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Crisis and Disaster Risk Finance Executive Education Program

CDRF Country Impact Stories
The Philippines: Impact of Disaster Risk Finance

June 14th, 2024



Disaster Risk Finance in the Philippines



Country Program/Project Overview



Overview

- ◆ **Disaster profile:** The Philippines is one of the most disaster-prone countries in the world.
- ◆ **How we started on DRF:** After 2009 typhoons Ondoy (Ketsana) and Pepeng (Parma) that hit Manila and the north, with heavy tools on people lives, the government had a paradigm shift: DRM law was passed in 2010, and we started planning for DRF starting with a stock-take of DRF and the first cat risk model. In 2015, the Philippines formally adopted a comprehensive **Disaster Risk Finance and Insurance Strategy** focusing on three levels of intervention: national, local and individual.



Some highlights of reforms

Disaster risk-based budgeting

- ◆ Objective: integrates disaster risk considerations into the overall budget cycle
- ◆ Six entry points were identified
- ◆ Institutionalize DRBB framework to be updated annually

Asset management

- ◆ PGAMP formally adopted
- ◆ It strengthens linkages for physical, social and financial resilience
- ◆ Disaster resilience for public assets is highlighted as part of asset lifecycle management

National Asset Registry System

- ◆ Development of asset risk information and DRF analytics: NARS (criticality analysis, cost-benefit analysis)

Impact – Key highlights



What are the key impacts to date?

- ◆ **BEFORE:** Critical and strategical assets have been found underinsured / uninsured.
AFTER: Starting with schools, based on NARS, we placed a \$14-\$36 million pilot program protecting schools.
- ◆ **BEFORE:** There was no central repository of asset information and no organized way of recording asset information.
AFTER: approximately 59 agencies and attached bureaus record their assets in NARS; more than 350,000 assets are registered, capturing the majority of strategic assets of the government. This impacts not only insurance placement but also managing asset lifecycle.
- ◆ **BEFORE:** There was no structured approach to asset management.
AFTER: We are now increasing efficiency and capacity in asset management planning, expecting this to generate cost-savings for government and improve deliver of levels of service. This approach is being cascaded into line agencies.
- ◆ **DRBB is institutionalizing in a comprehensive manner DRM & DRF into the budget lifecycle.** We have finalized a stock-take and are in the process of implementing action plans. E.g., we are reviewing the existing risk retention mechanisms such as the NDRRM Fund and LDRRMF and looking into cost-sharing; we are planning regular budget allocation for scaling up the public asset insurance program (that will be scaled up with inputs from DRF analytics).



What are key challenges?

