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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT FOR A PROPOSED LOAN

IN THE AMOUNT OF EQUIVALENT TO US$500 MILLION TO

THE REPUBLIC OF THE PHILIPPINES

FOR THE

SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CATASTROPHE-DEFERRED DRAWDOWN OPTION

December 1, 2015

Social, Urban, Rural and Resilience Global Practice
Philippines Country Management Unit
East Asia and the Pacific Region

PHILIPPINES - **GOVERNMENT FISCAL YEAR**
January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of November 27, 2015)
Currency Unit
US$1.00 = 47.069 PHP (Philippine Peso)

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
CPS	Country Partnership Strategy
CAT-DDO	Catastrophe-Deferred Drawdown Option
CCA	Climate Change Adaptation
DBM	Department of Budget and Management
DepEd	Department of Education
DOF	Department of Finance
DOH	Department of Health
DOTC	Department of Transportation and Communications
DPL	Development Policy Loan
DPWH	Department of Public Works and Highways
DRFI	Disaster Risk Financing and Insurance
DRM	Disaster Risk Management
DRRM	Disaster Risk Reduction and Management
DSWD	Department of Social Welfare and Development
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GOP	Government of the Philippines
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LGU	Local Government Unit
NDRRMC	National Disaster Risk Reduction and Management Council
NEDA	National Economic and Development Authority
PDNA	Post-Disaster Needs Assessment
PDO	Program Development Objective
PDP	Philippine Development Plan
PFM	Public Financial Management
RAY	*Reconstruction Assistance on Yolanda*
TA	Technical Assistance

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PHILIPPINES

SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CATASTROPHE-DEFERRED DRAWDOWN OPTION

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SUMMARY OF PROPOSED LOAN AND PROGRAM

REPUBLIC OF THE PHILIPPINES

SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CATASTROPHE-DEFERRED DRAWDOWN OPTION

Borrower	Republic of the Philippines
Implementation Agency	Department of Finance
Financing Data	IBRD Loan Terms: US dollar denominated Loan with a variable spread with level repayment, and a total maturity of 25 years including a 10-year grace period. Amount:US$500 million
Operation Type	Development Policy Loan with a Catastrophe-Deferred Drawdown Option (Single tranche)
Pillars of the Operation And Program Development Objective(s)	The development objective of the proposed project is to enhance the technical and financial capacity of the Government of the Philippines to reduce disaster risk and manage the socio-economic and fiscal impacts of natural disasters. This development objective will be achieved by policy actions under two pillars: Pillar A: Strengthening risk reduction investment planning and regulations Pillar B: Enhancing the financial capacity to manage natural disaster risk
Result Indicators	***Pillar A:*** **Result Indicator A1.** A methodology for national-level risk-informed planning has been developed and applied by the National Economic and Development Authority in planning and public investment programming. *Baseline*: Not developed (May 2015) *Target*: Methodology developed and applied in planning and public investment programming (September 2018) **Result Indicator A2.** Disaster risk reduction measures are integrated in revisions to the National Building Code of the Philippines (NBCP) developed by the Department of Public Works and Highways. *Baseline*: Not developed (May 2015) *Target*: Revisions integrating disaster risk reduction measures are developed for the NBCP (September 2018) **Result Indicator A3.** Provincial Commodity Investment Plans (PCIPs) developed using the expanded Vulnerability and Suitability Assessment (eVSA) tool are approved by the Department of Agriculture under the Philippine Rural Development Program (PRDP) and under implementation. *Baseline:* 47 PCIPs developed and approved (July 2015) *Target:* 80 PCIPs developed and approved; 72 under implementation (September 2018)

	Result Indicator A4. Policy framework for post-disaster shelter assistance (through recovery and reconstruction phases) formulated by the member agencies of the Social Development Committee and endorsed to the Social Development Committee – Technical Board. *Baseline*: Not formulated (May 2015) *Target*: Policy framework formulated and endorsed to Social Development Committee – Technical Board (September 2018) **Result Indicator A5.** Multi-hazard vulnerability assessments of priority cultural heritage sites completed by the Department of Tourism and assessment methodology adopted in the Philippine Standards for Conservation. *Baseline*: 2 sites assessed (May 2015) *Target*: Vulnerability assessment completed for 5 priority cultural heritage sites and assessment methodology adopted in the Philippine Standards for Conservation (September 2018) ***Pillar B:*** **Results Indicator B1.** Joint catastrophe risk insurance program for Local Government Units (LGUs) developed by the Department of Finance. *Baseline*: Not developed (May 2015) *Target*: Long term program is developed with 10 LGUs participating (September 2018). **Result Indicator B2.** Number of line agencies that have developed and piloted their Disaster Risk Financing and Insurance (DRFI) strategy. *Baseline*: Not developed (May 2015) *Target*: 2 agencies have developed and piloted their DRFI strategy (September 2018) **Result Indicator B3.** Design of property catastrophe risk insurance pool for homeowners established by the Department of Finance and the Insurance Commission. *Baseline*: Not established (May 2015) *Target*: Design established (September 2018). **Results Indicator B4.** Program developed and commenced for post-disaster emergency income support by the Department of Budget and Management, Department of Social Welfare and Development and the Department of Finance. *Baseline:* Not developed (May 2015) *Target:* Program developed and commenced (September 2018). **Results Indicator B5.** Catastrophe risk insurance database template updated and adopted by the Insurance Commission. *Baseline:* Not updated (May 2015) *Target:* Updated template adopted (September 2018).
Overall risk rating	Moderate
Operation ID	P155656

**IBRD PROGRAM DOCUMENT FOR A PROPOSED
SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CATASTROPHE-DEFERRED DRAWDOWN OPTION (CAT-DDO)
TO THE REPUBLIC OF THE PHILIPPINES**

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The Philippines is increasingly exposed and vulnerable to natural hazards, which undermines poverty reduction and long-term growth**. For instance, Typhoon Yolanda (Haiyan), which struck the country in 2013, is considered to be the strongest typhoon ever to make landfall causing over 6,200 reported fatalities and over 1,700 people missing. As a result of the disaster, an additional 2.3 million people were estimated to have fallen below the poverty line. The total damage and loss from this event was estimated at PHP 571.1 billion (equivalent to USD 12.9 billion) hampering economic growth by about 0.9 % in 2013, and another 0.3 % in 2014.[1] Catastrophe risk assessment for the Philippines[2] shows that losses of this magnitude have an annual occurrence likelihood of three percent. In other words, during the 25-year maturity of a typical World Bank loan, there is an over 50 percent likelihood that such a loss would occur again. And with climate change impacts increasing, the Philippines is facing a growing threat, requiring new approaches to managing these risks.

2. **In the aftermath of Tropical Storm Ondoy (Ketsana) and Typhoon Pepeng (Parma) in 2009, the Government of the Philippines (GOP) passed the Philippine Disaster Risk Reduction and Management (DRRM) Act of 2010.** The DRRM Act (Republic Act 10121) mandated a shift from disaster response to disaster risk reduction and preparedness. The Act similarly emphasizes the development of risk transfer instruments to enable the government to leverage financial resources beyond budgetary and lending envelopes. This laid the legal foundation for a strong reform agenda on which the government has made substantial progress over the last five years, particularly on strengthening the institutional capacity for disaster risk management (DRM) across levels of government, mainstreaming disaster risk reduction and climate change adaptation in national and provincial planning and developing its comprehensive strategy for financial protection against disasters.

3. **The World Bank Group (WBG) has actively supported the government's reform program for disaster risk management since 2009.** The recommendations arising from the Bank-supported Post-Disaster Needs Assessment after Typhoons Ondoy and Pepeng led to the development of a comprehensive DRM engagement that included the first Disaster Risk Management DPL with a CAT-DDO, a complementary programmatic technical assistance[3], and the support for the development of the Flood Management Master Plan for Metro Manila. Investment

[1] The Government of the Philippines. 2013. *Reconstruction Assistance on Yolanda.*
[2] *The Philippines Catastrophe Risk Profile*; World Bank/AIR/ADPC on behalf of DOF-IFG, 2014. This analysis takes into account a 10,000-year catalogue of possible events to provide a more robust quantification of disaster risk in comparison to short-term historical records.
[3] The Programmatic Technical Assistance supported the following major activities, among others: capacity building at the local government level for DRRM planning and preparedness including innovative decision support tools, development of prioritization methodologies for risk reduction for critical infrastructure, technical assistance for post-disaster recovery and reconstruction planning, catastrophe risk modeling and advisory services for the development of the DRFI Strategy.

financing has also been provided alongside policy lending, through the National Community-Driven Development Program, Philippine Rural Development Project, and others.

4. **This agenda is advancing with a combination of WBG support**, including: (i) ongoing technical assistance (TA); and (ii) new lending in the form of the US$500 million Second Disaster Risk Management Development Policy Loan (DPL) with a Catastrophe-Deferred Drawdown Option (CAT-DDO)[4], which will enhance the Government's capacity to reduce and manage natural disaster risk. It will contribute to implementation of the government's strategy to secure access to immediate post-disaster liquidity to finance response and relief, ensuring that budget resources are not diverted from ongoing development programs. A first DPL with a CAT-DDO (P125943) in the amount of US$500 million was fully drawn down after the Presidential declaration of a State of Calamity in the Philippines in December 2011, following Typhoon Sendong (Washi). The first DPL with a CAT-DDO closed[5] in October 2014. The proposed Second DPL with a CAT-DDO will provide the GOP with a platform for continued evolution and implementation of the country's DRM program.

