Briefing paper

Financing climate-responsive social protection

Opportunities for leveraging philanthropic capital

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About this series

This briefing paper is part of a series supported by the Laudes Foundation and ClimateWorks Foundation. It builds upon *Climate-responsive social protection: a primer for philanthropy* (McCord et al., 2025) and is one of three briefing papers aimed at informing philanthropic support to advancing climate-responsive social protection. The two companion papers can be found here:

McCord, A. and Gogerty, E. (2026) *Supporting just transitions through social protection: key roles for philanthropy*. Briefing Paper. London: ODI Global (https://doi.org/10.61755/QRFN3243)

Steadman, S. and Sinha, H. (2026) *Transforming social protection for irreversible climate change-induced loss and damage: key roles for philanthropy.* Briefing Paper. London: ODI Global (https://doi.org/10.61755/CYDV3646)

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Executive summary

This brief examines how financing for climate-responsive social protection (CRSP) needs to evolve under rising climate and transition pressures, and how philanthropy could enable and catalyse such change. The focus is on making financing systems more reliable, timely and adequate in low- and middle-income countries where demand for social protection is rising, fiscal space remains constrained and external finance is unpredictable and costly. The challenge today is not only one of resource gaps but of how CRSP financing is structured, coordinated and deployed.

This brief puts forward four key pathways through which CRSP can be strengthened:

1. **Advancing sustained and predictable financing for CRSP:** by strengthening the reliability of financing for core social protection systems through multi-year commitments, while navigating the persistent challenges of constrained fiscal space, sovereign debts and limited global financing support.
2. **Building integrated and pre-arranged CRSP financing for shock response:** by establishing financing arrangements in advance of shocks, embedded within broader disaster risk financing frameworks, to enable timely and rules-based scale-up of support when crises occur.
3. **Financing CRSP to improve performance standards of scale, speed, adequacy and inclusion:** by improving how financing translates into delivery, ensuring that systems can expand rapidly, provide adequate support and reach vulnerable populations beyond existing registries.
4. **Coordinating private capital and incentives within CRSP financing systems:** by strengthening coordination, role clarity and risk-sharing frameworks to enable more effective and appropriate engagement of private capital within publicly led CRSP systems.

Philanthropic capital could potentially contribute to these shifts but not as a substitute for public or official financing, or as a source of financing at scale. Rather, its value lies in its flexibility, risk tolerance and ability to catalyse or improve larger financing flows from public, private and development finance providers. The brief highlights the following mechanisms through which philanthropic capital could be deployed in practice:

- Supporting de-risking and risk-sharing arrangements that help crowd-in public and private capital into CRSP-related financing, particularly where perceived risks or early-stage uncertainties limit public and private participation.
- Providing targeted and time-bound affordability support to enable access to risk financing instruments or social protection measures, especially where cost barriers would otherwise exclude vulnerable populations.

- Funding pilots and proof-of-concept initiatives to test how CRSP financing approaches perform in practice, with a view to informing how these can be scaled up through public systems.
- Supporting efforts to improve the performance of CRSP financing by strengthening data, evidence and delivery systems to enhance scale, speed, adequacy and inclusion.
- Using philanthropic convening power to improve coordination across governments, donors, private actors and humanitarian systems, particularly where fragmented roles and unclear incentives limit effective financing arrangements.

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1 Introduction

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Climate change is fundamentally reshaping the risk management landscape and social protection systems will have to adapt accordingly. Climate-driven extreme events (such as floods and storms) and slow-onset events (such as sea-level rise, desertification and biodiversity loss) erode household incomes, destroy productive assets and disrupt livelihoods, particularly for low-income households, informal workers and small and medium enterprises. This results in increasing reliance on public sector support, while simultaneously weakening public finances through reduced economic output, shrinking tax bases and rising public debt (Panwar and Sen, 2020).

Meanwhile, the financing landscape for climate-responsive social protection (CRSP)[1] remains fragmented. Domestic public finance, which is expected to shoulder most social protection costs, is under pressure as governments face rising demands for social assistance with increasing climate risks. In low- and middle-income countries, the financing gap to achieve universal social protection is estimated at 3.3% of GDP annually (or $1.4 trillion a year), even before fully accounting for climate impacts (Cattaneo et al., 2024). Tightening debt constraints further limit fiscal space and expand the gap, as rising climate shocks compound existing debt vulnerabilities and increase the cost of financing social protection for governments. At the same time, external financing for social protection, mainly delivered through official development finance (ODF),[2] has proven insufficient and poorly aligned with the evolving financing needs of social protection. It remains modest relative to financing need, highly fragmented across projects and sectors, and predominantly oriented towards short-term humanitarian response rather than sustained, pre-arranged financing[3] (ILO, 2024; OECD, 2025b; UNDRR, 2025).

The social protection financing gap is projected to widen further with rising climate risks, raising fundamental challenges for the long-term sustainability of CRSP financing (Durán Valverde et al., 2020; ILO, 2024). In this context, philanthropic capital[4] could help catalyse change in CRSP financing, but has yet to be deployed in ways that systematically alter incentives, unlock longer-term finance, or embed climate responsiveness within social protection systems (McCord et al., 2025). There has been a recent expansion in philanthropic funding for climate adaptation and resilience, with grants

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1 CRSP describes social protection systems that address existing poverty and are also designed to respond to short- and long-term climate-driven challenges, with the focus primarily on shock response (Shock Responsive Social Protection or SRSP) and adaptation (Adaptive Social Protection, or ASP), although mitigation and loss and damage interventions are sometimes also included (McCord et al., 2025).

2 Official development finance refers to all public sector flows from bilateral and multilateral providers that are administered with the promotion of economic development and welfare as a main objective. ODF includes both concessional flows classified as official development assistance (ODA) and other official flows (OOF) that do not meet the concessionality criteria for ODA (see OECD, n.d.).

3 'Financing that has been approved in advance of a crisis and that is guaranteed to be released to a specific implementer when a specific pre-identified trigger condition is met. The trigger may be based on data or models related to impact, forecasts, or projections of need, or a declaration of emergency (or similar) by the specified respondent' (CDP, n.d.).

4 For the purposes of this brief, philanthropic capital or funding refers to flexible, risk-tolerant resources that can be deployed beyond grant funding alone, for instance, to absorb uncertainty, lower barriers to entry for other sources of finance, support system-level coordination, and enable learning and scale in ways that public budgets and private finance are often unable to do.

reaching approximately $870 million in 2024 (Hitt et al., 2025). While philanthropic funding will not bridge the funding gap, it can play a more strategic and coordinating role that moves beyond experimentation to bringing about durable change in CRSP financing practices.

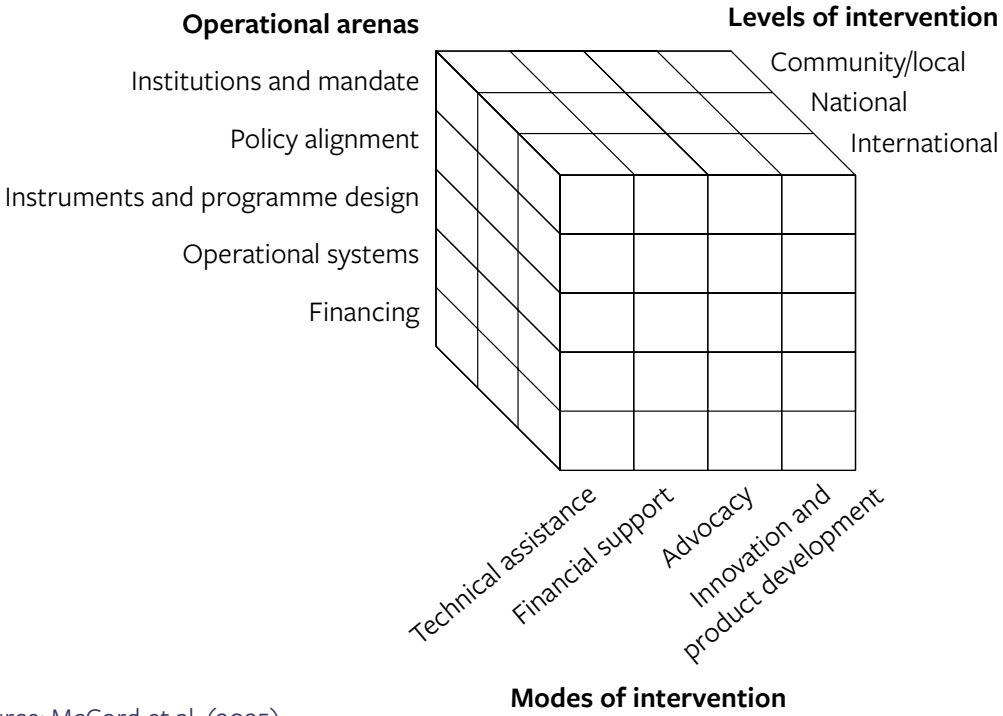
With this backdrop, this brief focuses on the shifts required to strengthen and sustain CRSP financing, and on how philanthropic capital can help enable these shifts. It builds on and advances the framework developed by McCord et al. (2025), which distinguishes between social protection operational arenas, levels of intervention, and modes of engagement for supporting CRSP systems (see Figure 1). It explores the financing arena and examines how philanthropies can catalyse changes in the design, risk sharing, performance standards and coordination of CRSP financing (see Section 3 for a detailed discussion).

