</i>
Beneficiary and name-insured	PSF proponents can be LGUs or accredited local/community orgs. While the PSF designates LGUs and accredited local organizations as eligible proponents, it is unclear whether an LGU can also serve as the policyholder or named insured under a parametric insurance scheme financed by the PSF. Of the ongoing adaptation projects approved by PSF, there are no insurance related ones.	<i>Can an LGU be the policyholder and designate DRRM/EbA uses for parametric payouts (e.g., seedling procurement, mangrove repair) under the approved PSF project?</i> <i>This ambiguity may create hesitation in pursuing climate risk insurance for community-managed natural assets. However, there are already legal and operational precedents—particularly under the LDRRMF—where LGUs have paid insurance premiums and acted as policyholders for disaster-related coverage (e.g., PCIC agricultural insurance, ADSS). Recognizing these precedents is essential. It establishes that LGUs, as public authorities, are not only eligible to hold insurance policies but are also authorized to receive payouts and apply them to public adaptation and resilience interventions.</i>
Scope fit: ecosystem-based parametric	PSF already funds mangrove rehabilitation (EbA), but combining EbA + risk finance (parametric) in one project is not spelled out.	<i>Can a single PSF project integrate EbA (mangrove rehab) with risk finance (parametric insurance) as complementary components? If separate, what packaging does the PSF Board prefer?</i>

²⁰ <https://www.dof.gov.ph/pbbm-presents-landmark-psf-approved-climate-adaptation-funds-worth-over-php-541-m-to-lgu-beneficiaries/>

²¹ The project aims to address the vulnerability of the municipality to storm surges and flooding, especially in Brgy. Matandang Sabang

Kanluran (MSK). This will include activities such as nursery establishment, training, capacity building, an Information and Education Campaign (IEC), mangrove tree planting, and wildlife protection and monitoring.

Gap/Ambiguity	Why It Matters	Questions for Clarification with CCC
Co-financing with LDRRMF	LGUs can fund premiums via LDRRMF; PSF could match or scale coverage. Clarity avoids double-counting and audit issues. ²²	<i>Can PSF co-finance premiums with an LGU's LDRRMF? If yes, how should budgeting, disbursement, and reporting be structured to avoid overlaps in climate finance tagging?</i>
Multi-year premiums/renewals	Parametric cover is most effective when multi-year; PSF disbursement windows and Project Development Grant (PDG) rules may limit how renewals are financed. ²³	<i>Can PSF commit to finance multi-year premium support (e.g., 3–5 years) within a single grant, or only year-by-year? What documentation is required for renewals and price changes?</i>
Procurement modality for insurance	PSF projects must follow government rules; parametric placements may be via agency-to-agency/pools or competitive bidding. Clarifying acceptable routes prevents bid protests.	<i>Which procurement paths are acceptable for purchasing parametric cover under a PSF-funded project (e.g., agency-to-agency with a public pool vs. competitive tender among licensed insurers/reinsurers), especially if only one provider exists? Does this pose a problem?</i>
Accounting of payouts	PSF manuals focus on project expenditures; parametric payouts are contingent inflows used for pre-agreed recovery actions. How they are received, recorded, and reported needs clarity.	<i>If PSF helps pay premiums, how should payouts be received (trust/liquidation account?) and reported to satisfy PSF/COA requirements and climate finance measurement, reporting and verification (MRV)?</i>
Precedent and pipeline	PSF lists EbA projects (including mangroves) but no public precedent of premium payments. Establishing a compliant template would unlock replication. ²⁴	<i>Does the PSF Board have guidance or a model term sheet for projects that include insurance premium support (distinct from guarantee facilities)? If not, can CCC issue one?</i>

²² CCC. Revised Implementing Guidelines of the PSF Project Development Grant (PDG)
<https://climate.gov.ph/public/ckfinder/userfiles/files/PSF/PSF%20Board%20Resolution%20No.%202022-001%20Revised%20Implementing%20Guideline%20of%20the%20PSF%20Project%20Development%20Grant%20%28PDG%29.pdf>

²³ Ibid.