5. **The development objective of the proposed project is to enhance the technical and financial capacity of the Government of the Philippines to reduce disaster risk and manage the socio-economic and fiscal impacts of natural disasters.** This objective will be achieved by supporting policy actions that are aimed at: (i) strengthening risk reduction investment planning and regulations, and (ii) enhancing the financial capacity to manage natural disaster risk. These action areas are aligned with the Government's commitment to "Safer, adaptive and disaster resilient Filipino communities towards sustainable development" as stated in the National DRRM Framework[6]. In the last year of President Benigno S. Aquino's term, these actions will be crucial for sustaining the Government's reforms in DRM through the next administration. The overall risk for the operation is Moderate.

6. **The WBG's response to Typhoon Yolanda in November 2013 highlights the integrated approach of financing and technical assistance to the GOP.** The Bank drew on its vast experience with post-disaster recovery and reconstruction, putting global experts at the government's disposal within days of the typhoon -- including experts in remote sensing technology, housing reconstruction, resilient design standards, and reconstruction of public facilities and infrastructure -- to support a rapid damage and loss assessment and provide inputs to the government reconstruction plan, *Reconstruction Assistance on Yolanda*. In terms of financing, the Bank prepared Supplemental Financing for the second Development Policy Loan (DPL II) to Foster more Inclusive Growth, which was approved on an emergency basis one month after Yolanda.

7. **Disasters impact the country's efforts to reduce poverty.** Together with damage and economic losses, Typhoon Yolanda had significant impact on the incidence of poverty. As a result of the disaster, an additional 2.3 million people fell below the poverty line, resulting in an increase in the poverty rate from 41.2 percent to 55.7 percent in the worst-affected areas. In 2014, the GOP

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[4] Of the remaining active Development Policy Loans, DPL II and DPL II Supplemental Financing have fully disbursed. DPL III disbursed on June 24, 2015, in accordance with the government's debt and cash management strategy.

[5] World Bank. 2015. *Philippines - Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT-DDO)*, Implementation Completion and Results Report, Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/2015/05/24416824/philippines-disaster-risk-management-development-policy-loan-catastrophe-deferred-drawdown-option-cat-ddo.

[6] The Government of the Philippines. National Disaster Risk Reduction and Management Framework / Philippine Disaster Risk Reduction and Management (DRRM) Act (Republic Act 10121), http://www.ndrrmc.gov.ph/attachments/article/227/NDRRMFramework.pdf.

released the Philippine Development Plan (PDP) 2011-2016 Midterm Update[7], which lowered the official poverty reduction target. In recognition of the adverse impact of disasters in 2013, the target was revised to a poverty rate between 18% and 20% by 2016, compared to the original target of 17.2% by 2015.

8. **The GOP is managing the poverty and fiscal impacts of calamities through a comprehensive Disaster Risk Financing and Insurance (DRFI) strategy**. Developed under the first DPL with a CAT-DDO, the DRFI Strategy (Box 1) provides for a combination of reserves, contingent credit, and other financial instruments to efficiently protect against disasters of different frequency and severity. The strategy is underpinned by the Catastrophe Risk Model for the Philippines, which was developed under the programmatic technical assistance that supported the first DPL with a CAT-DDO, while the Strategy's implementation is supported through a comprehensive program of advisory services provided by the World Bank Group. The Second DPL with a CAT-DDO is an integral part of the Government's DRFI strategy, and will provide the government with an emergency line of credit, increasing the government's post-disaster financial response capacity for higher-frequency, moderate impact events.

9. **The proposed operation reflects the corporate position of the World Bank Group at the international policy level**. Several global fora have highlighted the importance of disaster and climate risk financing such as the Financing for Development Agenda[8], the Bonn Climate Change Conference, the 21st Session of the Conference of Parties to the UN Framework Convention on Climate Change in Paris, and the Third UN World Conference on Disaster Risk Reduction in Sendai. The Bank is in a leading position to help close growing development funding gaps through innovative financial protection solutions, particularly ones that offer risk management mechanisms and tools for a range of fiscal and economic shocks, including those from natural disasters.

2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

10. **The macroeconomic policy framework is adequate and suitable for the purposes of this operation.** The Philippines continues to exhibit strong macroeconomic fundamentals characterized by robust economic growth, low and stable inflation, healthy current account surplus, and a falling debt burden (Figures 1 to 6; see Annex 5 for details). Globally this strong performance was recognized by all three major credit rating agencies with sovereign credit rating upgrades to two notches above investment grade and by a record USD six billion in foreign direct investment in 2014 (the highest in decades). With a solid macroeconomy that is projected to be resilient against shocks, the country now has room to focus on the structural reforms which will sustain growth, create jobs, and reduce poverty.

[7] Government of the Philippines. The National Economic and Development Authority. The Philippine Development Plan 2011-2016 Midterm Update, http://www.neda.gov.ph/?p=3989.
[8] Several recent global fora have highlighted the importance of disaster risk financing, including the G7 initiative on climate risk insurance, World Humanitarian Summit and UN High-Level Panel on Humanitarian Financing.

From macroeconomic stability towards inclusive growth.

Figure 1. In recent years, the country experienced high economic growth…	**Figure 2. …consistent current account surpluses…**

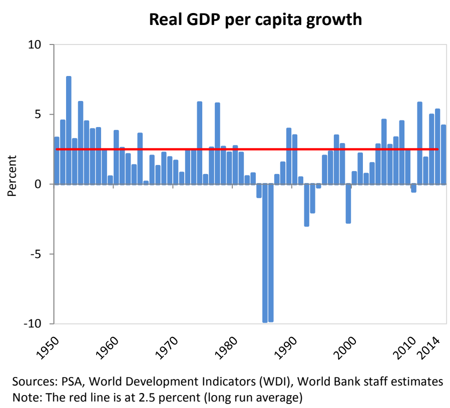
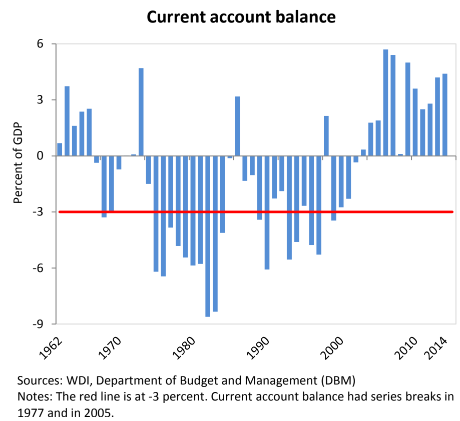

	

Figure 3. …low and stable inflation…	**Figure 4. …and declining debt and manageable deficits.**

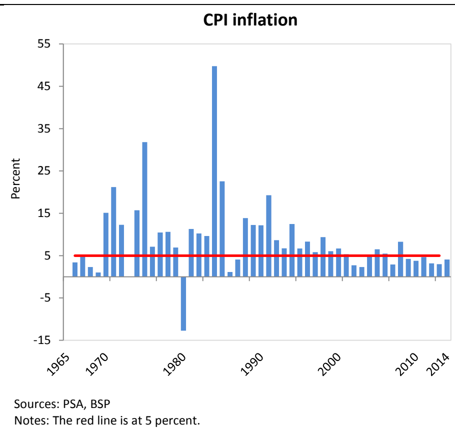
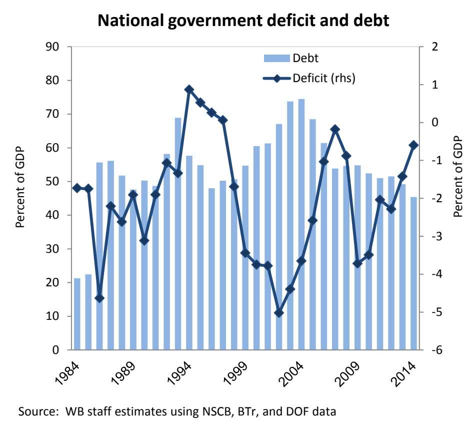
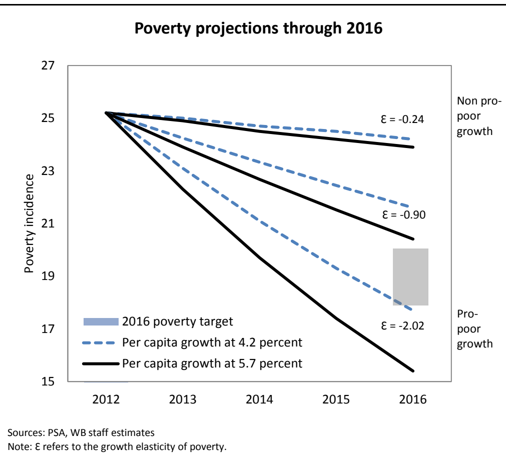
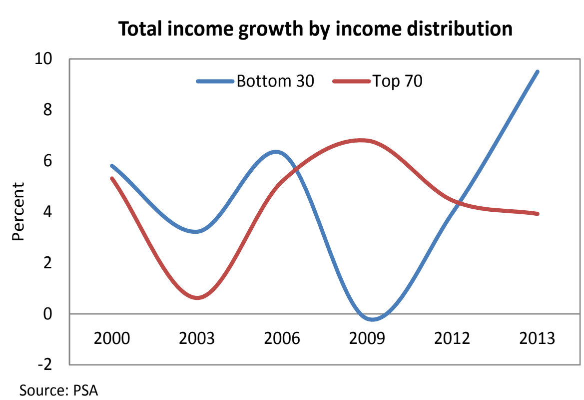

	

Figure 5. As growth is becoming more inclusive, the government's 2016 poverty target is within reach.	**Figure 6. The income of the poor grew much faster than that of the rich in the same period in which poverty went down.**
	

11. **In the first quarter (Q1) of 2015, Philippine economic growth decelerated to 5.2 percent, its lowest quarterly growth in more than 3 years.** As in previous quarters, growth was continued to be driven by private consumption However, slow government consumption and a pronounced contraction in public infrastructure spending pulled down overall growth. On the production side, industry grew at 5.5 percent, driven by strong growth of private construction and manufacturing. Services slowed down to 5.6 percent from 6.8 percent in Q1 2014, as agriculture slightly accelerated. On the supply side, despite its deceleration, services continued to be the main driver of growth due to its large share of the economy. On the demand side, GDP growth was driven by private consumption and private construction, while limited by the contraction in public infrastructure spending. Despite the sustained impact of Typhoon Yolanda on household income, growth of private consumption was sustained at 5.4 percent, suggesting that many households have recovered.

