AgroSpectrum ASIA
Envisaging Future | Updating Present

Philippines agriculture reform gains momentum with $1 Bn World Bank financing package

18 May 2026 | News

PSAT initiative introduces outcome-based funding to transform productivity and resilience



PSAT initiative introduces outcome-based funding to transform productivity and resilience

The Philippines has unveiled an ambitious $1 billion agricultural transformation initiative in partnership with the World Bank and the United Kingdom, marking a major shift toward results-based development financing designed to modernise farming systems, strengthen food security, and improve rural livelihoods.

The programme, officially launched by the Department of Agriculture (DA) as the Philippine Sustainable Agriculture Transformation (PSAT) initiative, represents the countryâ??s first engagement under the World Bankâ??s Program-for-Results (PforR) framework, which disburses funds only after predefined performance targets are met. Officials say the approach signals a transition away from traditional input-based financing toward accountability-driven agricultural reform.

Agriculture Secretary Francisco P. Tiu Laurel Jr. said the programme is designed to simultaneously raise productivity, stabilise food supply chains, and build resilience against climate shocks. â??This financing allows us to raise farm productivity, stabilize food supply, and protect millions of livelihoods dependent on agriculture. By strengthening value chains and building climate resilience, we are supporting rural incomes and reinforcing a key pillar of the economy,â? he said.

The PSAT programme focuses on three core result areas: increasing rice-based agricultural output, improving efficiency and climate resilience across value chains, and strengthening institutional performance within the agriculture sector. By linking productivity gains with supply chain efficiency and governance reforms, the initiative aims to deliver measurable, end-to-end improvements across the agricultural ecosystem.

A defining feature of the programme is its use of disbursement-linked indicators (DLIs), which require the government to achieve verifiable milestones before accessing funding tranches. While this structure may slow initial capital deployment, policymakers argue it ensures transparency, accountability, and performance-driven implementation across all levels of execution.

The World Bank expects an initial disbursement of $300 million in 2026, providing fiscal support at a time when the Philippines continues to face rising energy costs, climate-related disruptions, and pressure on food systems.

Zafer MustafaoÄ?lu, World Bank Division Director for the Philippines, Malaysia, and Brunei, said the programme could have a transformative impact on rural livelihoods. â??These programs will help at least five million farmers diversify livelihoods, increase income, and manage climate risks. Rural communities will benefit from modernized services, stronger value chains, and a more resilient food system,â?• he said.

In addition to the main financing package, the initiative includes a $24.5 million Technical Assistance for Sustainable Agriculture Transformation (TASAT) grant, with $14.5 million contributed by the United Kingdom under its Just Rural Transition Support Programme. The grant component is intended to complement large-scale financing with capacity building, institutional strengthening, and technical support for implementation.

British Ambassador to the Philippines Sarah Hulton said the programme reflects the growing urgency of addressing the intersection of agriculture, climate change, and food security. She noted that intensifying climate impacts are already disrupting farming systems and rural economies. â??Agriculture sits at the crossroads of climate change, food security and economic growth. As farmers face stronger typhoons, floods and disrupted supply chains, transforming agriculture is not just a technical taskâ??it is a strategic necessity,â?• she said, adding that the partnership aims to strengthen resilience while protecting land and nature.

Officials from the Department of Agriculture described PSAT and TASAT as a potential benchmark for results-based financing in the region, where funding is increasingly being tied to measurable impact rather than disbursement volumes. DA Assistant Secretary Arnel de Mesa said the initiative could serve as a model for future agricultural reform programmes, emphasizing performance accountability as a core principle of public investment.

The combined package reflects a broader shift in development finance toward outcome-oriented models that integrate productivity, climate adaptation, and institutional reform. As the Philippines confronts intensifying climate risks and structural challenges in its agricultural sector, the PSAT programme positions the country as a test case for large-scale, results-driven agricultural transformation.