²⁴ Ibid. Footnote # 22

2.4 NDRRMF for Insurance of Government Facilities

2.4.1 Legal Mandate and Institutional Framework

The provisions under the NDRRMC and DILG JMC Circular 2013-1 and COA Circular No. 2012-002 on the LGUs' use of the LDRRMF for paying insurance premiums must be viewed in conjunction with another key policy instrument: Joint Memorandum Circular DOF-DBM No. 2017-01²⁵ (JMC No. 2017-01) issued by DOF and DBM, entitled: Guidelines on the Implementation, Monitoring, and Reporting on the Use of P1 billion Allocation Under the NDRRM Fund for Insurance of Government Facilities

This Circular launched the National Disaster Risk Financing and Insurance Strategy (NDRFIS) and formally established the framework for a sovereign parametric insurance program. It marked the institutionalization of parametric insurance as a viable financial risk transfer mechanism by allocating P1 billion from the NDRRMF for this purpose. Critically, JMC 2017-01 defined the operational roles for its implementation, designating the Bureau of the Treasury (BTr) as the policyholder responsible for managing the premiums and pay-outs, and the GSIS as the primary insurer. This structure, where the national

government leverages its own financial institutions to secure coverage for national and local government assets, provides a powerful precedent. For an LGU, this is a compelling argument: if the national government recognizes the value of parametric insurance for its concrete assets and has established a mechanism utilizing BTr and GSIS, an LGU can logically argue for its application to protect its critical natural assets, which are equally vital for community resilience, by mirroring this institutional approach through the LDRRMF. However, parametric insurance does not apply to all types of municipal LGUs as beneficiaries under Section 3.2 of the Circular, pursuant to RA No. 656 or the "Property Insurance Law of 1951 which requires all national government agencies (NGAs) and LGUs, except municipal governments below first class, to secure insurance for their properties to indemnify or compensate the government for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty." Since the target LGUs under the GIZ project belong to the third to fifth class categories, this provision is most likely to exclude them. Nonetheless, its acknowledgment of parametric insurance as a legitimate disaster risk financing mechanism reinforces the argument that LGUs may also adopt similar instruments for critical local assets—both built and natural as long as these are tied to disaster risk reduction objectives. The key features of the Circular are presented in Table 3.

Table 3. Key Features of the DOF-DBM JMC Circular 2013-1

Feature	Description
Purpose	Operationalizes the P1 Billion National Parametric Insurance Program (NPIP) to insure government assets against typhoon and earthquake
Scope	Covers national government agencies (NGAs) and eligible LGUs (1 st class municipalities only) as beneficiaries; assets must be public infrastructure
Insured Perils	Typhoon and Earthquake only
Insurance Design	Parametric insurance with predefined triggers based on modeled emergency loss (not actual damage)
Trigger Mechanism	Modelled via the Philippine Catastrophe Risk Model; payout occurs when modelled losses exceed trigger thresholds
Insurance Provider	Government Service Insurance System (GSIS)
Policyholder	Bureau of the Treasury (BTr) on behalf of NGAs/LGUs
Fund Source for Premium	National Disaster Risk Reduction and Management Fund (NDRRMF) – initial P1 billion allocated
Fund Disbursement	Payouts flow via Modified Disbursement System (MDS) through DBM to NGA/LGU bank accounts