This brief has two core objectives:

- To review the current landscape of CRSP financing, identify the key shifts needed to strengthen it, and highlight where philanthropic capital can help enable these shifts.
- To examine how philanthropic capital can most effectively catalyse more reliable, timely and scalable CRSP financing in practice.

The brief begins by reviewing how social protection is currently financed and the key gaps under rising climate and transition risks. It then presents four pathways for strengthening CRSP financing, explores how philanthropy can catalyse these shifts, and concludes with key implications for action.

Figure 1 Key entry points for philanthropies to support CRSP



Source: McCord et al. (2025).

2 The current financing landscape for climate-responsive social protection

Image: Noel Mallia/Shutterstock.com

CRSP does not operate through a distinct or purpose-built financing system. Instead, it is financed through the same institutional and fiscal arrangements that underpin social protection systems more broadly, with 'climate responsiveness' introduced incrementally through programme design, contingency mechanisms and supplementary funding streams. Overall, funders of CRSP have tended to prioritise shock-response measures with time-bound and supplementary resources over longer-term adaptative social protection schemes. Funding is mostly channelled through humanitarian or disaster risk financing (DRF)[5] systems that sit alongside, rather than within, core social protection budgets.[6]

2.1 Financing sources for CRSP and where they fall short

Social protection and, by extension, CRSP draw on a combination of domestic public resources, external development and humanitarian aid, and a smaller set of private sector contributions, as discussed below.

Domestic public resources

Social protection systems, including any climate-responsive modifications made to those systems, are funded predominantly through domestic resources, although the degree of reliance on domestic financing varies across countries. For instance, in lower-middle income countries (LMICs), domestic resources account for an estimated 86% of social assistance financing (Watkins et al., 2025). This share is significantly lower for fragile- and conflict-affected countries at 66%, and for low-income countries, it is around one-third of total social protection financing (Watkins et al., 2025; World Bank, 2025).

Domestic resources for social protection include funding from general taxation and social insurance schemes supported through contributory mechanisms (benefits financed through payments by workers and/or employers) such as payroll taxes and premiums (FAO, 2024; Sengupta and Sivanu, 2024). Some governments have begun to modify these schemes to respond to accommodate climate risks,[7] but financing remains insufficient relative to needs (Watkins et al., 2025; Minhas, 2024).

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5 Disaster risk financing is defined as 'all instruments aimed at strengthening financial resilience or providing financial protection against disasters and extreme weather events for vulnerable countries and communities. This encompasses both insurances as well as risk financing elements' (IGP, n.d.).

6 While this brief also recognises that some limited but growing financing links are emerging to link social protection with just transition and loss and damage considerations, they are addressed in greater depth by Steadman and Sinha (2026) on irreversible loss and damage and McCord and Gogerty (2026) on just transition and social protection.

7 For instance, in the Philippines and Kenya, domestically financed contingency funds enable rapid CRSP responses by linking pre-approved public resources to existing cash transfer systems, allowing benefits to be scaled or expanded within days or weeks of shocks (see Bowen, 2016; Ulrichs et al., 2019).

In many low-income and fragile contexts, structural fiscal pressures such as high sovereign debt, rising global interest rates and elevated borrowing costs have tightened fiscal space, while IMF-supported adjustment programmes and procyclical fiscal consolidation could severely limit social spending, especially during periods of climate stress. Therefore, the scope to expand domestic financing for social protection in such countries is constrained. For instance, Bangladesh would require public expenditure equivalent to 18.5% of GDP to establish a basic social protection floor (ITUC, 2022). This does not seem plausible with domestic sources in the near term given the country's competing fiscal priorities, high debt levels and low tax-to-GDP ratio.

External development finance and humanitarian assistance

External financing for social protection comes in the form of ODF and humanitarian assistance (Watkins et al., 2025).

- ODF delivers longer-term external resources to strengthen the national social protection systems. Analysis of the OECD data reveals that ODA specifically for social protection[8] to low and lower-middle income countries almost doubled from $2.7 billion in 2013 to $5.3 billion in 2023. However, as a share of total ODA, it has largely remained the same. Multilateral donors – multilateral development banks (MDBs) and international finance institutions – are the most significant external financiers, accounting for roughly two-thirds of the total finance flows for social protection between 2013 and 2023.[9] Climate funds have contributed very little to CRSP in comparison to bilateral and multilateral donors (Watkins et al., 2025).
- Humanitarian assistance for shock responsiveness provides additional financial support mainly through cash and voucher assistance (CVA), which is typically delivered by UN agencies (e.g., World Food Programme) and other humanitarian actors (e.g., NGOs and Red Cross/Red Crescent agencies). They often operate outside the core national social protection financing systems. However, humanitarian financing remains severely underfunded relative to the needs. While it is not possible to distil core social protection financing needs, recent UN-coordinated appeals estimate global humanitarian requirements at close to $50 billion a year, with persistent funding gaps exceeding $35 billion (UNOCHA, 2024).

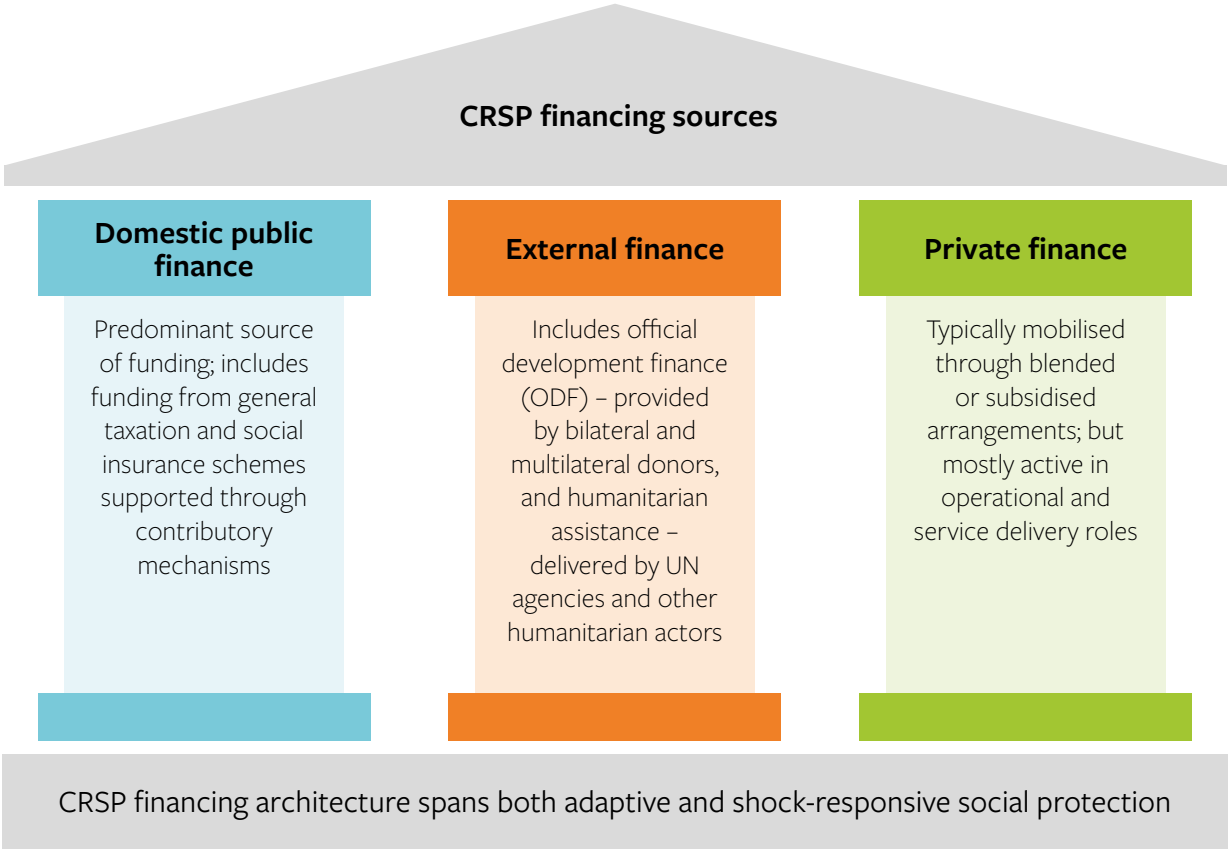
Overall, external financing is predominantly oriented towards short-term humanitarian and shock-responsive interventions, rather than sustained financing to expand and strengthen social protection systems in response to long-term climate challenges (ILO, 2024; OECD, 2025b; UNDRR, 2025). This reflects a broader limitation of the global financial architecture, which continues to provide insufficiently predictable and countercyclical financing for climate-vulnerable countries. This may be due to limited access to timely liquidity through IMF instruments, constraints on MDB balance sheets and risk appetite, fragmented and project-