12. **Higher tax revenues and weak spending, especially in public infrastructure, resulted in a low deficit in Q1 2015.** The country's current account surplus remained in strong surplus. In 2014, the current account surplus increased to 4.4 percent of GDP. In contrast to the current account surplus, outflow of other capital items led to a balance of payments (BOP) deficit in 2014, the first in a decade. Nonetheless, the level of gross international reserves (GIR) remains high and is still at very comfortable levels. The financial sector remains generally sound and financial sector risk moderate. Inflation continued to moderate in Q1 2015 at 2.4 percent from 4.1 percent in 2014, with positive impact on both households and businesses.

Table 1: Key Macroeconomic Indicators

	2010	2011	2012	2013	2014	2015	2016	2017
	Actual					Projections		
Growth and inflation	(in percent of GDP, unless otherwise indicated)							
Gross domestic product (percent change)	7.6	3.7	6.8	7.2	6.1	6.5	6.5	6.3
Inflation (period average)	3.8	4.6	3.2	3.0	4.1	3.0	3.5	3.5
Savings and investment								
Gross national savings	24.1	23.0	20.9	23.9	24.1	25.2	25.6	26.3
Gross domestic investment	20.5	20.5	18.1	19.7	19.7	22.5	23.2	24.2
Public sector								
National government balance (GFS basis) 1/	-3.6	-2.1	-2.4	-1.5	-0.7	-2.1	-2.1	-2.1
National government balance (Govt Definition)	-3.5	-2.0	-2.3	-1.4	-0.6	-2.0	-2.0	-2.0
Total revenue (Govt Definition)	13.4	14.0	14.5	14.9	15.1	15.6	16.0	16.2
Tax revenue	12.1	12.3	12.9	13.3	13.6	14.0	14.3	14.5
Total spending (Govt Definition)	16.9	16.1	16.8	16.3	15.7	17.6	18.0	18.2
National government debt	52.4	51.0	51.5	49.2	45.4	44.3	40.4	38.2
Balance of payments								
Merchandise exports (percent change)	26.2	4.1	21.2	-3.6	7.3	8.0	11.0	12.0
Merchandise imports (percent change)	24.7	9.5	11.3	-3.1	2.2	9.0	11.0	11.5
Remittances (percent change of US$ remittance)	8.2	7.2	6.3	7.4	5.9	6.0	5.5	5.5
Current account balance	3.6	2.5	2.8	4.2	4.4	2.7	2.4	2.1
Foreign direct investment (billions of dollars)	1.2	2.0	3.2	3.9	6.2	5.0	4.0	4.0
Portfolio Investment (billions of dollars)	4.0	3.1	4.2	0.4	-0.3	1.0	2.0	2.3
International reserves								
Gross official reserves 2/ (billions of dollars)	62.4	75.3	83.8	83.2	79.5	82.3	84.7	85.0
Gross official reserves (months of imports)	9.6	11.6	11.9	11.5	10.2	9.8	9.0	8.8
External debt 3/	30.4	30.1	28.1	28.0	27.5	26.8	26.0	25.5

Sources: Government of the Philippines for historical and World Bank for projections.
1/ Excludes privatization receipts and includes CB-BOL restructuring revenues and expenditures (in accordance with GFSM)
2/ Includes gold
3/ World Bank definition. The difference with central bank data is that it includes the following: i) gross due to head office/ branches abroad of branches and offshore banking units of foreign banks operating in the Philippines, which are treated as quasi-equity in view of nil and/or token accounts of permanently assigned capital required of these banks; ii) long-term loans of non-banks obtained without BSP approval, which cannot be serviced using the foreign exchange resources of the Philippine banking, and iii) long-term obligations under capital lease agreements.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

13. **In the near-term, growth prospects remain positive and poverty is projected to fall further.** Given robust private domestic demand, achieving growth of around 6.5 percent in both 2015 and 2016 are within reach if the government executes the budget as programmed. Also supporting this projection are falling oil prices, which are projected to fall by another 39.7 percent in 2015 and can contribute around 0.5 percentage points to GDP growth, and low overall inflation, which is expected to stimulate consumption. The key risks to growth are slower than expected global growth and tightening of capital markets on the external front, and further lags in public spending and the upcoming 2016 elections on the domestic front, which may slow down momentum for reform. Meanwhile, poverty is projected to fall further, and can reach the government's target of 18 to 20 percent with sustained high growth elasticity of poverty, high growth, or a combination of both.

14. **Medium-term growth and sustained poverty reduction are dependent on the ability of the country to raise investment in both physical and human capital.** Philippine output gap is close to zero,[9] which suggests limited capacity to sustain growth of above six percent in the medium term without risking higher inflation. Thus far inflationary pressures have been contained by prudent monetary policy and government underspending. Expanding potential output requires more investments both infrastructure and human capital. In this regard, the government's resolve to double infrastructure spending to five percent of GDP by 2016 is welcome. Moreover, the World Bank estimates that the country needs to spend an additional 4.3 percent of GDP on health and education to boost labor productivity and the competitiveness of Filipino workers, and in turn address intergenerational poverty. Higher investments would require significant increases in revenues. The Bank estimates that around 3.8 percent of GDP can be raised by improving tax administration while the remaining three percent of GDP need to be raised from tax policy.

15. **The Philippines has some fiscal space to support the much needed increase in physical and human capital investment, given that overall debt burden continues to fall.** A debt sustainability analysis projects that national government debt-to-GDP ratio will continue to trend downwards to 38.2 percent of GDP by 2017, barring any unexpected shocks, and will remain broadly sustainable, even with shocks. Standard shocks on interest rates and growth (i.e., one standard deviation from the historical mean) and on exchange rate (i.e., 30 percent real depreciation) would increase the debt stock to between 40 and 44 percent of GDP, which are still sustainable. The same downward trajectory is also seen in the consolidated public sector debt and total external debt.

2.3 IMF RELATIONS

16. **The Bank and the Fund broadly share a similar assessment of the economic conditions of the Philippines.** The Philippines does not have an ongoing program with the IMF. The most recent IMF program closed in 2000 and all obligations were fully repaid in 2006. Article IV consultations are conducted on a standard 12-month basis. The last consultations were concluded in May 2015 (see Annex 3 for the Fund Relations Annex). The World Bank country team maintains a good working relation with the IMF. Exchanges on macro-fiscal issues, public financial management reforms, financial sector updates, monetary policy, and statistics are conducted on a regular basis.

[9] In 2014, potential GDP growth was estimated at 5.9 percent while actual GDP growth reached 6.1 percent. This narrow margin suggests that there is less room for higher growth in the medium-term unless the country accelerates investment.

3. THE GOVERNMENT'S PROGRAM

17. **Disaster risk management is a cross-cutting strategy that underpins the Philippine Development Plan, which emphasizes disaster risk reduction (DRR) as a core country priority for achieving development outcomes.**[10] The Philippine DRRM Act declares the policy of the state to, *inter alia*: (i) mainstream DRR in development processes such as policy formulation, socioeconomic development planning, budgeting, and governance; and (ii) institutionalize the policies, structures, coordination mechanisms and programs with continuing budget appropriation for DRR from national down to local levels.

18. **The National DRRM Framework**[11] **and the associated National DRRM Plan**[12] **articulate an all-hazard, multi-sectoral, inter-agency approach to DRRM.** The Framework has four distinct yet mutually reinforcing priority areas, namely: (i) Disaster Prevention and Mitigation; (ii) Disaster Preparedness; (iii) Disaster Response; and (iv) Disaster Recovery and Rehabilitation.

19. **The Philippine Development Plan recognizes the key role of DRRM in safeguarding hard-won development gains.** In particular, the PDP Midterm Update identifies strategies to be implemented in vulnerable areas, in recognition of the fact that when disasters occur in provinces that are highly exposed to multiple hazards, the marginally non-poor can slide into poverty relatively quickly. Disaster risk reduction approaches are provided for key sectors, such as agriculture and fisheries, infrastructure, and social development. Implementing the PDP's strategy of long-term risk reduction entails a complex process including policy-making, regulation, development of technical codes, standards and processes, investment, etc. As part of this process, the Government is putting in place a strong foundation of rational investment programming and prioritization tools, rigorous and up-to-date codes and technical standards to support more resilient infrastructure investments, and provincial investment plans that are informed by levels of vulnerability. Taken together, these fundamental components enhance the government's capacity to manage disaster risk.

20. **The National DRRM Plan outlines the activities aimed at strengthening the capacity of the government to build the disaster resilience of communities and to institutionalize arrangements and measures for reducing disaster risk.** It highlights, among others, the importance of mainstreaming DRRM in development processes such as policy formulation, and socioeconomic development planning. The National DRRM Plan also articulates the need to develop common tools to analyze the various hazards and vulnerability factors that put communities and people into harm's way. The Plan also provides for the development of appropriate risk transfer mechanisms that enhance social and economic protection and increase resilience to disasters.

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[10] Government of the Philippines. The National Economic and Development Authority. http://www.neda.gov.ph/?p=1128.

[11] Government of the Philippines. 2011. The National Disaster Risk Reduction and Management Framework, http://www.ndrrmc.gov.ph/attachments/article/227/NDRRMFramework.pdf.

[12] Government of the Philippines. National Disaster Risk Reduction and Management Plan 2011-2028 http://www.ndrrmc.gov.ph/attachments/article/41/NDRRM_Plan_2011-2028.pdf.