²⁵ DOF/DBM, 2017. JOINT MEMORANDUM CIRCULAR DOF-DBM NO. 2017-01 <https://www.dbm.gov.ph/wp-content/uploads/Issuances/2017/Joint%20Memorandum%20Circular>

ar/JOINT%20MEMORANDUM%20CIRCULAR%20NO.%202017-1%20DATED%20JUNE%2030,%202017.pdf

Eligible Uses of Payout	For repair/reconstruction of public infrastructure and restoration of services post-disaster (e.g., roads, bridges, hospitals, LGU buildings, flood control)
Not Eligible	Not intended for private assets or non-government properties (e.g., homes, businesses)
LGU Coverage Mechanism	Payout may go directly to individual LGUs if within affected province(s), otherwise flows via NGAs
Partial Payouts	Allowed if model predicts partial loss below full trigger level
Oversight Body	Technical Working Group (TWG) – composed of DOF, DBM, GSIS, COA, OCD, DEPDev, DILG, and BTr
Monitoring and Reporting	OCD and TWG oversee monitoring; COA audits use of proceeds
Procurement Rules	Emergency procurement per RA 9184 (Revised IRR) for post-disaster implementation
LGU Access Limitation	LGUs cannot directly purchase parametric insurance under JMC 2017-01; no framework provided for direct LGU policy holding
Strategic Value	Establishes policy precedent legitimizing parametric insurance as a disaster risk financing tool in Philippine public sector

2.4.2 Implementation Experience and Gaps

The actual implementation of the Circular is applied in the pilot implementation of the Parametric Catastrophe Risk Insurance Program by the World Bank²⁶. The program covered 25 provinces selected for their high exposure to typhoon and earthquake risk, including Leyte and Northern Samar.

While the JMC institutionalizes a national parametric insurance pool to protect public assets using the NDRRMF, the pilot project showcased the intended model, where these LGUs would serve as end-beneficiaries. The program structure was designed with the Bureau of the Treasury (BTr) as the policyholder, paying the premium from the NDRRM, and the GSIS as the primary insurer. The World Bank acted as the reinsurer, transferring the risk to the international market. In this structure, the LGUs were the intended beneficiaries of the "provincial cover" component, designed to empower them as first responders with rapid liquidity.

Based on the World Bank report document²⁷, the pilot demonstrated the technical success of the parametric mechanism in generating rapid payouts. Over its two-year duration, the program successfully triggered and delivered the following payouts from the international market to the BTr, all within the contractually mandated tight timelines.

- Policy Year 1 (2017-2018): A payout of ₱83.5 million (US\$1.66 million) was triggered by Typhoon Tembin (Vinta). The payout was specifically triggered by the catastrophe

model's calculation of emergency losses in the province of Davao del Sur.

- Policy Year 2 (2018-2019): Two payouts were made:
 - ₱848.6 million (US\$16.84 million) for the Zambales earthquake.
 - ₱490.1 million (US\$9.72 million) for Typhoon Tisoy (Kammuri).

However, the report of the pilot project's experience also revealed a critical challenge in the implementation of the JMC 2017-01 framework. While these parametric payouts were successfully and rapidly delivered from the international market to the BTr, the funds were ultimately not released to the intended LGUs or NGAs. The JMC 2017-01 established a Technical Working Group (TWG) to manage the distribution, but the process proved vulnerable to interpretation. This was starkly illustrated following the first-year payout for Typhoon Tembin, where a "positive basis risk" scenario occurred — the modelled loss trigger was met in Davao del Sur, but the province's actual damages were minimal. The TWG could not reach a consensus on how to allocate the funds, and without an agreed allocation report, the DBM could not issue the necessary Notice of Cash Allocation (NCA) to release the funds. This same bottleneck prevented the release of the two subsequent payouts in Year 2.

This experience validates JMC 2017-01's strategic objective to mainstream risk transfer mechanisms but underscores that establishing clear and binding rules for budget execution is as important as securing the financing itself. The pilot demonstrated the technical viability of rapid, rules-based fund transfer up to the national treasury, but also

²⁶ World Bank. 2020. The Philippines Parametric Catastrophe Risk Insurance Program Pilot: Lessons Learned. © World Bank. <http://hdl.handle.net/10986/36013> License: CC BY 3.0 IGO.

²⁷ Ibid.

highlighted that for LGUs to be effective operational partners, the flow of funds must be insulated from discretionary delays. In response, the portion of the JMC was significantly revised for the second policy year (JMC 2018-01) to grant the TWG explicit discretion to allocate payouts to provinces other than those that triggered the payout.