8 ODA flows recorded under OECD DAC purpose code 16010 (social protection).

9 For instance, the World Bank is the single largest funder globally, with an active social protection portfolio of $29.5 billion as of April 2025 (Watkins et al., 2025).

based climate finance by climate funds, as well as slow and uncertain processes for Special Drawing Rights (SDR) reallocation and sovereign debt restructuring (UN, 2023; Plant, 2021). Furthermore, the 'humanitarian–development divide' is one of the most persistent failures in global coordination, where long-term development finance delivered through government budgets works in parallel to, but disconnected from, annualised and unpredictable humanitarian CVA delivered mainly through UN and NGO systems (see Watkins et al., 2025).

Figure 2 CRSP financing sources



Source: authors.

Private finance

Private actors are most active in operational and service delivery roles, rather than as providers of long-term, risk-bearing capital for CRSP (McCord et al., 2025). In 2023, private actors contributed approximately $5.7 billion in adaptation finance (CPI, 2025), but how much of this has been used for social protection could not be ascertained with the available data.

Private finance supports CRSP indirectly by strengthening governments' fiscal and response capacity through instruments such as blended finance, green bonds, disaster risk insurance, and regional or sovereign risk pools that are increasingly linked to the financing of safety nets

and scalable social protection responses (McCord et al., 2025). These mechanisms can provide rapid liquidity following climate shocks, even where they do not directly finance household-level benefits. Private actors also contribute through employer-provided benefits, such as pension plans and health insurance, as well as through corporate social responsibility (CSR) initiatives that complement public systems at local level. However, this support is limited in scale and typically operates through subsidised, blended or risk-shared arrangements with limited support for sustaining CRSP financing.

2.2 Financing mechanisms and instruments

A range of financial mechanisms and instruments can be used to support adaptive social protection, shock-responsive or anticipatory measures, and/or emerging approaches to addressing loss and damage.

Instruments supporting adaptive social protection

These instruments are typically oriented towards longer-term investments that reduce vulnerability and strengthen resilience to climate stress. These include grants and concessional loans from bilateral and multilateral donors, which are used to expand coverage, strengthen delivery systems, and finance programmes linked to livelihoods, skills and climate adaptation (e.g., adaptive cash transfers, public works or employment guarantee schemes). Such instruments are generally planned over multi-year horizons and embedded within core social protection budgets. Some innovative instruments are now increasingly discussed as potential tools for expanding fiscal space for greater social protection spending, although their application remains limited. These include:

- debt-for-climate swaps (debt relief exchanged for climate or social spending)
- results-based financing (payments linked to verified resilience results)
- credit guarantees (for access to international capital markets on more favourable terms)
- blended-finance structures (public or philanthropic funds used to crowd-in private investments).

Instruments supporting shock-responsive and/or anticipatory social protection

These instruments are more closely associated with DRF approaches. Ex-ante or pre-arranged financing mechanisms, set up before climate or disaster shocks occur, are increasingly recognised as critical for climate responsiveness. These include contingency reserves, contingent credit lines and risk transfer instruments such as sovereign insurance or regional risk pools that are linked to social protection scale-up (e.g., scalable safety nets triggered by drought or flood indices – Panwar et al., 2023). Their primary value lies in predictability and speed, enabling resources to be mobilised automatically to expand coverage or increase benefits when predefined thresholds are reached, thereby reducing delays that undermine household resilience (Brandon et al., 2025; UNICEF, 2025).

Ex-post financing instruments, on the other hand, are mobilised after a shock and draw on public budgets, ODF and humanitarian assistance. These include emergency budget reallocations, supplementary budgets and humanitarian cash transfers channelled through UN appeals. While such instruments play an important role in CRSP, they are typically slower and less predictable, and tend to encourage ad hoc responses to climate shocks unless they are coordinated with, or complemented by, pre-arranged financing mechanisms through risk layering[10] (World Bank, 2016; Panwar et al., 2023).

Instruments to address loss and damage

Finally, there is growing discussion of emerging financing instruments linked to loss and damage. These instruments mostly consist of pre-arranged financing instruments as discussed above, although their application remain limited in relation to CRSP. Emerging mechanisms, such as the Fund for Responding to Loss and Damage (FRLD), may eventually provide additional resources to address climate impacts that exceed adaptive capacity. How such funding and instruments could be integrated into national CRSP financing structures, and whether they can provide timely and predictable support to affected households, are open questions.

Photo credit: Syariff Hidayatullah/Shutterstock.com

10 Risk layering refers to 'combining (or layering) different financing instruments to protect against events of different frequency and severity in a cost-effective manner. Risk layering allows governments to structure risks and risk transfer instruments for each risk layer in order to optimize cost-effectiveness, allowing the most cost-efficient and effective solution to be applied' (IGP, n.d.).

3 Where climate-responsive social protection financing needs strengthening and potential philanthropic entry points

Image: Aleksey Kurguzov/Shutterstock.com

This paper identifies four key pathways for strengthening CRSP financing (see Figure 3), each with opportunities for philanthropic capital to contribute, as climate and transition risks intensify. These pathways broadly focus on securing stable funding for core social protection systems, putting financing in place before shocks occur, ensuring adequate support reaches enough people quickly, and improving coordination across public, private and philanthropic actors. Each is described in detail below.

Figure 3 Key pathways to strengthen CRSP financing

Source: authors.

3.1 Advancing sustained and predictable financing for CRSP

The first pathway is concerned with strengthening the financing of core social protection systems so they become durable and predictable public commitments, as opposed to CRSP being an episodic, residual or shock-driven expenditure. Robust core systems are a prerequisite for extending social protection provision in response to climate and transition risks, yet current financing approaches often leave persistent gaps across key benefits and population groups (Bowen et al., 2020; Costella et al., 2017).

Addressing this challenge requires a shift towards multi-year financing horizons and the systematic integration of climate and transition risks into social protection financing frameworks, spanning anticipatory action, shock response, longer-term adaptation and just transition. This may include exploring options to expand fiscal space, such as climate-linked revenue reforms, debt-for-climate swaps, or innovative financing instruments that can create additional room for

sustained CRSP commitments. Embedding CRSP within national climate strategies (e.g. Nationally Determined Contributions and National Action Plans) may also strengthen access to international climate finance while reinforcing domestic ownership.

From a philanthropic funder perspective, this pathway is about reinforcing the conditions that allow CRSP financing to be planned, prioritised and sustained over time, particularly where climate-driven expenditure pressures and sovereign debt overhang outpace domestic fiscal capacity. Hence the emphasis is on 'enabling' more durable financing commitments from domestic and external sources that recognise the persistent nature of climate-related social protection needs.

Philanthropic capital could also play a complementary role by helping stabilise financing expectations and supporting just transitions with more sustained, multi-year commitments for CRSP financing. Targeted and predictable support is needed to offset distributional impacts, protect affected workers and communities, and enable equitable pathways out of climate-vulnerable livelihoods resulting from low carbon transition shifts and policy measures (see McCord and Gogerty, 2026). In practice, this may involve time-bound and targeted support to pilot or phase in compensatory transfers by covering initial affordability gaps for vulnerable groups, or enabling temporary top-ups while external financing is secured. This must not mean, however, that philanthropies finance the full cost of CRSP expansion (see discussion in Section 4.2).

