

The PHILIPPINES

Disaster Risk Finance Country Profile

99

million residents with close to 40 percent living on under US\$3.10/day

When disasters strike, the poorest are the most vulnerable and pay the steepest price. The loss of livelihoods can force families to make difficult choices to survive, such as reducing food consumption or taking children out of school—causing irreversible, life-long damage to health, well-being, and opportunity.

18+

events and 1,817 deaths each year

According to the 2015 Global Climate Risk Index, the Philippines leads the list of countries most affected by extreme weather events, followed by Cambodia and India.

60%

of the population living on the coast

Storm surges during Typhoon Haiyan were on average about 16 feet (5 meters) high and in some places almost 23 feet (7 meters). The waves rolled over low-lying parts of populated islands and coastal cities, killing thousands.

4.6

billion US\$ in direct losses and US\$941 million in emergency losses

Estimated annual average losses account for approximately 2 percent of total GDP of the country and approximately 4 percent of total government spending.

13

billion US\$ in losses due to Typhoon Haiyan in 2013

The typhoon left 4 million people homeless and pushed 2.3 million people (almost half a million households) below the poverty line, raising the poverty rate from 41 percent to approximately 56 percent in the worst-affected area.

811

million US\$ allocated to the National Disaster Risk Reduction and Management Fund for 2016

Three strategic priorities have been identified by the government of the Philippines to strengthen the country's ability to absorb the financial impact of disasters:

- Maintaining fiscal health at the **national government level** to support long-term rehabilitation and reconstruction
- Developing sustainable financing mechanisms for **local government units**, enabling the provision of immediate cash at the onset of a disaster
- Reducing the impact on the **poorest and most vulnerable** and preventing them from falling into a cycle of poverty



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THREE LEVELS

The Department of Finance is working on three levels to support the implementation of these priorities.



At the national level, the government is working to improve the financing of post-disaster emergency response, recovery, and reconstruction needs through the combination of financing instruments to protect against events of different frequencies and severities. These include budgetary resources, a standby line of financing from the World Bank to protect against moderate disasters, and (potentially) risk transfer to access international financial markets. The government is also improving the insurance of public assets to ensure sufficient resources for reconstruction.



At the local level, the goal is to provide local governments with predictable and rapid funds for post-disaster recovery and reconstruction efforts. This will be done by establishing a Local Disaster Insurance Fund. A joint catastrophe risk insurance pilot for provinces is preparing the ground for the establishment of the fund.



At the individual level, the government is working to empower poor and vulnerable households and small and medium enterprises to quickly restore their livelihoods after a disaster. Plans include establishing a disaster emergency income support program by linking the country's conditional cash transfer program to risk financing, and strengthening public-private partnerships to expand private property catastrophe risk insurance, agricultural insurance, and micro-insurance.

WORLD BANK SUPPORT

Financing services include a contingent line of financing to provide immediate liquidity (see box) for emergency relief and recovery efforts following a major disaster. In addition, a World Bank Group (WBG) team is supporting the Philippine Department of Finance in exploring a risk transfer to financial markets for immediate post-disaster liquidity for extreme events.

US\$500 million in contingent credit from the WBG (Cat DDO) was approved by the World Bank Board in December 2015. This follows a first Cat DDO in 2011 and a similar financing arrangement with Japan International Cooperation Agency in 2014.

Advisory services include establishing the Philippines Local Disaster Insurance Fund and acting as reinsurance carrier in transferring the risk from the pilot to financial markets through the World Bank Treasury. Additional support includes integrating disaster and climate risk in fiscal risk management, strengthening catastrophe risk insurance supervision and regulation, and supporting the establishment of a post-disaster emergency income support program by leveraging the country's conditional cash transfer program to provide additional assistance following disaster shocks.

Convening services include support to the Department of Finance in shaping Disaster Risk Finance as a key topic under the country's Asia-Pacific Economic Cooperation presidency, as well as under the "Vulnerable 20" climate change initiative led by the Philippines. The WBG also connects the experience of the Philippines to other countries through the international policy agenda and direct exchange.



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