21. **In order to fulfill its mandate under the National DRRM Plan, the Department of Finance (DOF) developed its DRFI Strategy and is working with development partners (including the World Bank Group) to strengthen DRFI at all levels**. The WBG is supporting the GOP with a comprehensive program of advisory services to implement actions laid out in the DRFI Strategy. The private sector will play a crucial role in the implementation of this strategy as a provider of capital, technical expertise, and innovation for market-based risk financing solutions.

Box 1. Disaster Risk Financing Strategy for the Philippines

The Disaster Risk Financing and Insurance (DRFI) strategy sets out the Government's approach to increasing financial resilience to natural disasters across three levels:

National Level: The government will combine different risk financing instruments to protect against events of different frequency and severity, namely: (i) reserves such as the National and Local Disaster Risk Reduction and Management Funds (NDRRMF/LDRRMF); and (ii) contingent creditsuch as the **Second Development Policy Loan (DPL) with a Catastrophe Drawdown Option (CAT-DDO) for immediate post-disaster liquidity, to finance needs that exceed reserves.**

***Local Level*:** The DOF will help local governments and government agencies increase their access to immediate liquidity following a disaster, and to longer-term financing for the reconstruction of public assets and infrastructure.

Individual Level: DOF will expand the capacity of domestic insurance markets and set up disaster-linked social protection schemes to empower poor and vulnerable households and owners of small and medium-sized enterprises to quickly restore their livelihoods after a disaster**.**

4. THE PROPOSED OPERATION

4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

22. **The policy framework for this operation was developed in close coordination with the relevant agencies of the GOP.** The development objective will be achieved through reforms under two pillars: *Pillar A. Strengthening risk reduction investment planning and regulations*, and *Pillar B. Enhancing the financial capacity to manage natural disaster risk*. These Pillars carry forward the results achieved under the first DPL with a CAT-DDO; however, it should be noted that the two operations are not programmatic, and the Second DPL with a CAT-DDO's Policy and Results Framework (Annex 1) focuses on enhancing technical capacity for risk-informed planning and risk reduction, as well as implementation of the DRFI Strategy's key actions.

23. **The operation's Pillars are linked to the policy areas prioritized in the 2010 Philippine DRRM Act.** The National DRRM Plan similarly prioritizes outcomes with which the operation's Policy framework is aligned, including: (i) DRRM and Climate Change Adaptation (CCA) mainstreamed and integrated in national, sectoral, regional and local development policies, plans and budgets; (ii) increased disaster resilience of infrastructure systems; and (iii) access to effective and applicable disaster risk financing and insurance. The Government's Program is set forth in the Letter of Development Policy (Annex 2).

24. **The operation's features are as follows[13]:**

- *Pre-approval criteria.* In order to gain access to this contingent financing instrument, the borrower must implement a disaster risk management program, which the Bank will monitor on a periodic basis. The borrower must also maintain an appropriate macroeconomic policy framework throughout the drawdown period.
- *Drawdown trigger.* The trigger for drawdown will be that a State of Calamity[14] exists in the Borrower's territory as a result of a natural disaster, which has been declared by the President through a Proclamation of Calamity duly published in the Official Gazette, in accordance with the DRRM Act. A "state of calamity" is defined in the DRRM Act as a condition involving mass casualty and/or major damages to property, disruption of means of livelihoods, roads and normal way of life of people in the affected areas as a result of the occurrence of natural or human-induced hazard.
- *Features.* Up to the full loan amount is available for disbursement at any time within three years from loan signing. The CAT-DDO has a revolving feature; amounts repaid during the drawdown period are available for subsequent withdrawal. The three-year drawdown period may be renewed up to four times, for a total maximum period of 15 years.

25. **At the time of closing of the first DPL with a CAT-DDO (October 2014), a Japan International Cooperation Agency (JICA) contingent credit instrument was in place with more favorable pricing parameters, and hence the GOP elected neither to renew nor avail of the CAT-DDO's revolving feature.** Having fully drawn down the proceeds, renewal of the first CAT-DDO would also have necessitated prepayment of the loan. At present, the JICA line of credit has been completely drawn down. Therefore, in line with its DRFI Strategy, the GOP requested this Second DPL with a CAT-DDO to ensure access to contingent financing in the event of a natural disaster. The World Bank's provision of targeted technical assistance (Annex 4) in the associated policy reform areas further supports and complements this operation.

26. **The design of the proposed operation builds on lessons learned from the first DPL with a CAT-DDO.** These lessons include the following: (i) the 'soft trigger' (declaration of a State of Calamity) for disbursement, as opposed to a 'parametric trigger' for payment upon the occurrence of an event with pre-defined characteristics, needs to be supported by strong analytics; (ii) the DOF's role as implementing agency for the first DPL with a CAT-DDO provided the impetus for its deep involvement and coordination of DRM-related policy actions across both oversight and line agencies, which stimulated action in the new policy area of financial protection against the impacts of disasters, as an integral part of the broader DRM framework; and (iii) a programmatic Technical Assistance engagement to support specific results can facilitate policy dialogue and effective implementation, with the CAT-DDO providing the policy framework to consolidate reforms.

27. **These lessons are generally aligned with experience designing and implementing CAT-DDOs in other countries**, and are incorporated in the design of this operation through a Programmatic DRM TA engagement to support achievement of project outcomes across both pillars of this operation (similar to the first DPL with a CAT-DDO), including support to DOF to develop a rational framework for considering the various options for post-disaster financing instruments,

[13] "Memorandum of the President to the Executive Directors. Subject: Proposal to Enhance the IBRD DDO and to Introduce a DDO Option for Catastrophic Risk (CAT-DDO)," Document No. 42396, World Bank, January 29, 2008.

[14] According to the 2010 DRRM Act, the declaration of a State of Calamity can be national or in part of the territory, in clusters of barangays, municipalities, cities, provinces, and regions.

including amounts and combinations.

28. **The proposed operation is also aligned with the post-2015 Sendai Framework for Disaster Risk Reduction[15], which was adopted by the GOP at the 3rd UN World Conference on Disaster Risk Reduction**, held in March 2015 in Sendai, Japan. The Sendai Framework identifies four policy priorities: (i) Understanding disaster risk, (ii) Strengthening governance to manage disaster risk, (iii) Investing in disaster risk reduction for resilience, and (iv) Enhancing disaster preparedness for effective response, and to "Build Back Better" in recovery and reconstruction.

29. **Key activities under the Sendai Framework are being consolidated in this operation's policy framework**, including: (i) mainstreaming and integrating disaster risk reduction within and across sectors and reviewing and promoting the coherence and further development of national and local frameworks of laws, regulations and public policies[16]; (ii) strengthening disaster resilient public and private investments, particularly through: structural, non-structural and functional disaster risk prevention and reduction measures in critical facilities; (iii) building better from the start to withstand hazards through proper design and construction[17]; (iv) systematically evaluating and accounting for disaster losses and understanding the economic, social, and cultural heritage impacts[18]; and (v) promoting mechanisms for disaster risk transfer, insurance, risk-sharing and retention and financial protection in order to reduce the financial impact of disasters on governments and societies[19].

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

30. **The GOP has made significant progress in enhancing its capacity for DRM since the passage of the Philippine DRRM Act in 2010.** A substantial shift in emphasis has been made from emergency response to disaster preparedness, risk reduction and financial protection. At a policy level, the Government's Midterm Update of the PDP (released in 2014) articulates the need for an annual increase in the level of investments for DRR and CCA to promote more disaster/climate resilient infrastructure, and development of more effective vulnerability assessment tools to identify and mitigate potential disaster impacts.

31. **A notable example is the Department of Science and Technology's Project NOAH (Nationwide Operational Assessment of Hazards), which is utilizing advanced technology to enhance risk identification and early warning systems.** Project NOAH is providing high-resolution flood hazard maps and installing automated rain gauges and water level measuring stations for the 18 major river basins of the Philippines, while NOAH's online and strategic communication services provide open access to accurate, reliable and timely hazard and risk information nationwide.

32. **Capacity has improved at the local government level for DRRM planning.** By 2014, all eighty provinces and over 1,487 (out of 1,634) cities/municipalities had established DRRM offices with budget and staffing allocations, while 72 provinces had mainstreamed climate change adaptation and disaster risk reduction measures into their Provincial Development and Physical Framework Plans (PDPFP). Disaster and climate risk-informed provincial development plans, once implemented, are expected to result in investments that are selected, located and designed to

[15] Sendai Framework for Disaster Risk Reduction 2015-2030, http://www.wcdrr.org/uploads/Sendai_Framework_for_Disaster_Risk_Reduction_2015-2030.pdf.
[16] Sendai Framework, Section IV, paragraph 27.a
[17] Sendai Framework, Section IV, paragraph 30.c
[18] Sendai Framework, Section IV, paragraph 24.d
[19] Sendai Framework, Section IV, paragraph 30.b

standards that minimize the vulnerability of communities. The functionality of local DRRM offices and development of local DRRM plans is being monitored through the Department of Interior and Local Government's Seal of Good Local Governance. Implementation of the PDPFPs is being monitored by the National Economic and Development Authority (NEDA).

33. **Local capacity for disaster preparedness has also been strengthened through the development of Pre-Disaster Risk Assessments (PDRA)**, highlighted during preparations for Typhoon Hagupit (Ruby), which was forecast to be the strongest storm worldwide in 2014. Prior to Hagupit's landfall, over 700,000 people were evacuated in 49 provinces, compared to 125,000 people (in 22 provinces) prior to Typhoon Yolanda. Based on the PDRA, emphasis was placed on evacuations along the typhoon's projected path, especially in highly exposed zones (such as coastal, low-lying and other flood-prone areas). According to the United Nations, this was one of the largest peacetime emergency evacuation operations in history[20] .