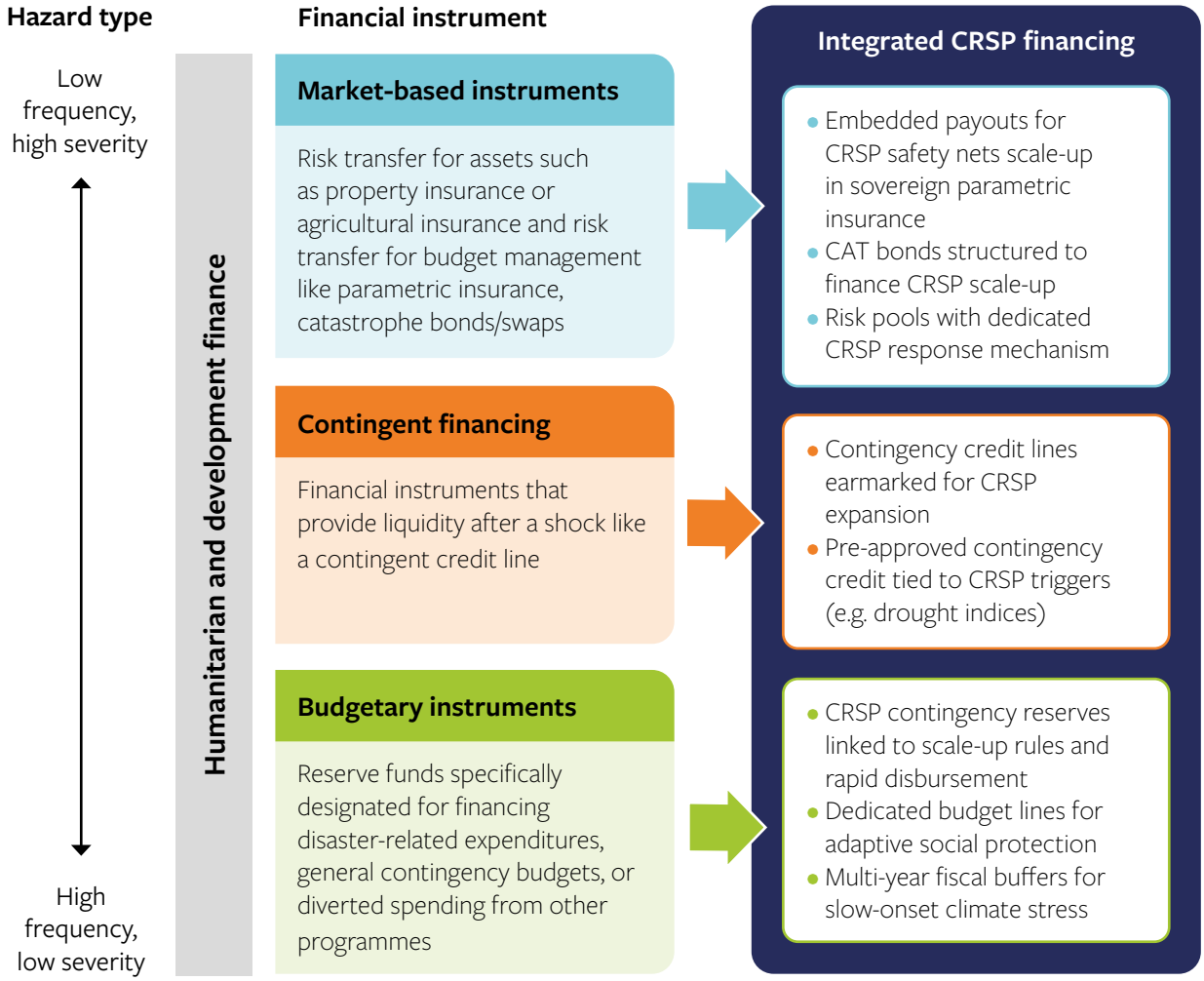
3.2 Building an integrated and pre-arranged CRSP financing system for shock response

The second pathway calls for an integrated and pre-arranged CRSP financing system that builds on existing disaster risk financing (DRF) and public social protection financing frameworks for addressing climate-related loss and damage. This is particularly relevant for shock-response and anticipatory dimensions of social protection systems. It also points to the potential for emerging loss and damage finance (e.g., FRLD) to be integrated into CRSP financing frameworks, with CRSP systems serving as an operational channel for the timely and rules-based disbursement of loss and damage support. This should, however, be embedded within existing or emerging DRF frameworks to ensure alignment with national DRF decision-making, rather than established as a parallel system. Its effective integration requires coordination with humanitarian actors and donors, recognising that CRSP increasingly operates alongside, and at times in place of, humanitarian cash assistance (Watkins et al., 2025).

This pathway requires combining pre-arranged financing instruments for addressing loss and damage (see Section 2.2) such as public budgets, contingency reserves, external development finance and market-based insurance within a single framework (known as risk-layering) that defines in advance how the finance will flow according to liquidity needs, speed of disbursement

and intensity and frequency of underlying hazard (see Figure 4). As climate volatility intensifies, careful consideration is needed regarding the limits of insurance-heavy approaches, particularly where risk becomes systemic and less insurable.

Figure 4 Integrating CRSP financing in existing or emerging DRF layering



Source: authors, building on Financial Protection Forum (2018) and Bowen et al. (2020).

From philanthropic funders' perspectives, this pathway could be an entry point where they help in catalysing a shift from ad hoc, ex-post financing towards pre-arranged CRSP financing. This is most needed where political confidence, fiscal space or affordability constraints limit governments' willingness or ability to adopt integrated, pre-arranged approaches, even when their long-term value is well understood. By supporting transitional arrangements and early experimentation, philanthropic interventions could help enable layered risk financing approaches and help demonstrate the feasibility and credibility of such systems before they are taken up at scale by public and international finance.

3.3 Financing CRSP to improve performance standards of speed, adequacy, scale and inclusion

The third pathway focuses on strengthening the quality of CRSP financing to ensure that scarce resources deliver protection when and where they matter most. The emphasis is not on developing new financing standards but on ensuring that CRSP financing arrangements enable timely delivery (speed), adequate levels of support for each beneficiary (adequacy), expansion of support or benefit coverage (scale) and inclusion of vulnerable groups. This may require revisiting static benefit norms to reflect climate-adjusted poverty thresholds and rising price volatility. Performance considerations must also extend beyond acute shocks to address slow-onset stressors that generate prolonged income erosion.

This pathway is therefore concerned with promoting better performance outcomes from existing and emerging CRSP instruments, particularly under climate stress. For example, pre-arranged budgetary contingency funds and quick response facilities can also support such approaches when release rules and delivery pathways are clearly defined. Insurance and contingent credit-based instruments can further reinforce timeliness when their payouts are tied to predefined CRSP scale-up rules rather than absorbed into general budgets[11] (UNICEF, 2023; Panwar et al., 2025).

From a philanthropic funders' perspective, this pathway highlights the importance of aligning CRSP financing with actual and projected climate risks. Philanthropic funding, for example, could help test whether CRSP instruments are calibrated to real income losses and price effects during climate and transition shocks, and whether financing structures allow programmes to expand beyond existing registries to reach informal workers, migrants and newly affected households excluded due to financing constraints rather than identification challenges (Bowen et al., 2020; Cattaneo et al., 2024).

3.4 Coordinating private capital and incentives within CRSP financing systems

The fourth pathway is about improving the incentives for investment in CRSP. The engagement of insurers, investors, service providers and employers in CRSP programmes is fragmented and narrow. What is often missing is a clearly articulated 'investment case' that demonstrates how private capital can engage in CRSP within defined risk parameters, roles, predictable financing structures, and credible public governance arrangements (Watkins et al., 2025; Siddiqi et al., 2023). Philanthropic funders can help strengthen the investment case for CRSP. They could help create a more deliberate use of private balance sheets, risk pools and operational capacities that can mobilise funds rapidly under climate stress.

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11 Well-designed anticipatory social protection that links pre-authorised financing to forecast-based triggers can also enable support to be delivered before shocks fully materialise, reducing losses and reliance on uncertain post-event resources (UNDRR, 2023; Bowen et al., 2020).