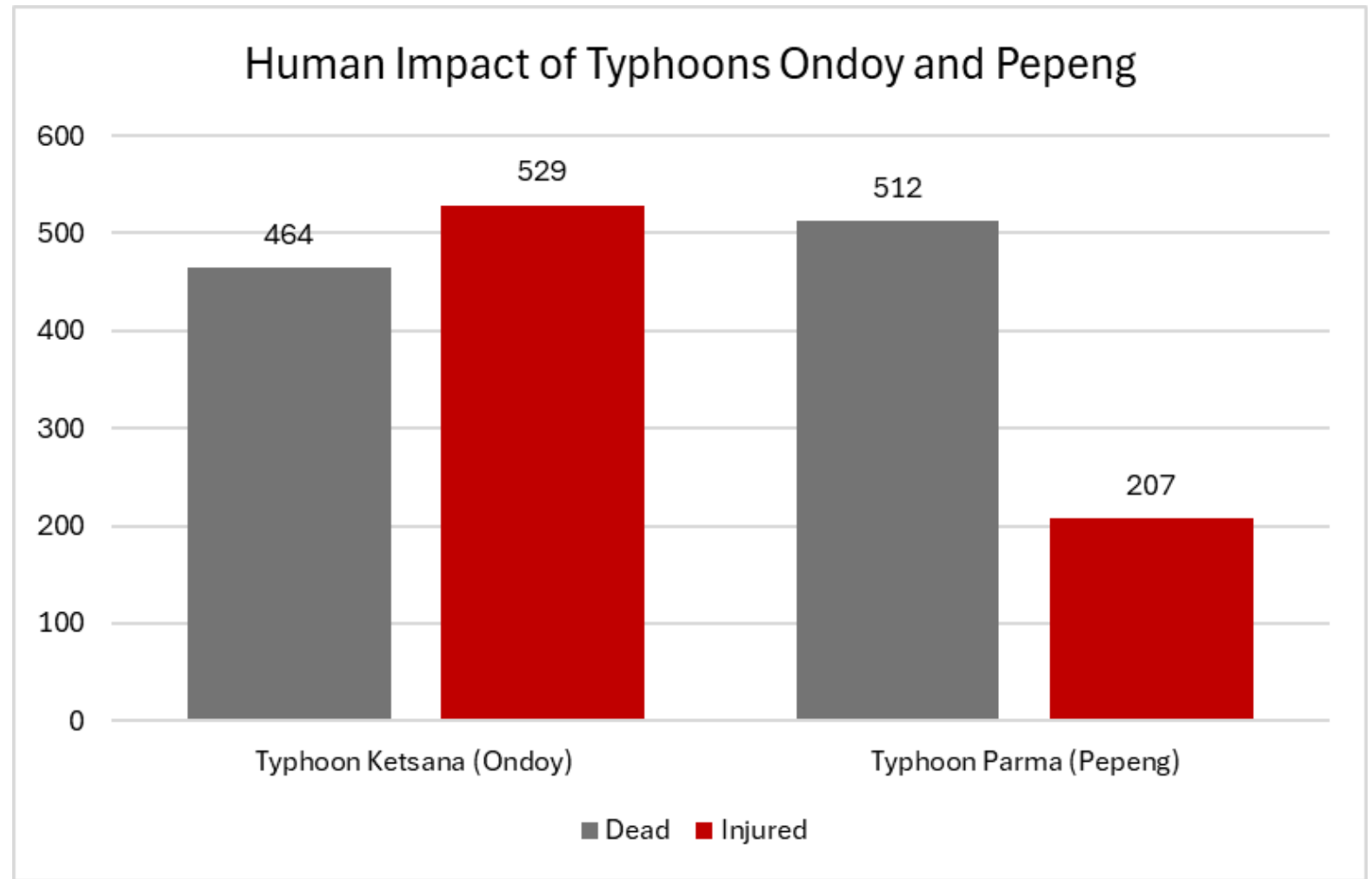
- ◆ Sustainability of DRF instruments
- ◆ Interoperability of NARS with other government systems
- ◆ Cascading asset management into a whole-of-government