34. **These achievements are all underpinned by the DRRM Act of 2010.** However, challenges remain in the implementation of the law. In accordance with the Sunset Clause[21] of the DRRM Act, the National Disaster Risk Reduction and Management Council (NDRRMC) has initiated the review of the law. The Act will continue in effect, but the achievement of its intended results will be subject to review, and subsequent legislation may be passed to increase its efficacy[22]. The NDRRMC is currently gathering the information necessary to develop remedial legislation based on the lessons learned from the past five years of implementation and Typhoon Yolanda, the unprecedented scale of which has caused major challenges in post-disaster recovery (Box 2).

[20] The United Nations Office at Geneva, Regular Press Briefing Service, 5 December 2014, http://www.unog.ch/unog/website/news_media.nsf/%28httpNewsByYear_en%29/5435489DF4BAFF91C1257DA500470450?OpenDocument.

[21] Republic Act 10121. Section 27. *Sunset Review*. - Within five (5) years after the effectivity of this Act, or as the need arises, the Congressional Oversight Committee shall conduct a sunset review. For purposes of this Act, the term "sunset review" shall mean a systematic evaluation by the Congressional Oversight Committee of the accomplishments and impact of this Act, as well as the performance and organizational structure of its implementing agencies, for purposes of determining remedial legislation.

[22] If any provision of the Act shall be held invalid, the other provisions not otherwise affected shall remain in full force and effect (Section 29. *Separability Clause*).

Box 2. Typhoon Yolanda: Socioeconomic impacts and Recovery

The long-term socio-economic impact of Typhoon Yolanda includes an increase in unemployment and underemployment, a rise in poverty levels, and deterioration in human capital indicators. The typhoon displaced 4.1 million people, destroyed over half a million houses; around 8,000 people died or went missing. The scale of potential job losses is significant: approximately six million workers were affected by the typhoon, of which around 2.6 million were vulnerable workers. Eastern Visayas, whose entire population was reported to have been affected, has one of the highest poverty incidences in the country, at around 45 percent. As a result of the typhoon, an additional 2.3 million people (half a million households) live below the poverty line.

The government responded quickly to the typhoon by providing humanitarian aid and preparing *Reconstruction Assistance on Yolanda* (RAY), supported by various development partners, including the World Bank. RAY is the strategic plan to guide recovery and reconstruction in the affected areas. The plan estimates the value of damaged physical assets, both public and private, at PHP 424 billion (3.7 percent of GDP) and recovery and reconstruction costs at PHP 361 billion (3.1 percent of GDP), of which approximately PHP 125 billion (1.1 percent of GDP) were borne by the government in 2013 and 2014.

The Department of Social Welfare and Development's (DSWD) *Pantawid Pamilya* Conditional Cash Transfer (CCT) Program helped the government respond rapidly after Yolanda. The *Pantawid* program enables conditions for cash transfers to be suspended upon the declaration of a State of Calamity. With a delivery mechanism already in place, the Government was able to target and channel post-disaster humanitarian efforts through the network of CCT implementers. Municipal leaders assisted in identifying families that could be enrolled for various recovery programs, such as cash-for-work and cash-for-asset rebuilding. *Pantawid Pamilya* was used as a platform to deliver assistance, providing 100,000 households with an additional cash support of PHP 1,300 per family per month for December 2013 and January 2014, over and above the regular DSWD grant that beneficiaries received. The assistance covered some 60 municipalities in the hardest-hit provinces of Leyte, Samar and Panay Island. The policy and mechanisms for post-disaster emergency income support will be institutionalized by the DSWD under this operation.

While reconstruction of national infrastructure assets is progressing according to plan, post-disaster shelter assistance (particularly for the construction of permanent housing) has been delayed. With a target of 205,128 houses, only 2,265 have been completed, while construction is ongoing for 46,129 houses. Through this proposed operation and the associated technical assistance to develop a policy framework and institutional mechanisms around post-disaster shelter assistance, the World Bank will support the government to address this challenge.

35. **The post-Yolanda planning function was carried out by NEDA, as the NDRRMC Vice-Chair for Rehabilitation and Recovery.** However, coordination and implementation of recovery and reconstruction, particularly for post-disaster shelter assistance, are functions that were not clearly defined in the DRRM Act. Similarly, risk-informed planning across sectors and geographical areas, and scaling up the implementation of risk reduction investments have emerged as gaps in the implementation of the Act. Finally, it is anticipated that the review will lead to recommendations supporting more comprehensive management of the financial impacts of disasters, including risk transfer mechanisms as well as other instruments. The World Bank, through its technical assistance

program is supporting NEDA and the DOF in the development of recommendations to address these challenges. They are also being addressed through this operation's Policy and Results Framework.

36. **The design of the proposed operation builds on the Government's achievements, under the first DPL with a CAT-DDO, in mainstreaming disaster risk into development planning and managing the fiscal impacts of natural disasters.** National and local planning capacity were strengthened through the mainstreaming of climate change adaptation and disaster risk reduction measures into Provincial Development and Physical Framework Plans. NEDA, through the Midterm Update to the Philippine Development Plan, has consolidated this provincial-level mainstreaming by targeting its national investment programming strategy according to the levels of vulnerability of provinces.

37. **The DRFI Strategy developed under the first DPL with a CAT-DDO has underpinned the comprehensive financial protection actions now being implemented by the Government, with financing and technical assistance from the World Bank.** This includes ongoing analytical work to better quantify the GOP's contingent liability related to natural disasters, and to improve insurance of key assets and infrastructure by line agencies. DOF is also working with the World Bank to set up a subnational insurance pool to provide Local Government Units (LGUs) with quick liquidity following disasters, design a property catastrophe risk insurance pool for homeowners and businesses, and improve supervision through the Insurance Commission. The catastrophe risk model developed, through technical assistance, in parallel to the first DPL with a CAT-DDO is enabling the implementation all of these actions.

38. **The proposed Second DPL with a CAT-DDO will support the government to advance and consolidate its ongoing initiatives in risk reduction and risk financing, and promote their sustainability through the next administration.** The operation will provide support in the areas of: (i) enhancing the Government's technical capacity for risk-informed cross-sectoral planning and risk reduction; and (ii) implementing actions to strengthen the Government's financial capacity to manage natural disaster risk. Table 2 outlines the Prior Actions and corresponding analytical underpinnings, Table 3 the evidence reviewed for the Prior Actions, and Annex 1 contains the proposed Policy and Results Matrix for this operation.

39. **The poor, especially women and girls, are disproportionately affected by the cost of disasters, which destroy their already limited assets and livelihoods.** Even beyond the immediate needs for shelter, safety, and food, disasters often mean that struggling households spend less in the longer-term on health, education, and other basic needs. These events can also push additional people into poverty. Experience shows that women and girls are often at higher risk, particularly when they have limited access to shelter, or vulnerable socio-economic status with limited income options. Existing socio-economic inequalities, such as restricted mobility, education, decision-making and economic opportunities, further increase women's vulnerability to natural hazards.[23] This operation's policy and results framework is designed to put in place an enabling environment to scale up risk reduction in order to decrease communities' physical vulnerability, as well as provide financial protection at the national level, local level, and for the poorest and most vulnerable.

[23] World Bank. 2010-2012. *Guidance Note 1: Making Women's Voices Count - Addressing Gender Issues in Disaster Risk Management in East Asia and the Pacific*. World Bank: Washington DC.

Pillar A: Strengthening risk reduction investment planning and regulations

Prior action #1. The National Economic and Development Authority has issued the midterm update to the Philippine Development Plan, revising the Borrower's investment programming strategy to prioritize disaster risk reduction and management according to levels of vulnerability to multiple hazards.

40. **The Philippine Development Plan (PDP) is the statement of the country's overarching socioeconomic development policy, and its Midterm Update articulates major changes and updates to this policy.** The PDP is the guiding document for public investment programming, and for the first time explicitly targets (through the Midterm Update) investment strategies according to vulnerability to disasters, which represents a significant change in the government's overall development strategy. The Results associated with Pillar A indicate the operationalization and implementation of disaster risk reduction as a cross-cutting strategy of the PDP, supported by the Risk Resiliency Programs (Prior action #2).

41. **Implementation of the strategy underpinning the Midterm Update will be supported by this operation through Pillar A.** In line with this prior action, the National Economic and Development Authority is developing a methodology for risk-informed planning and public investment programming *(Result Indicator A1).* NEDA formulates the country's policy on infrastructure, social development, land use and physical planning, among others. Although NEDA has a range of tools to support investment planning, they do not provide a basis for determining which investments in which sectors have the largest resilience benefits.

42. To address this gap, a methodology will be developed and used to examine how programs and investments can directly (or indirectly) positively or negatively contribute to the country's overall resilience (*Result Indicator A1*). This will enable the prioritization of plans, programs and investments and will operationalize the policy by ensuring that planning and investment programming are based on methodologies that optimize resilience gains across geographical areas (provinces) and across sectors. Result Indicator A2 (revision of the National Building Code) will provide the technical basis and standards for more resilient design and construction of infrastructure investments. Result Indicator A3 will ensure that provincial agriculture investments are informed by the province's vulnerability to natural hazards and climatic suitability for various commodities. Result Indicator A5 represents strengthening of country systems for vulnerability assessment of heritage assets that are central to the Philippines' tourism development agenda.

Prior action #2. The Borrower has provided specific allocations for Risk Resiliency Programs, through the 2015 General Appropriations Act.