Philanthropic funders are well placed to use their convening power and advocacy efforts to bring public authorities, private actors and development partners together to clarify expectations, surface constraints and build shared understanding of where and how private participation is viable within CRSP systems. This could include clearer delineations of which risks are retained by the public sector, transferred to private actors, or absorbed catalytically by philanthropy. They can play a catalytic role by helping address market failures that constrain private engagement, including by reducing perceived risks or affordability barriers, thereby enabling private participation to be crowded-in without shifting residual risk or exclusion onto households. In practice, this can involve philanthropic funding absorbing early losses or costs associated with the initial deployment of CRSP-linked instruments, such as insurance arrangements, payment systems or financing mechanisms linked to social protection scale-up, where uncertainty about demand, performance or political commitment would otherwise deter private participation. Such arrangements would act to complement rather than displace the foundational role of domestic public finance in CRSP systems.

Photo credit: djaack.jpg/Shutterstock.com

4 How could philanthropy catalyse, de-risk and coordinate climate-responsive social protection financing?

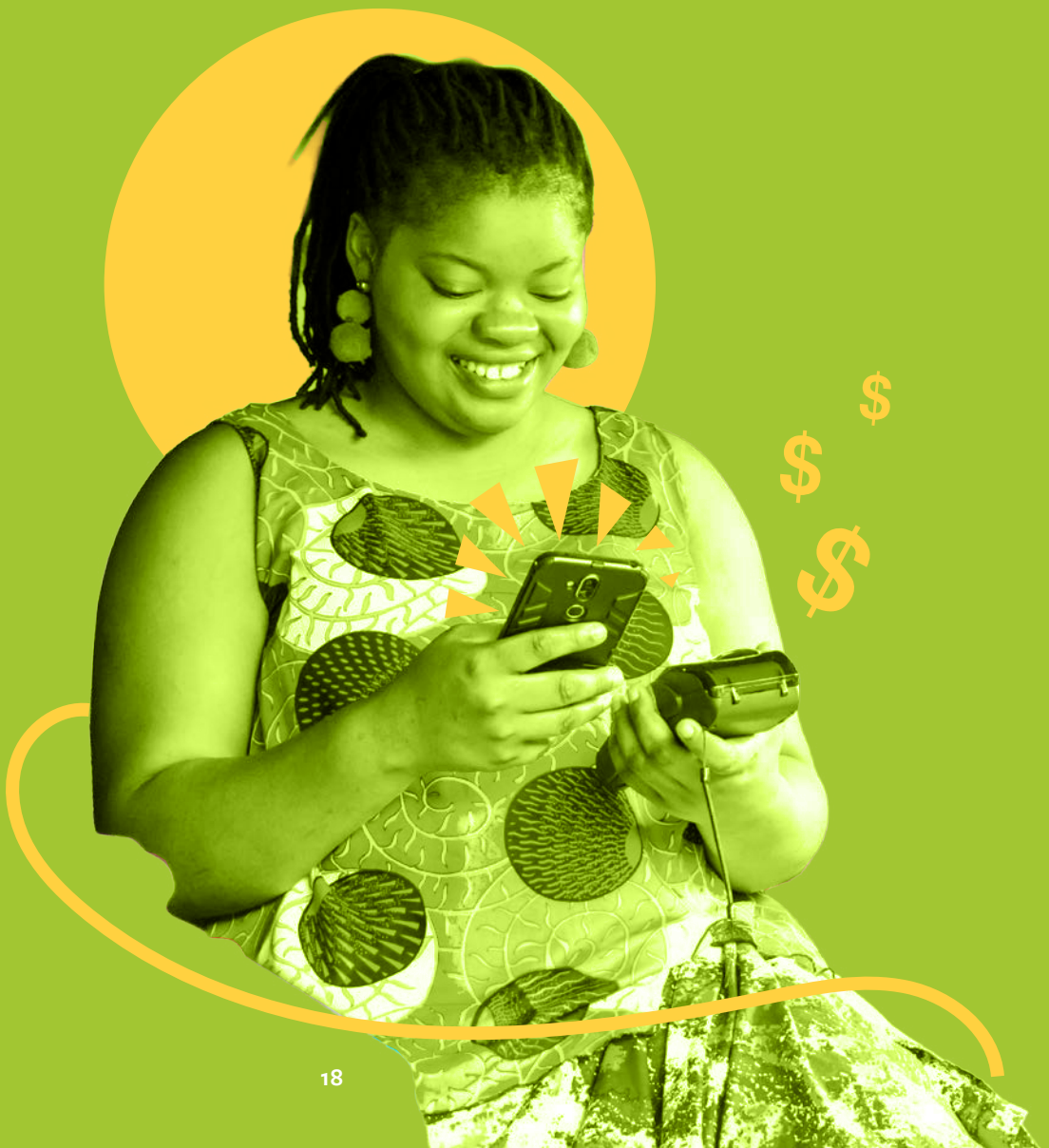


Image: i_am_zews/Shutterstock.com

Philanthropic support can help catalyse, de-risk and coordinate the potential shifts discussed under each of the four pathways (see Figure 5). This section discusses the levers and mechanisms in more detail.

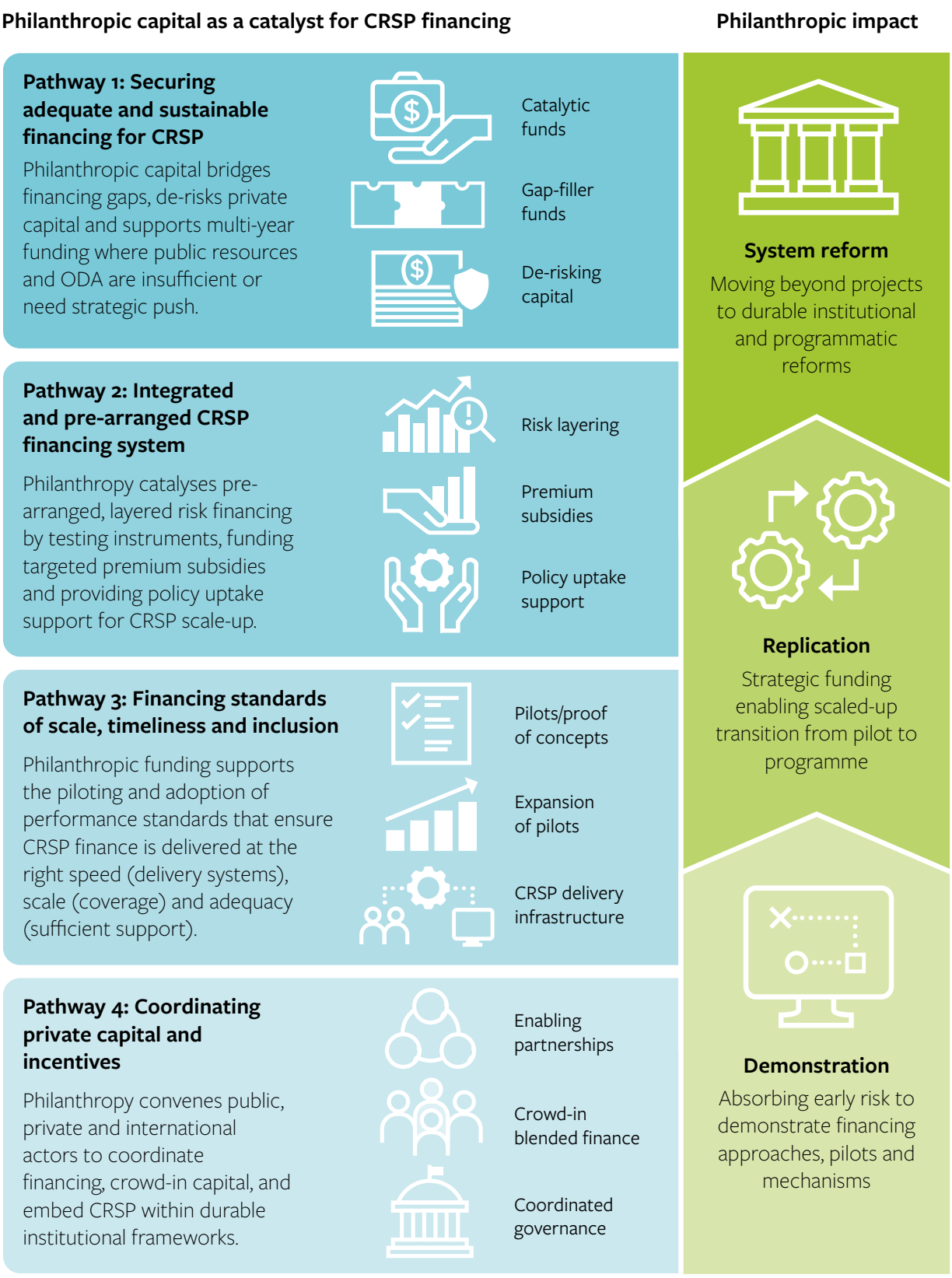
4.1 Impact levers for philanthropic capital