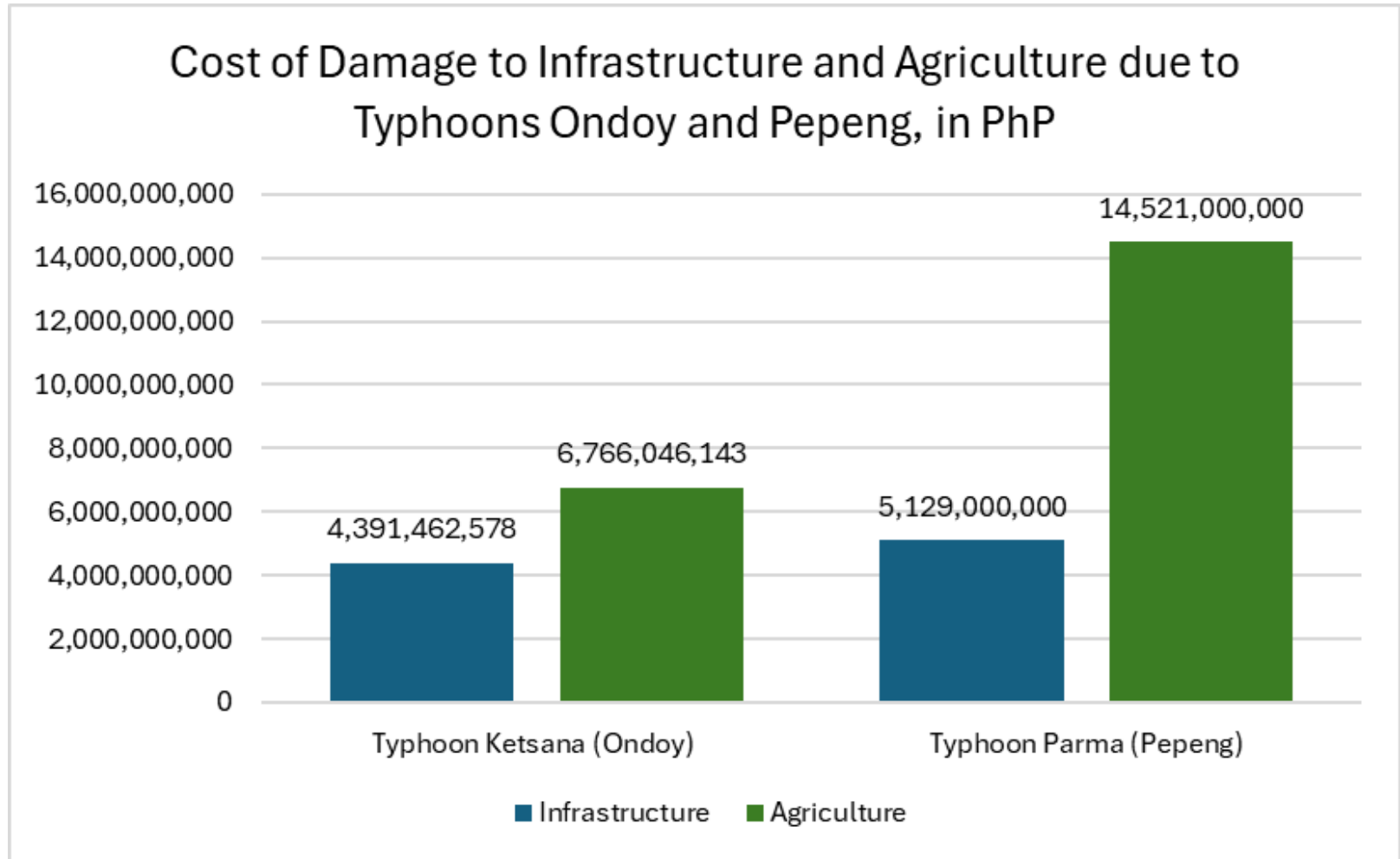
What are your priorities over the next 3 to 5 years?

Take DRF to the next level by embedding DRF decisions as part of government budget cycle - finalizing DRBB framework to be updated every year; Rolling out PGAMP across the government - national to local; Linking NARS to other government systems and scaling it up.

Thank you!



Source: National Disaster Coordinating Council, 2009



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| Types of Financing | Layers |
|---|--|
| Main agency budget | <ul style="list-style-type: none"> • National vs. Local vs. private (ownership of risk and property; funding source and service delivery) • Type of asset • Means of Financing (regular revenue, earmarked taxes, borrowing) • Type or response required (food, shelter, first aid, primary care) • Size of rehabilitation requirements and expected period or recovery (severity of damage) • Location and geography (borderline issues, maritime positions) • Sectoral prioritization |
| National DRRM Fund | |
| Quick Response Fund | |
| Multilateral Credit Facilities | |
| Catastrophe and other Climate Bonds | |
| National Indemnity Insurance | |
| ... | |
| Local/subnational budgets | |
| Local Government Support Funds from Nat'l Gov't | |
| Local DRRM Fund | |
| ... | |
| Public -private sector partnership mechanisms | |

Factors for Allocating Budget for Insurance Funds



Availability of fiscal space



Implementation-readiness



Agency's Absorptive Capacity



Alignment with Budget Priorities Framework and PDP 2023-2028



Inclusion in the National Asset Registry Program



Pricing of policies and premium requirements