43. **Prior action #2 sets the Government's policy to invest in developing and adopting more effective vulnerability assessment tools to identify highly susceptible communities and prevent and mitigate potential disaster impacts.** The Risk Resiliency Programs launched under this Prior Action include, among others, a targeted, multi-agency approach to risk mapping and geohazards assessment. The formulation and implementation of the Risk Resiliency Programs is accompanied by tagging of climate change expenditures, starting with the 2015 General Appropriations Act. This initiative will ensure that climate actions are not only budgeted but effectively monitored moving forward. The following key agencies were provided with

specific budget allocations to assess risk, with the expected outcome of informing policy, planning, design and implementation of investments. These agencies include, among others:

- The National Mapping and Resource Information Authority, for the Unified Mapping Project to produce 1,500 image maps covering 360,000 hectares, including the country's 18 major river basins. This program will provide up-to-date geospatial information for zoning and development.
- The Department of Environment and Natural Resources-Mines and Geosciences Bureau, to update their geohazards data and assess local vulnerabilities in 70 cities and municipalities, as well as 166 coastal communities.
- The Philippine Institute of Volcanology and Seismology, to upgrade their warning systems via the installation of 240 intensity meters and 19 tsunami wave detectors, among others.

44. **The hazard and risk information developed under Prior Action 2 will directly underpin Result Indicators under Pillar A**. Improved risk information will inform the planning methodologies to be developed under Result Indicator A1, as well as the design standards and other revisions to the National Building Code, which will be developed under Result Indicator A2. An up-to-date building code that is based on comprehensive hazard information is a fundamental building block that enhances the Government's capacity to reduce disaster risk in the built environment.

45. **Hazard assessments are similarly crucial to inform the development of a policy framework for post-disaster shelter assistance** (*Result Indicator A4*). A recurring challenge that emerges after major disasters in the Philippines (particularly in the aftermath of Typhoon Yolanda) is the provision of transitional, temporary and permanent housing for the affected people, at the required scale, and with due consideration of exposure to hazards. Strategies for post-disaster shelter assistance are developed on an *ad hoc* basis after each event, and 'building back better' is hampered by the absence of risk information. Lacking a coherent policy and institutional framework, post-disaster shelter assistance in the Philippines has been provided by a wide array of agencies in different forms and under different implementation arrangements and financing mechanisms. A coherent strategy would allow for systematic consideration of hazards, and the needs of the most vulnerable, including women and children, the elderly and people with disabilities. The policy will be gender-informed, taking into consideration the differences in vulnerabilities and impacts of natural disasters on females and males and differentiating their needs and perspectives on post-disaster shelter assistance.

Pillar B: Enhancing the financial capacity to manage natural disaster risks

Prior action #3. The Department of Finance has adopted the Disaster Risk Financing and Insurance Strategy, which provides a comprehensive framework for the implementation of financial protection solutions against natural disasters at national, local and individual level.

Prior action #4. The Borrower has included special provisions in the General Appropriations Act to allow four agencies (Department of Education, Department of Public Works and Highways, Department of Health and Department of Transportation and Communications) to use the National DRRM Fund to pay for insurance premiums.

46. **Financial shocks caused by natural disasters can negatively affect economic growth and development progress** if the government cannot mobilize funds in a timely manner to finance adequate emergency response and early recovery/reconstruction, or has to reallocate

resources from other development priorities. Historically, GOP has borne a high proportion of disaster losses, as a funder of first and last resort. Fiscal resources, both at the national and local levels, have been a major source of funding for both pre- and post-disaster initiatives, placing a serious strain on government resources and affecting the country's overall economic development. For example, after Typhoon Yolanda, the government absorbed PHP125 billion (around US$2.8 billion) of immediate and short-term costs into its 2013 and 2014 budgets. Additional fiscal resources were also required to meet the long-term recovery and reconstruction needs in the Yolanda-affected areas.

47. **As an outcome of the first DPL with a CAT-DDO, the DOF developed a DRFI Strategy to** increase the financial resilience of the government and communities to natural disasters**.** The DRFI strategy aims to increase the resilience of the country across three levels, namely: (i) national level; (ii) local governments; and (iii) the poor, vulnerable households and SMEs. An associated action plan sets out the necessary steps to implement the strategy.

48. **Prior Actions #3 and #4 provide the enabling environment for the implementation of the DRFI strategy, which is supported by a comprehensive technical assistance program from the World Bank.** The prior actions for Pillar B confirm the adoption of the strategy and the commencement of implementation of the strategy and its associated action plan. Prior action #3 involves the DOF's official adoption of the DRFI Strategy, which will formalize the continued implementation of the government's comprehensive program to strengthen financial resilience to natural disasters. Prior action #4 is one key step in implementing the strategy by allowing the use of insurance by line agencies to increase protection of key public assets and support faster reconstruction following disasters.

49. **The results indicators are linked to the implementation[24] of the strategy across all three levels:**

a. **National level: Improving the financing of post-disaster emergency response, recovery, and reconstruction needs.** In order to take informed decisions on disaster risk financing and efficiently address the funding needs arising from disasters, the government is working towards quantifying its contingent liabilities related to disasters. This includes more clearly defining the post-disaster liability of the government and support to government agencies to better plan for managing these potential costs, thereby reducing ad hoc budget reallocations for unplanned emergency expenditures *(Result Indicator B1, B2, and B3)*. DOF is also supporting line agencies to utilize risk financing mechanisms and instruments, including insurance, to optimize the use of their resources for post-disaster expenditures *(Result Indicator B2)*.

b. **Subnational level: Providing local governments with funds for post-disaster recovery and reconstruction.** By aggregating catastrophe risks into larger, more diversified portfolios, a joint catastrophe risk insurance program will offer LGUs the opportunity to pool their risks and significantly reduce the cost of premiums for catastrophe risk insurance *(Result Indicator B1)*. In the short term, the government is working towards developing a joint catastrophe risk insurance pilot for LGUs. This pilot would, in the medium term, set the foundation for an LGU-owned facility that could also accumulate financial reserves over time, allowing participating LGUs to finance the first disaster losses from regional reserves and transfer excess aggregate disaster losses when it is the most cost-effective.

[24] Implementation of all activities has either already begun or is confirmed as a policy priority by the government.

c. **Individual level: Empowering poor and vulnerable households and SMEs to quickly restore their livelihoods after a disaster.** With the goal of supporting the development of strong property catastrophe risk insurance markets, the Insurance Commission is currently working towards adopting an updated template for non-life insurance reporting. This would inform the Insurance Commission's decision-making and its quantitative and qualitative analysis, supervision and oversight of (re)insurance companies *(Result Indicator B5)*. To expand the capacity of domestic insurance markets to offer property catastrophe insurance products, the Insurance Commission, together with the Philippine Insurance and Reinsurance Association, is developing a concept for establishing a facility to manage catastrophe risk insurance policies of the retail sector *(Result Indicator B3)*. Finally, to strengthen post-disaster assistance to the poorest and most vulnerable, DSWD is exploring options to work with DOF and the Department of Budget and Management (DBM) to institutionalize a system of emergency income support through post-disaster cash transfers utilizing the reach and payment infrastructure of the Government's Conditional Cash Transfer program (Pantawid Pamilyang Pilipino Program, or 4Ps) *(Result Indicator B4)*.

50. **Results Indicators B1 through B5 support the design and preparation of activities as set out in the DRFI strategy.** The final implementation will depend on the government's ability to build the required political consensus to support these initiatives. The technical work and providing the government with the required information to make informed decisions and build political consensus is supported through World Bank Group technical, advisory, and convening services. Important activities to regulate the post disaster cost-sharing between the national and subnational governments as well as to improve post-disaster budget execution are a high priority for the government and will be pursued as part of the WBG's technical assistance. DOF and the World Bank considered it premature to include such reforms as part of the project matrix. Even though not included in this matrix, micro insurance is a core component in the government's DRFI strategy and a priority area in which the Philippines are leading the way.

Table 2: DPO Prior Actions and Analytical Underpinnings

Prior actions	Analytical Underpinnings
Pillar A – Strengthening risk reduction investment planning and regulations	
Prior action #1 The National Economic and Development Authority has issued the midterm update to the Philippine Development Plan, revising the Borrower's investment programming strategy to prioritize disaster risk reduction and management according to levels of vulnerability to multiple hazards.	The strategies in the PDP Midterm Update are directed at improving the responsiveness of poverty to growth (which implies higher incomes), enhancing the provision of basic services (so that quality of life is improved) and increasing resilience to disasters (so that improved quality of life is maintained). These are laid out as crosscutting strategies throughout the updated Philippine Development Plan. *Government of the Philippines. The National Economic and Development Authority. The Philippine Development Plan 2011-2016 Midterm Update. http://www.neda.gov.ph/?p=3989.*
Prior action #2 The Borrower has provided specific allocations for Risk Resiliency Programs, through the 2015 General Appropriations Act.	The General Appropriations Act (GAA) includes budget allocations for priority investments supporting DRM, including the provision of mapping services, flood management services, disaster risk reduction and management services, disaster preparedness and risk reduction services, among others. *Legal: Republic of the Philippines – Department of Budget and Management. General Appropriations Act Fiscal Year 2015.* *http://www.dbm.gov.ph/?page_id=11297*
Pillar B – Enhancing the financial capacity to manage natural disaster risk	
Prior Action #3 The Department of Finance has adopted the Disaster Risk Financing and Insurance Strategy, which provides a comprehensive framework for the implementation of financial protection solutions against natural disasters at national, local and individual level.	The GOP's DRFI Strategy was underpinned by the Catastrophe Risk Assessment for the Philippines, supported through the Bank's Programmatic DRM AAA from 2010-2013. This assessment is a state-of-the-art probabilistic model of the natural catastrophe risk faced by the country, and provides the GOP with an overview of potential disaster losses to public and private assets. It provides an in-depth analysis to help understand the long-term average annual expected losses from disasters and the corresponding contingent liability and social impacts. The model allows GOP to analyze the costs and benefits of various risk financing instruments as well as their optimal combination, and is the technical basis for the design of sovereign risk finance instruments. *Reference: The Philippines Catastrophe Risk Profile; World Bank/AIR/ADPC on behalf of DOF-IFG, 2014*
Prior action #4 The Borrower has included special provisions in the General Appropriations Act to allow four agencies (Department of Education, Department of Public Works and Highways, Department of Health and Department of Transportation and Communications) to use the National DRRM Fund to pay for insurance premiums.	The GoP's approach to disaster risk financing and insurance is based on international best practice, and informed by many years of WBG support to countries vulnerable to natural disasters, as captured in WB Policy Research Working Paper 5429 (Financial Protection of the State against Natural Disasters: A Primer; Ghesquiere & Mahul), in J. Cummins, and O. Mahul, 2009, Catastrophe Risk Financing in Developing Countries: Principles for Public Intervention, World Bank, and most recently in the WB-GFDRR report 'Financial Protection Against Natural Disasters: An Operational Framework'. The *Reconstruction Assistance on Yolanda* plan shows the damage to public assets as a result of Typhoon Yolanda. An initial actuarial analysis of the results of the Catastrophe Risk Assessment for the Philippines was conducted to support the Department of Education to better manage its contingent liability through risk financing instruments. This analysis provides an understanding of the costs and benefits of various approaches. *Reference: The Philippines Catastrophe Risk Profile; World Bank/AIR/ADPC on behalf of DOF-IFG, 2014*