Rather than mapping neatly onto a single scale, philanthropic impact could unfold through a combination of demonstration, replication and system-level influence, with activities at one scale enabling or reinforcing change at others.[12] This shows how relatively small volumes of philanthropic funding can contribute to wider shifts in CRSP financing. For instance:

- With **demonstration**, philanthropic capital can absorb early risks to test financing approaches that are not yet viable for public or private actors. This may include piloting anticipatory cash transfers triggered by climate data or linking insurance payouts to safety net scale-up – generating evidence on technical feasibility, social acceptability and cost-effectiveness. While such initiatives often begin at local or subnational scale, demonstration can also occur through national or regional pilots where political or financial uncertainty limits early adoption.
- Through **replication**, philanthropic support can help move beyond proof of concept towards wider uptake, including adaptation within national systems. This may involve supporting interim financing arrangements, regulatory adjustments or value-for-money analyses that enable financing instruments or delivery models to be expanded and embedded at scale. Impact at this stage is reflected in the transition from isolated pilots to repeated application across programmes, regions or countries, often requiring alignment with national policy and budgetary frameworks.
- With **system reforms**, philanthropic capital can contribute to shaping financing architectures, norms and coordination mechanisms that influence how CRSP is financed over the longer term. Through pooled financing vehicles and partnerships with governments and international actors such as MDBs, development finance institutions and multi-donor trust funds, philanthropy could help embed CRSP financing within national budgets, insurance pools and climate finance facilities. Here, the impact of philanthropic capital lies less in individual projects and more in influencing how financing decisions are structured and coordinated across institutions.

12 This three-level framing (demonstration, replication and system reform) builds on a broader literature on scaling innovation and systems change (See McCord et al., 2025; Hartmann and Linn, 2008, among others).

Figure 5 Catalytic role of philanthropies in sustaining CRSP financing



Source: authors.

4.2 Key mechanisms to deploy philanthropic capital for CRSP

The following mechanisms outline how philanthropic capital can be deployed to support the focus areas identified above. While not all the examples presented are directly linked to CRSP, they illustrate the types of philanthropic interventions that could be adapted and applied to strengthen CRSP financing.

De-risking investments (Pathways 1 and 4)

Philanthropy can play a targeted role in de-risking CRSP investment and improving affordability where markets and public finance fall short. Typically, de-risking refers to actions taken to reduce the actual or perceived risks associated with an investment, project or policy so that private or additional sources of finance are more willing to participate. By absorbing early risk and lowering cost barriers, philanthropic capital could be particularly relevant for increasing the uptake of insurance, blended finance and layered risk finance instruments. However, it should be deployed strategically to address identifiable market failures or transitional constraints, rather than as a substitute for public responsibility or as a permanent financing layer.

First-loss capital and credit guarantees

Philanthropic capital can help absorb the initial losses in a CRSP investment before other investors experience any losses. This protective layer reduces risk for other investors and makes CRSP more attractive to private capital. Philanthropy played a first-loss role in setting the Acumen Resilient Agriculture Fund (ARAF), which helps smallholder farmers adapt to climate shocks in Africa (see Lankes, 2021). Similarly, first-loss contributions from the Rockefeller Foundation helped de-risk the SunFunder's Beyond the Grid Solar Fund and crowd-in development finance and impact investors[13] to scale clean energy access for low-income communities in sub-Saharan Africa (see Avila, 2025).

Funders can also provide credit guarantees, providing insurance for lenders that reduces their risk and encourages them to provide credit to borrowers or projects they would otherwise consider too risky. This can enable larger-scale participation by MDBs or institutional investors in climate-relevant social investments. For instance, in 2022, the Lemelson Foundation provided an $85,000 first-loss credit guarantee in partnership with Villgro and Caspian Debt (an impact investor), enabling the mobilisation of a $262,000 loan pool for six climate-focused social enterprises in India. This philanthropic guarantee successfully de-risked the pilot lending phase as no defaults occurred (see Krishnan, 2023).

13 An impact investor is typically an individual, organisation or institution that provides capital with the intention of achieving positive, measurable social and environmental outcomes alongside a financial return.

However, using guarantees or first-loss capital requires a suitable financial environment. For instance, in low-income countries, financial markets are often small and underdeveloped, which limits the availability of insurance and other risk-sharing products. In addition, insurance regulators may not treat donor-backed guarantees as fully reliable or acceptable, making it harder for such arrangements to be used to support insurance or de-risking investments in practice (Alvarado et al., 2024). Therefore, first-loss structures are most appropriate where risks are transitional (e.g., early-stage market development, regulatory uncertainty, limited track record), and where there is a credible pathway towards commercial or public absorption of risk over time.

Catalytic grants for larger funding pools

Funders can also help design funds and collaboratives which can take on early-stage risks and crowd-in much larger pools of public and private capital for CRSP. By setting up funds within MDBs and development finance institutions, they can blend philanthropic grants with development finance and scale CRSP through existing lending programmes. For example, the Bill & Melinda Gates Foundation and Omidyar Network established the World Bank's Identification for Development (ID4D) Multi-Donor Trust Fund in 2016 to support governments in building digital identification systems, a key requirement for effective social protection systems development. This catalysed bilateral contributions from the UK, France and Norway, and the fund has enabled reforms that expand access to banking, healthcare and social protection (Tsai, 2024).

Similar structures could be used to crowd-in MDB finance for CRSP, multiplying the impact of philanthropic funding. For example, although not directly linked to social protection, philanthropic support to the Kigali Amendment negotiations illustrates how relatively modest, well-coordinated grants ($53 million, later matched by $27 million) helped unlock large-scale public and private finance by creating momentum around a shared objective to phase out hydrofluorocarbon (HFC) refrigerants (McCord et al., 2025).

These interventions are especially relevant where covariate climate risk,[14] thin demand or affordability constraints prevent market participation. For example, the Chandler Foundation, together with the Hewlett and MacArthur Foundations, co-invested $2 million in a multi-donor trust fund housed at the World Bank to provide flexible, catalytic financing for governance and transparency reforms. A rapid allocation of $75,000 from the fund enabled technical engagement in Malawi, helping unlock a subsequent $80 million World Bank grant, including $6.5 million dedicated to beneficial ownership implementation (Tsai, 2024).

14 Covariate climate risks are climate-related shocks that affect many people within the same community at the same time, meaning the experience of one household is closely linked to that of others. Because impacts are widespread and simultaneous, informal support networks and local markets are often strained or fail, so external or system-level responses are typically required (CDP, n.d.).

The catalytic value of such structures lies not only in financial leverage, but in signalling credibility, aligning actors and accelerating institutional reform functions that are particularly important in politically sensitive areas such as social protection financing.

Affordability support through interim premium subsidies (Pathway 2)

Grants can partially cover climate insurance premiums for vulnerable groups, making insurance affordable. These 'premium subsidies' are critical for uptake of climate risk insurance, helping to bridge the gap between the high cost of market-based risk transfer and the limited financial capacity of vulnerable households and low-income countries. Subsidies have encouraged governments to participate in parametric insurance schemes, spurring private insurers to serve underserved markets by reducing their risk, and allowing governments to embed insurance within national safety nets so that rapid payouts can fund early relief without putting additional strain on public budgets (Scott et al., 2022; Bonazzi and Solana, 2024).

In some instances philanthropic funders have helped expand coverage and allowed insurance markets to function where insurance would be too expensive for most households to afford. For example, the Bayer–Pula partnerships in Africa and Asia illustrate how targeted philanthropic support for premiums (€10 million in grants) can unlock significantly larger volumes of insurance coverage ($127 million) for climate-exposed households without displacing public responsibility for inclusion (Bayer Foundation, 2025). Similarly, philanthropic funders have covered the insurance premium of the International Federation of Red Cross and Red Crescent Societies' Disaster Response Emergency Fund, enabling a relatively small annual contribution (CHF3 million) to unlock up to CHF15 million in rapid climate-disaster payouts (IFRC, 2024).