Moreover, the experience — including both the successful risk transfer and the disbursement challenges — strengthens the rationale for expanding parametric coverage to LGU-prioritized assets. The pilot proved that there is a broad market appetite for well-designed parametric programs, and it built the necessary legal and financial infrastructure, such as clarifying COA rules to allow LGUs to use their LDRRMF for premiums. This paves the way for LGU-led procurement of parametric insurance for critical assets like mangrove ecosystems, leveraging the foundational work initiated under JMC 2017-01.

2.4.3 Strategic Relevance to LGUs

The JMC effectively answers the question, "Is parametric insurance a valid use of public DRRM funds?" with a resounding "yes." While the circular specifically designates the Bureau of the Treasury (BTr) as the implementing agency for the national pool, it creates a compelling analogy. The principles underlying the NPIP—proactive financial protection, rapid post-disaster fund release via parametric triggers, and cost-effective risk transfer—are directly applicable to the LGU context. Therefore, an LGU can frame a proposed mangrove insurance program as a localized implementation of the same risk financing philosophy endorsed by the national government. This shifts the burden of proof to explain why a strategy valid for national assets is invalid for local ones. However, the following gaps and strategic considerations must be taken into account.

- **The LGU Policyholder Gap:** The JMC's mechanism is centralized. It does not create a framework for LGUs to be direct policyholders. This means an LGU cannot use this JMC as a direct procedural manual. The pathway for an LGU remains through the LDRRMF guidelines (JMC 2012-01, COA Circular 2012-002) as previously discussed.
- **The GSIS Focus Gap:** The national program is administered through the GSIS, which is

focused on insuring national government agencies' and LGUs' (only those in the first class category) assets, such as infrastructure facilities (e.g. buildings, roads, etc.). Under Section 7.5 of the Circular, the payout proceeds shall be used solely for post-disaster activities relating to government infrastructure, and facilities needed to restore operations and immediate delivery of basic services, including but not limited to repair or reconstruction of the following:

- transport infrastructure such as roads, bridges, ports, airports, and support facilities;
- flood control and drainage facilities;
- hospitals, and replacement of damaged equipment;
- school buildings to support the immediate resumption of classes;
- facilities that serve as evacuation centres;
- public administration and other local government buildings to facilitate the resumption of government services;
- rehabilitation of agricultural infrastructure; and
- restoration of utilities and network infrastructure, such as power and water.

Since the marine and mangrove ecosystem is not mentioned in the Circular, or whether it can be classified as government property or not, it is ambiguous whether this can be considered by GSIS for the time being or not. Moreover, after consultation with the representatives of GSIS on their involvement in the GIZ project, they indicated that parametric insurance for mangrove is not within their scope, as GSIS's mandate is for government properties, among others, and they would like to concentrate on this.²⁸

2.5 National Greening Program

2.5.1 Overview of the NGP

The NGP was launched by the DENR in 2011 via Executive Order No. 26, series of 2011²⁹, and later expanded under Executive Order No. 193, series of 2015³⁰. Its primary objective is to rehabilitate, reforest, and protect unproductive, denuded, and degraded forestlands and to contribute to poverty reduction, biodiversity conservation, climate

²⁸ Email response to GOPA-AFC Team Leader from GSIS representative dated September 22, 2025

²⁹ DENR Memorandum Order # 2011-01, Guidelines and Procedures in the Implementation of NGP. https://fmb.denr.gov.ph/ngp/wp-content/uploads/2022/10/dmc-2011-01_NGP-

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³⁰ Executive Order 193. Expanding the Coverage of the National Greening Program. https://forestry.denr.gov.ph/fmb_web/wp-content/uploads/2023/06/EO-2015-193.pdf

change mitigation, and adaptation³¹. The NGP's target is the reforestation of the public domain: forestlands/unproductive, denuded, and degraded forestlands, mangrove and protected areas, ancestral domains, civil and military reservations, urban areas under the greening plan of the LGUs, and inactive and abandoned mine sites. The program is implemented through the DENR's Forest Management Bureau (FMB) and involves local government units (LGUs), people's organizations, and private sector stakeholders.³²