Table 3: DPO Prior Actions and evidence reviewed

Prior Action	Documentation
Prior action #1 The National Economic and Development Authority has issued the midterm update to the Philippine Development Plan, revising the Borrower's investment programming strategy to prioritize disaster risk reduction and management according to levels of vulnerability to multiple hazards.	Philippine Development Plan (2011 – 2016) Midterm Update issued and publically released online at following link: http://www.neda.gov.ph/wp-content/uploads/2014/08/NEDA-PDP-2011-2016-Midterm-Update+Errata.pdf
Prior action #2 The Borrower has provided specific allocations for Risk Resiliency Programs, through the 2015 General Appropriations Act.	Republic of the Philippines General Appropriations Act (2015) (http://www.dbm.gov.ph/?page_id=11672) Message of His Excellency Benigno S. Aquino III President of the Philippines to the Sixteenth Congress of the Philippines on the National Budget (http://www.gov.ph/2014/07/30/2015-budget-message-of-president-aquino/)
Prior action #3 The Department of Finance has adopted the Disaster Risk Financing and Insurance Strategy, which provides a comprehensive framework for the implementation of financial protection solutions against natural disasters at national, local and individual level.	Strategic Priorities of the Department of Finance in Managing Disaster Risk, Signed by Sec. of Finance Purisima, July 16, 2015 and publically released online at the following link: http://www.dof.gov.ph/index.php/advocacies/reform-agenda/
Prior Action #4 The Borrower has included special provisions in the General Appropriations Act to allow four agencies (Department of Education, Department of Public Works and Highways, Department of Health and Department of Transportation and Communications) to use the National Disaster Risk Reduction and Management Fund to pay for insurance premiums.	Republic of the Philippines General Appropriations Act (2015), Section XLI (http://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2015/GAA%202015%20Volume%20II%20A-B/NDRR.pdf)

4.3 LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

51. **DRM and resilience to climate change are key priorities for the Bank under the Country Partnership Strategy (CPS) for FY15-18.** The CPS makes a direct link between poverty in the Philippines and the country's 'high vulnerability to climatic, disaster, financial and price shocks', with Typhoon Yolanda as an example of a shock 'causing major damage and a significant increase in poverty in the affected areas'. The fourth engagement area of the CPS identifies 'high exposure and vulnerability to current and growing disaster and climate change risks' as one of the key development constraints for the country. To address this challenge, 'increased physical and financial resilience to natural disaster and climate change impacts' have been identified as a strategic outcome for the Bank's engagement over the next three years. World Bank Group support in this engagement area is provided through integrated analytical and advisory assistance, the Philippine Rural Development Project, and the proposed Metro Manila Flood Management Project, among others.

52. **Disasters pose a significant threat to poverty reduction and shared prosperity - they can roll back years of development gains and plunge millions of people into poverty**. While disasters impact whole societies, when they strike, the poor (including the self-employed, fisherfolk, farmers, and informal-sector workers) and vulnerable (especially women, children and the elderly) are disproportionally affected. Disasters can induce and exacerbate poverty through the loss of lives, destruction of assets, disruption of economic activities and trade, and indirect impacts on health, mobility, gender equality, and access to education. Factors aggravating the impact of disasters on the most vulnerable populations, include: (i) inadequate financial means to deal with and recover from disaster events, lacking access to insurance, cash reserves or alternative sources of income, (ii) living in hazard-prone areas such as coastal areas, along slopes, and informal settlements characterized by security of tenure and poor living conditions; (iii) immediate challenges such as limited access to food, sanitation and clean water, (iv) frequent impacts of low-intensity, high-probability shocks, including storms and floods, disrupting their livelihoods and ability to recover from shocks. In addition, gender and women's socio-economic status also impact mortality risk during disasters.[25]

53. **Experience from South East Asia has shown that disaster fatality rates are much higher for women than for men**, due to gendered differences in capacity to cope with such events and insufficient access to information and early warnings. The global report "The geography of poverty, disasters and climate extremes in 2030", which projects numbers of poor people in the most hazard-prone countries in the next decades, classifies the Philippines among the countries with a high vulnerability to poverty as measured by the highest numbers of people under US$0.75 a day, as well as high exposure to earthquakes, cyclones, extreme heat and floods in 2030.[26] In terms of development, the economic impact of disasters can be devastating for developing countries, with the impact of disasters on GDP being twenty times higher in developing countries than in industrialized nations.[27] The Bank's "Building Resilience" report highlights that in the last 30 years, natural disasters accounted for almost US$4 trillion in global economic losses.[28] During this period, such losses have increased threefold—from US$50 billion a year in the 1980s to just under US$180 billion a year in the last decade.

54. **The proposed operation directly contributes to the achievement of the World Bank's Twin Goals**. According to the 2014 World Development Report[29], effective risk management has the potential to bring about security and a means of progress for people in both developing and developed countries. The recurrent impact of disasters has significantly impeded efforts to bring about inclusive economic growth in the Philippines. Risk mitigation today could help reduce poverty risks in the future. DRM interventions can significantly reduce the potential impacts of disasters and protect existing development gains. In line with the development objective to enhance the technical and financial capacity of the GOP to manage the socio-economic and fiscal impacts of natural disasters, positive impacts are expected across both pillars, given the strong links between poverty and vulnerability to natural hazards.

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[25] World Bank. 2010-2012. *Guidance Note 1: Making Women's Voices Count - Addressing Gender Issues in Disaster Risk Management in East Asia and the Pacific*. World Bank: Washington DC.
[26] Shepherd, A., T. Mitchell, K. Lewis, A. Lenhardt, L. Jones, L. Scott and R. Muir-Wood. 2013. *The geography of poverty, disasters and climate extremes in 2030*. Institute for Overseas Development Met Office Hadley Center, RMS Publication. Exeter.
[27] The United Nations, World Bank, 2010. Natural Hazards, UnNatural Disasters. The Economics of Effective Prevention. World Bank: Washington DC.
[28] World Bank. 2013. *Building Resilience. Integrating Climate and Disaster Risk into Development. The World Bank Group Experience.* World Bank: Washington DC.
[29] World Bank. 2013. *World Development Report 2014: Risks and Opportunities. Managing Risk for Development.* World Bank: Washington DC.

4.4 CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS

55. **As part of the preparation of the proposed operation, consultations were conducted with the relevant GOP oversight agencies, and other relevant stakeholders**. Consulted agencies included DOF, NEDA, the Departments of Public Works and Highways, Social Welfare and development, Tourism, and Agriculture, and the Insurance Commission. This builds on the consultation mechanism implemented under the first DPL with a CAT-DDO, in which the DOF convened a Technical Working Group (TWG) consisting of oversight and line agencies. The TWG functioned as a platform for consultation, coordination and monitoring of the program implementation, including the development of the DRFI Strategy. The National Economic and Development Authority's Plan and Policy Formulation Division formulates and updates the Philippine Development Plan in coordination with all relevant stakeholders.

56. **The principal mechanism of donor collaboration is the Philippine Development Forum (PDF), which is co-chaired by the Government and the Bank.** The PDF's ten thematic working groups, which are aligned with the respective Cabinet Clusters, serve as the main vehicle for policy dialogue and coordination with development partners and other stakeholders. Disaster risk management is a crosscutting policy issue underlying the thematic areas of the PDF.

57. **Among development partners and donors, the Government of Japan and the Asian Development Bank (ADB) are key collaborators in the areas supported by the proposed program.** There is strong coordination with the Government of Japan through the Japan-World Bank/Global Facility for Disaster Reduction and Recovery (GFDRR) Disaster Risk Management Program, and JICA. Core areas of Japan's support include infrastructure resilience and flood risk management in the greater Metro Manila area, as well as improving subnational asset exposure data to support risk transfer. The ADB is active in the area of risk financing with a focus on cities, which complements the World Bank's engagement in joint catastrophe risk insurance for LGUs. Consultations were also conducted with the Agence Francaise de Developpement (AFD), which recently launched preparation of a development policy loan focusing on DRM and complemented by the AFD technical assistance financed by the European Commission.

5. OTHER DESIGN AND APPRAISAL ISSUES

5. 1 POVERTY AND SOCIAL IMPACT

58. **The disproportionate impact of natural disasters on the poor has been extensively documented globally, particularly in terms of health and productivity.** The poor have limited labor skills, fewer assets, and little or no savings. They have little opportunity for risk diversification and restricted access to credit. Because of this, they are less able to cope with impacts on consumption or disruptions to income. Exogenous shocks like disasters can also increase poverty indirectly through the effects of lower economic growth, higher inflation (to which the poor are more vulnerable), and through resulting lower government spending for social services.