The examples presented are few and far between and small in scale. Philanthropic capital for premium subsidies and risk-sharing is still largely untapped. Nonetheless, small volumes of funding for premium support could have an outsized impact in stabilising and expanding sovereign insurance pools, helping to ensure predictable coverage and enabling insurance to function as a reliable trigger for shock-responsive and anticipatory social protection at relatively low cost (see Box 1). Notably, premium subsidies should ideally be time-bound or designed with clear transition strategies, to avoid entrenching dependence or masking underlying affordability constraints.

Box 1 Illustrative scenario: using philanthropic capital to subsidise sovereign insurance premiums to support CRSP

This scenario analysis illustrates how a small, strategic grant could be used to subsidise sovereign climate insurance premiums that support climate-responsive social protection. Using the African Risk Capacity (ARC) as an illustrative case, it examines the potential of premium subsidies to stabilise and expand climate risk insurance supporting CRSP. The analysis assumes the following:

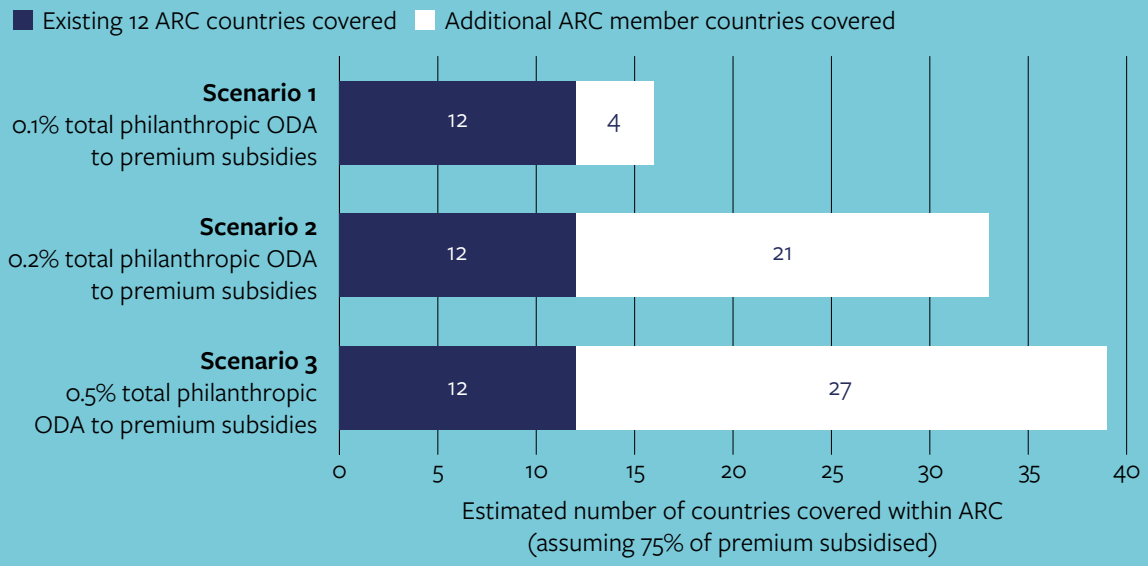
- Total philanthropic ODA in 2023 was $13.7 billion; it is assumed with three illustrative scenarios (0.1%, 0.2%, and 0.5% of ODA) that it can be redirected annually to premium subsidies for ARC member countries.
- Sovereign ARC coverage is assumed to be priced at a 10:1 coverage-to-premium ratio, with philanthropic capital covering a large share (75%) of premiums. No other donor subsides are assumed.
- It builds on the publicly available information about ARC Pool VIII (2022), where sovereign coverage totals approximately $131.5 million across 12 countries, equivalent to around $11 million of coverage per country, protecting an estimated 13.06 million people (roughly 1.1 million per country).

Under these assumptions, even a very small reallocation of philanthropic ODA could sustain premium subsidies for the full 12-country ARC pool over multiple years. At 0.1% of philanthropic ODA, premium subsidies could cover the entire pool for 1.4 years. At 0.2% and 0.5%, coverage could be sustained over much longer horizons (2.8 years and 6.9 years, respectively). This could effectively lock-in sovereign participation by making insurance affordable and improving the predictability of insurance-backed CRSP responses.

The same scenarios also show substantial potential for expansion beyond the current policyholders, as premium subsidies are a key driving force behind country subscriptions of insurance (see Scott et al., 2022). With ARC membership standing at 39 countries, reallocating 0.1% of philanthropic ODA could extend subsidised coverage to four additional members beyond the existing pool. Each additional country would add, on average, around $11 million in sovereign coverage and protect approximately 1.1 million more people. At 0.2%, most ARC members (33) could be covered, while at 0.5% the scenario approaches near-universal participation across the pool.

This scenario demonstrates the potential scale of leverage from premium support, yet allocating premium subsidies raises complex technical and political questions around eligibility, duration, exit strategies and burden-sharing across countries (see Scott et al., 2022). Nonetheless, the scenario underscores that modest, well-targeted philanthropic capital could materially strengthen sovereign risk pools that underpin CRSP, complementing public budgets and other bilateral and multilateral donor support rather than substituting for them.

Figure 6 Illustrative scenarios on catalytic philanthropic capital enhancing insurance coverage (ARC risk pool example)



Source: authors.

Funding pilots and proof of concepts (Pathways 2 and 3)

Philanthropy plays a distinct role by funding pilots and proof-of-concept initiatives that are necessary to test new approaches and enable later private, public or MDB scale-up (Kaltenborn, 2023). For CRSP, this type of intervention can help improve how those most exposed to climate risks and most in need of support are identified and reached. It can also raise performance standards, for instance by testing new combinations of financing instruments for risk layering to assess how different sources of finance perform under varying levels of climate risk. This could include testing whether anticipatory cash transfer triggers activate early enough to prevent losses, whether insurance-backed mechanisms can reliably finance rapid safety net scale-up after shocks, and whether adaptive programmes that combine income support with livelihood protection can sustain households under repeated or prolonged climate stress.

There are examples at the local level that illustrate comparative advantage of philanthropic capital in financing CRSP in this way. For instance, in India the Self Employed Women's Association's Extreme Heat Protection Initiative illustrates how philanthropic and corporate backing enabled a novel combination of heat insurance, cash transfers and resilience goods for informal workers, generating operational lessons that would be difficult to test through public budgets alone (McCord et al., 2025). Similarly, pilots can also de-risk markets and demonstrate pathways to scale. In Zimbabwe, for example, catalytic support from the Bayer Foundation allowed the Pula Foundation and government partners to pilot crop insurance for 31,000 farmers in 2019. Once the model proved workable, it was expanded through a public–private network to cover over one million farmers (Bayer Foundation, 2025).

Moving from pilot to policy is challenging. Even where pilots generate strong evidence, translation into national programmes or private sector initiatives is neither automatic nor rapid. Experiences such as 'Afat Vimo' in India show both the potential and the limits of this approach: here, philanthropic seed funding allowed a locally designed disaster microinsurance scheme to reach poor rural households at low cost, but the absence of sustained financing and policy uptake constrained long-term scale-up (McCord et al., 2025).

A clear transition or exit strategy is critical for the sustainability of pilot interventions and for avoiding stagnation or collapse once initial grants expire. At the same time, CRSP pilots should be designed from the outset with a strategy for engaging government and other stakeholders to promote learning, replication and institutionalisation. Evaluation frameworks aligned with climate finance and resilience metrics should be built in from the start, alongside a clear transition plan identifying how successful models could be absorbed into public systems or longer-term financing arrangements.

Funding to improve the performance of CRSP financing (Pathway 3)

Performance gaps in CRSP often arise not from a lack of financing alone, but from how financing is structured and linked to operational capacity (see Section 3.3). It important to ensure that resources can be released quickly, scaled efficiently and directed to the right populations when climate risks materialise. Philanthropic funders can support this by financing the enabling infrastructure that allows CRSP financing to translate into timely, adequate and inclusive outcomes, including climate-risk data systems, early warning platforms, delivery and payment systems, and beneficiary registries (see Box 2).