Although the NGP funding is intended to support biodiversity conservation and climate change adaptation and mitigation measures, tapping this to pay insurance premiums tied to mangrove restoration is not explicitly mentioned in the relevant directives. However, this can be worth exploring, given that its purpose is aligned with the EbA initiatives. The following presents various considerations that can be further explored with the DENR:

Enabling factors

- The NGP explicitly covers “lowland poor households, indigenous peoples, and in coastal and urban areas” as among its target beneficiaries.
- Because mangrove ecosystems are coastal and relate to the restoration of natural assets in coastal zones, the NGP has a thematic alignment with mangrove ecosystem rehabilitation.
- The program's implementing rules and regulations (for example, under DAO/DENR) emphasize rehabilitation, protection, and sustainable management of forests and forest-related ecosystems.³³
- From a strategic perspective, using insurance premiums to support mangrove restoration could align with the NGP's goal of resilience and adaptation (i.e., protection of ecosystem services, mitigation of disaster risk), especially in coastal areas.

Constraints and limitations

- The NGP is fundamentally a reforestation and forest rehabilitation program, with its budget earmarked for planting, maintenance, protection of forest plantations, seedling production, and community participation. The program documents do not explicitly mention “insurance premium payment” as an eligible expenditure. For example, the COA program audit pointed out that the budget was used for

seedling production, maintenance contracts, site preparation, etc.³⁴

- Because the NGP funding is subject to specific program rules — including those in the Memorandum Circulars and implementing guidelines of DENR — any non-standard expenditure (such as purchasing insurance premiums) would need to be justified under the program's objectives and rules, and may require a formal reinterpretation or modification of the guidelines.
- Insurance premiums, especially parametric insurance covering ecosystems, is a relatively nascent financing instrument for ecosystem restoration; to integrate it under NGP funding, LGUs or implementing agencies may face audit scrutiny because the expenditure must be consistent with the program implementation rules and with public finance/audit standards.

In summary, it is possible to tap NGP funding for insurance premium payments in the context of mangrove restoration — because of the thematic fit (coastal ecosystems, rehabilitation, resilience), and because the NGP is a national program under which LGUs participate and implement. However, it is not clearly provided for in the legal program documents that insurance premiums are an eligible expenditure. Therefore, if an LGU or implementing agency proposes to use NGP funds for insurance premiums, it should undertake the following steps:

- Conduct a legal/financial analysis to confirm that the payment of premiums is consistent with the NGP's implementing rules and DENR guidelines (including the DAO, MC, and other relevant instruments).
- Prepare a justification memo that links the insurance premium payment directly to the NGP's objectives (e.g., rehabilitation, protection of mangroves, climate adaptation) and demonstrates how the insurance instrument enhances sustainability or risk reduction of the forest/mangrove investment.
- Engage with the DENR (via the Forest Management Bureau) and relevant audit/finance offices (e.g., COA, DBM, DOF) early to obtain clarifications or formal endorsements that the expenditure is allowable under NGP.
- Ensure robust documentation and audit compliance (e.g., link between planting/restoration, risk assessment, the insurance contract, proof of payment, outcomes) since this is a novel use of funds and may be subject to scrutiny.