Experience from South and Southeast Asia suggests that support for early warning systems and digital payment platforms helped improve performance standards by reducing delays and transaction costs in scaling cash transfers during floods and heatwaves, allowing pre-arranged financing to translate into timely support to vulnerable populations (see Bowen et al., 2020; OECD, 2025a). Recent initiatives such as the Adaptation & Resilience Fund also illustrate the potential of philanthropic capital to fund enabling infrastructure for CRSP delivery. This fund

is directing over $50 million towards locally led efforts in South Asia, Southeast Asia, and sub-Saharan Africa. This includes investments in early warning systems and innovative climate finance tools (ClimateWorks Foundation, 2025; Ndunge, 2025; The Rockefeller Foundation, 2025).

Box 2 Key philanthropic investments that could enable effective and inclusive CRSP financing

Targeted philanthropic funding in data, delivery systems and registries can strengthen the enabling infrastructure for CRSP in three ways:

1. Strengthening climate-risk data and knowledge systems:
   - Funding the information and research that define the triggers for CRSP/ASP payouts.
   - Support the collection of granular, people-centred data at subnational level to complement technical hazard metrics and show how different groups are affected by shocks.
   - Investing in open-source data platforms and climate-risk models that help governments and cities prepare for hazards such as heatwaves and floods.
   - Financing analytical tools that link hazard intensity to vulnerability to improve the calibration of risk and make automated payout and response mechanisms more accurate.

2. Enhancing delivery infrastructure and payment systems:
   - Investing early in delivery infrastructure and payment systems that ensure funds reach people once they are triggered. They can fund digital public infrastructure in advance of crises, including e-payment platforms, mobile money networks and arrangements to ensure liquidity at local level.
   - Supporting practical trials of new technologies, such as mobile tools and AI, to improve targeting and management information systems during emergencies.

3. Improving beneficiary registries and targeting:
   - Supporting the integration of climate vulnerability into existing social protection systems including indicators such as housing quality, location and exposure to hazards, to better identify at-risk populations including informal workers.
   - ·Support the long-term maintenance and updating of registries and targeting systems, ensuring that vulnerability data remains current, institutionally embedded, and sustainably financed rather than based on one-off mapping exercises.

Source: Bowen et al. (2020); ClimateWorks Foundation (2025); Ndunge (2025).

Convening power and advocacy to coordinate capital and institutions (Pathway 4)

Philanthropic support could potentially help in creating neutral, multi-stakeholder platforms to coordinate objectives, standards and incentives. They could help bridge fragmented ecosystems spanning ministries of finance, social protection agencies, insurers, MDBs, civil society and delivery partners. This could include:

- Enabling the transition of successful pilots into durable policy instruments so that responsibility ultimately rests with governments, while private capital and markets are engaged on clear, credible terms. This could, for example, include linking pilots and sector-specific initiatives to national safety nets and financing frameworks by underwriting technical assistance, cross-sector dialogue and coalition-building.
- Creating platforms that pool public, private and philanthropic resources, such as multi-donor climate and adaptation initiatives. This could demonstrate how coordinated engagement shifts CRSP financing from short-term projects towards multi-year programmes embedded in public systems. For example, networks like the World Economic Forum's 'Giving to Amplify Earth Action' explicitly combine public, private and philanthropic finance for adaptation to transition successful pilots into permanent policies (Uy and Brandon, 2025).
- Using convening power and advocacy to help elevate CRSP in global and national policy debates and understand where it can play a more significant impact. This could be done through global initiatives such as the Global Accelerator on Jobs and Social Protection for Just Transitions or the Global Alliance Against Hunger and Poverty (see Watkins et al., 2025).

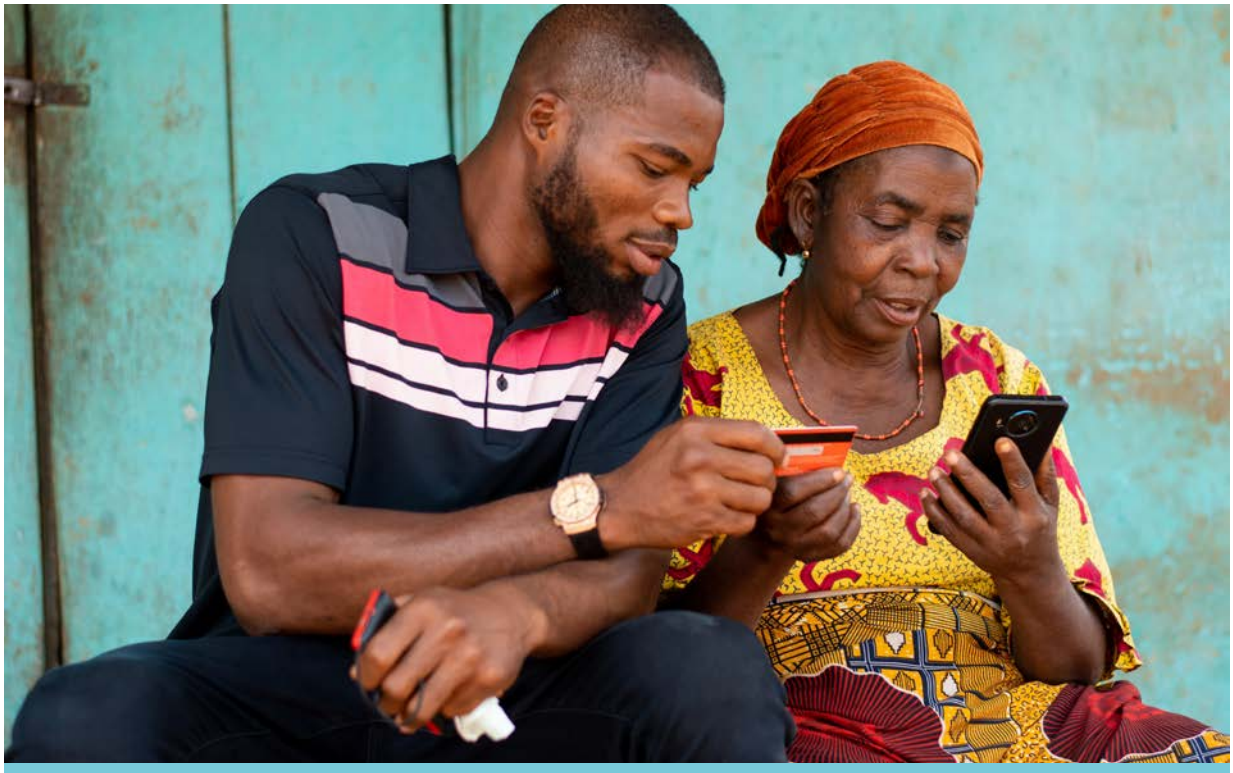


Photo credit: i_am_zews/Shutterstock.com

5 Conclusions

Image: Sam Maulidna/Shutterstock.com

Climate change is not only increasing demand for CRSP but also exposing structural weaknesses in how it is financed. Domestic public finance, together with ODF and humanitarian aid, will remain the backbone of CRSP funding. However, in many low-income countries, financing systems operate under conditions of limited fiscal space, weak institutions, fragmented aid architectures, high sovereign debt and high climate risks. These are not exceptional constraints but the realities within which CRSP systems must function and within which philanthropic capital must also engage.

Philanthropic capital occupies a distinctive and complementary position within the CRSP financing architecture. Its strategic relevance lies not in substituting for public or external development and humanitarian finance but in helping systems work better under real-world constraints. Across the pathways identified in this brief, philanthropy could absorb early-stage uncertainty, support experimentation with financing approaches, strengthen enabling infrastructure that improves financing performance, and help coordinate action across fragmented public, private and humanitarian financing systems. If used in this way, philanthropic engagement could help accelerate shifts towards CRSP financing that is more proactive, reliable, scalable and inclusive, even where institutional capacity is uneven.

If philanthropic support is to translate into durable impact, it must be aligned with reciprocal commitments from other actors. For instance, governments must retain primary ownership of CRSP systems and provide clear policy direction, fiscal anchoring and institutional support for successful financing approaches to be absorbed into the national systems. Official development partners, including bilateral donors, MDBs and other international finance institutions, need to align concessional finance and technical assistance to help transition time-bound philanthropic support into sustained public or blended financing arrangements. There are opportunities to do this through the multilateral climate funds, which are increasingly looking at people-centred approaches and supporting social protection systems. Private actors, in turn, should engage within clear and transparent rules and standards that safeguard inclusion, adequacy and accountability, particularly during crises.

With a shared commitment across public, private and international actors, philanthropic capital could act as a credible catalyst for sustained financing for social protection systems that address persistent and systemic climate risks, not just episodic shocks.

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