³¹ Department of Environment and Natural Resources – Forest Management Bureau (DENR-FMB), “What is the National Greening Program?”, <https://fmb.denr.gov.ph/ngp/what-is-ngp/>

³² Commission on Audit (COA), Performance Audit Report on the National Greening Program (PAO-2019-01), INTOSAI,

https://www.intosai.org/fileadmin/downloads/focus_areas/SDG_at_as_reports/Philippines/Philippines_2019_E_15_FuRep_NGP.pdf

³³ DENR Administrative Order 2019-03 https://forestry.denr.gov.ph/fmb_web/wp-content/uploads/2023/06/eNGP-IRR.pdf

³⁴ Ibid. Footnote # 32

3.0 Towards an Integrated Financing Strategy



Once all the ambiguities are clarified with relevant agencies and to ensure the long-term viability of parametric mangrove insurance, a blended financing strategy can be pursued, leveraging complementary funding sources to de-risk the initiative and embed it within national climate adaptation priorities. This multi-layered approach moves beyond reliance on a single mechanism, creating a more resilient and scalable model.

3.1 Primary Pathway: LDRRMF

- **Action:** Provide direct technical assistance to the selected LGUs of Northern Samar and Southern Leyte to draft and pass a Sangguniang Bayan Resolution that explicitly appropriates funds from the 70% prevention and preparedness component of their LDRRMF for the insurance premium.
- **Strategic justification:** This pathway operationalizes the legal precedent set by national policy. The resolution can be framed as a local implementation of a nationally-endorsed strategy, explicitly citing RA 10121 (Sec. 21), DILG-DBM-NDRRMC JMC 2013-1, and, crucially, DOF-DBM JMC 2017-01 to argue that parametric insurance for critical natural infrastructure is a logical and legitimate extension of existing DRRM expenditure guidelines.

3.2 Complementary Pathway: Strategic Co-financing from the PSF

- **Action:** Develop a targeted PSF Project Proposal Template specifically designed for “Climate Risk Finance for Ecosystem

Resilience”. The proposal must be reframed or presented in such a way that the premium payment can be viewed not just as a simple expense, but as a sort of strategic investment (influencing mindset) in financial preparedness that guarantees immediate liquidity for the post-typhoon rehabilitation of a critical ecosystem-based defense system.

- **Goal:** Secure PSF co-financing to subsidize a portion of the premiums, particularly during the initial proof-of-concept years. This would reduce the fiscal burden on pioneer LGUs, demonstrate a powerful national-local partnership, and position the PSF as a catalyst for innovative adaptation financing.

3.3 Institutional Engagement for Institutional Buy-in

- **Action:** Facilitate a structured multi-stakeholder technical dialogue during the project's design phase, engaging the legal and technical units of key agencies identified in this analysis (e.g., COA, DBM, DILG, CCC/PSF Board, DOF-BTr).
- **Goal:** This proactive consultation is not merely informational but strategic. By presenting the legal rationale and operational design, the project can gather informal feedback, gauge interpretative stances, and collaboratively address potential concerns before the LGU passes its resolution. This "pre-clearance" process is essential for building institutional consensus and buy-in and de-risking the entire initiative.

4.0 Proposed Immediate Next Steps: 8-Month Action Plan



To bridge the gap between legal precedent and on-the-ground implementation, the following proposed action plan details a sequenced approach to develop a premium financing strategy. This 8-month process is designed to proactively address regulatory ambiguities and secure the necessary buy-in, enabling the selected LGUs of Northern Samar and Southern Leyte to confidently adopt and budget for the parametric mangrove insurance.

The activities are structured into the following three overlapping phases designed to ensure rigor, build consensus, and produce actionable outputs (Table 4):

- Phase 1: Expert consultation and legal clarification (Months 1-3)
- Phase 2: Drafting and financial modelling (Months 2-5)
- Phase 3: Validation & finalization (Months 5-8)

Table 4. Proposed Action Plan

Timeline	Key Activity	Objective / Key Deliverable	Responsible Parties
Months 1-3, Phase 1: Expert Consultation and Legal Clarification			
	1.1. Secure Legal Expert/Consultant	Hire a legal expert specializing in Philippine public fiscal administration, COA rules, and the Local Government Code.	GIZ
	1.2. Pre-Consultation Briefing with Legal Expert	Brief the expert on the project, the identified funding sources (LDRRMF, PSF, NTA), and the specific ambiguities from the analysis.	GIZ, Project Team
	1.3. Conduct Stakeholder Consultation Roundtable	<p>Primary objective: To obtain informal but critical guidance from national agencies on the acceptability of using public funds for a mangrove parametric insurance premium.</p> <p>Key Deliverable: A "Summary of Insights" memo.</p> <p>Relevant Stakeholders to Invite:</p> <ul style="list-style-type: none"> • COA Regional Office(s): For audit treatability. • DILG Legal/Bureau of Local Government Supervision (BLGS): For LGU compliance guidance. • DOF (Risk Management Group/PSF Secretariat): For policy alignment and PSF feasibility. • Department of Budget and Management (DBM): For budget classification. 	GIZ, Legal Expert, Project Team
Months 2-5, Phase 2: Drafting of Premium Financing Strategy and Pro-forma Resolutions			
	2.1. Draft Legal Memoranda and Model Resolution	<p>Key Deliverable: A "Legal Position and Implementation Package" based on consultation feedback. This includes:</p> <ul style="list-style-type: none"> • Legal Memorandum: A detailed opinion justifying the use of the LDRRMF (and other sources), citing RA 10121, JMC 2017-01, and insights from the roundtable discussion. • Draft a Sangguniang Bayan Resolution: A ready-to-adapt template for the LGUs to appropriate funds from their LDRRMF for the premium. • FAQ for LGUs: A simple document addressing common concerns from the Sangguniang Bayan and local finance committees. 	Legal Expert
	2.2. Develop Premium Financing Strategy Paper	Deliverable: A concise document for LGU decision-makers. It should outline the recommended funding source (e.g., LDRRMF as primary), the legal basis, (from the product design team), and the steps for adoption.	Project Team, Legal Expert
Months 5-8, Phase 3: Validation and Finalization			

Timeline	Key Activity	Objective / Key Deliverable	Responsible Parties
	3.1. Present Drafts to LGUs for Internal Review	Share the Legal Memorandum, Model Resolution, and Strategy Paper with the LGU Treasurers, Budget Officers, and LDRRMOs in pilot municipalities/province for their technical feedback.	GIZ, LGU Champions
	3.2. Validation Workshop with LGUs and TWG	Present the finalized financing strategy and legal documents to the LGU Sangguniang Bayan committees and the project's Technical Working Group (PCIC, DENR, etc.) for formal validation and sign-off.	GIZ, Legal Expert; Project Team
	3.3. Finalize the "Premium Financing Implementation Guide"	Final Deliverable: A comprehensive guide that packages the Legal Memorandum, Pro-forma Resolution, Strategy Paper, and a step-by-step timeline for the LGU to follow in the next budget cycle. This is the main handover document.	GIZ, Legal Expert, Project Team
	3.4. Project Closing and Handover	Formal handover of the complete parametric insurance product design.	GIZ, Project Team

Critical Success Factors for this Plan

- Quality of legal expertise: The chosen legal expert must have practical experience with COA audit rules and LGU budget processes. Theoretical knowledge of the laws is insufficient.
- Strategic invitees for the roundtable: The consultation must include technical officers from COA and DILG who are familiar with the operational interpretation of rules, not just high-level policy.
- LGU involvement in validation: The model resolution must be practical. Involving LGU budget officers early in the drafting process (Month 5) ensures it aligns with their local budget calendar and documentation requirements.

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Friedrich-Ebert-Allee 40
53113 Bonn, Germany
Phone: +49 228 44 60-0
Fax: +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
Phone: +49 61 96 79-0
Fax: +49 61 96 79-11 15
Email: info@giz.de
Internet: www.giz.de

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Responsible for the content

Dante Oliver Portula dante.portula@giz.de

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Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Sitz der Gesellschaft
Bonn und Eschborn

Friedrich-Ebert-Allee 32 + 36
53113 Bonn, Deutschland
T +49 228 44 60-0
F +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Deutschland
T +49 61 96 79-0
F +49 61 96 79-11 15

E info@giz.de
I www.giz.de

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