59. **In the Philippines, it has been found that unearned income and excess infant mortality in the year after typhoon exposure outnumber immediate damages and death tolls roughly 15-to-1[30].** Typhoons destroy durable assets and depress incomes, leading to broad expenditure reductions achieved in part through disinvestments in health and human capital. Infant mortality

[30] Anttila-Hughes, Jesse Keith and Hsiang, Solomon M., Destruction, Disinvestment and Death: Economic and Human Losses Following Environmental Disaster (February 18, 2013). http://ssrn.com/abstract=2220501

mirrors these economic responses, and additional findings (that only female infants are at risk, that sibling competition elevates risk, and that infants conceived after a typhoon are also at risk) indicate that this excess mortality results from household decisions made while coping with post-disaster economic conditions.

60. **As part of the Post-Disaster Needs Assessment (PDNA) conducted after Typhoon Yolanda, a Social Impact Assessment (SIA) was conducted** (Annex 6). Typhoon Yolanda affected some of the poorest regions of the Philippines, and will have a long-term impact on households and communities. The social implications of Yolanda on food security, livelihoods, health, poverty, inequality and migration were experienced by all social classes, however, overcoming these effects is most difficult for poor households. The SIA recommended that the recovery and reconstruction in key sectors needs to take into account affected peoples' socio-economic vulnerabilities, including those related to gender, and that certain programs should be implemented through direct transfer of assistance to the people. Having an efficient, properly functioning disaster risk financing strategy that provides not only for financial protection at the sovereign level, but also at local and household levels (as supported by the reforms under this operation) will allow for faster post-disaster recovery of the poorest. Similarly, risk-informed development planning and risk reduction in public investments will decrease the vulnerability of communities to disasters.

61. **The SIA considered the gendered impacts and made recommendations for addressing the situation of women in the aftermath of Typhoon Yolanda**. The SIA highlighted that women and elderly people were the most affected groups. It noted that poorer families, and especially women, were engaging in negative coping strategies and limiting food intake. Such strategies could, in the long-term, have negative effects on the health and physical well-being of the affected population, especially children, pregnant women, older people, people with chronic illnesses and those with disabilities. The SIA also listed some of risks facing women in the Typhoon Yolanda-affected areas, which require a concerted and systematic approach by the government agencies and stakeholders.

62. **The policy actions and results to be supported by this proposed operation are expected to have significant positive effects on poor people and vulnerable groups.** Poverty and vulnerability to natural hazards are strongly inter-related: poverty increases vulnerability to adverse natural events, and disasters cause capital and human losses, fostering poverty and leading to poverty traps. A well-functioning DRM system relies on a comprehensive framework defining roles, responsibilities, processes and implementation modalities for both ex-ante investments and post-disaster recovery and reconstruction. Coordinated efforts and efficient management of resources to ensure that interventions reach communities are likely to reduce the unmet needs of the poorest households and most vulnerable male and female population in the event of a disaster, and in this way contribute to poverty reduction and shared prosperity. Social safeguards policies are generally not triggered for DPLs.

5.2 ENVIRONMENTAL ASPECTS

63. **The GOP has adopted a comprehensive, multi-hazard approach that considers many types of geological and hydro-meteorological hazards to which the country is exposed.** The existing vulnerability of communities is being evaluated through impact and risk assessments, including the Pre-Disaster Risk Assessments conducted in order to inform preparedness measures. The Government's approach is also informed by the implications of climate change, particularly since this has resulted in significant changes in baseline environmental conditions. These changes

affect the underlying disaster risk factors, such as exposure to storms, floods, droughts and other weather-related hazards.

64. **Climate change is increasing the variability and altering the magnitude and frequency of extreme weather events**. It is, therefore, important to recognize that mitigation and preparedness measures need to build on both historical experience and on probabilistic assessments of the risk from hydro-meteorological hazards. The GOP, through its probabilistic Catastrophe Risk Model (developed through World Bank technical assistance linked to the first DPL with a CAT-DDO), has a strong evidence base for planning interventions to build the country's resilience to climate and weather-related events as well as earthquakes.

65. **Through this proposed operation, the Government is addressing technical and financial barriers to enable the adoption of a risk-informed approach to development.** Regarding country safeguard systems, the GOP has initiated integration of DRM and CCA issues with the Environmental Impact System, together with local development, DRM and climate action plans. Draft guidelines have been developed by the Department of Environment and Natural Resources, outlining the basic policy and operating principles to strengthen the incorporation of climate risk in the EIA System. This is supported by a guidebook and a revised set of technical guidelines, as well as a training program. This initiative will require development projects to include mandatory consideration of climate extremes and variability in the baseline assessment, analysis/management of impacts on and of the project, and environmental risk assessment.

66. **The technical assistance to be provided in support of the vulnerability assessment of cultural heritage assets (Result Indicator A5) will strengthen GOP capacity for risk reduction of Physical Cultural Resources.** The methodology for vulnerability assessment will be documented and submitted for inclusion in the Philippine Standards of Conservation that are currently being developed by the National Commission for Culture and the Arts in collaboration with the National Historical Commission of the Philippines and the National Museum. This will address the gaps in the current regulatory environment, which does not sufficiently address disaster risk reduction and resilience of cultural heritage structures.

5.3 PUBLIC FINANCIAL MANAGEMENT, DISBURSEMENT AND AUDITING ASPECTS

67. **The Bank carried out a public expenditure and financial accountability (PEFA) assessment to document the state of public financial management in mid-2007.** However, the report was only published in 2010. The 2010 PEFA assessment indicated that the Philippines' PFM system was reasonably capable of maintaining overall fiscal balance, but there scores were weak in the area of predictability and control in budget execution as well as accounting, recording, and reporting. Subsequently a PFM Committee was constituted to oversee PFM reforms for which an action plan was prepared. An assessment of selected PEFA indicators to gauge the progress on the action plan was conducted by the Bank in 2014 which showed positive movement in the areas of transparency and public access to budgetary information. A full update of the PEFA assessment is currently underway for delivery within the 2015 calendar year.

68. **Progress has been made in implementing the PFM reform agenda.** A Unified Accounts Code Structure has been formulated and adopted for use across government budgeting, accounting and reporting. The national budget is published on the Department of Budget and Management's website (http://www.dbm.gov.ph/?page_id=10006). A Treasury Single Account is being rolled out and a pilot for a National Payroll System is underway in six agencies. Efforts were made to procure an Integrated Financial Management Information System, but tenders carried out in 2013 and 2014

did not lead to a contract award. A limited system in the Department of Budget and Management and the Bureau of Treasury is now being considered. Coupled with these are many steps to strengthen procurement including, inter alia, the mandatory use of public bidding, periodic monitoring and evaluation of the performance of the procurement system through the Agency Procurement Compliance and Performance Indicator system and the mandatory use of electronic procurement and framework contracting. The Philippines achieved an overall Open Budget Index (OBI) ranking of 48 out of 100 in the Open Budget Initiative 2012, from 55 in 2010. In 2014, the Philippines was one of the pilot countries for the IMF's revised Fiscal Transparency Code (the corresponding report is forthcoming). The government is committed to pursuing further public financial management reforms to continue to enhance fiscal transparency through the timely provision of complete and accurate information.

69. **The adequacy of the foreign reserves control environment in the Bangko Sentral ng Pilipinas (BSP) is based on domestic assessments.** The Philippines does not have an active IMF program to develop safeguard assessments. The BSP is also not subject to international audit; however, the BSP's financial statements are audited by the Commission on Audit. The World Bank and IMF have been relying on the audited financial statements released by COA. The auditor's opinions for BSP audited financial statements related to calendar years 2011 to 2013 are unqualified. However, the audit opinions contain an "Emphasis of Matter" paragraph relating to deviation from Philippine Accounting Standards 21 regarding the booking of realized and unrealized gains and losses due to the change in exchange rates. The paragraph reflects the auditor's judgment that the matter is fundamental to users' understanding of the financial statements. The auditor's opinions are not modified in respect to the matter emphasized and remained unqualified.

Disbursement arrangements

70. The catastrophe-deferred drawdown option is the disbursement mode for this operation. The CAT-DDO feature gives an IBRD Borrower the option of drawing down the loan proceeds during a three-year period, which can be extended up to four (three-year) periods, during which the DPL can be disbursed. Each extension will require the approval of the Bank's Regional Vice President of the Bank.

71. The loan proceeds may be drawn down at any time subsequent to a natural disaster resulting in a declaration of a State of Calamity by the President in accordance with the DRRM Act, or as it may be amended by the Government at the time of disbursement.

72. The proceeds from the loan will be deposited into a deposit account in US dollars at the BSP once the loan becomes effective and the Bank is satisfied with the progress achieved by the government in carrying out the program. After disbursement of the loan, the government will ensure that the loan amount is promptly accounted for in the government's budget system in the general fund, and thereby be available to finance budget expenditures. The government will provide to the Bank within 45 days a written confirmation that this accounting has been completed.

5.4 MONITORING, EVALUATION AND ACCOUNTABILITY

73. **DOF is the main liaison with the World Bank on development policy operations, as well as the implementing agency for the proposed DPL with a CAT-DDO**. However, policy dialogue and monitoring and evaluation of the program supported by this DPL are shared with the relevant actors under the Policy and Results framework. The Government and the Bank will maintain a close

policy dialogue during the program implementation period, through periodic implementation support missions that may take place at a frequency consistent with the information needs of the Bank, but no less than every 6 months. These may be initiated by either the Bank or the Borrower. If at any time during the drawdown period the Bank concludes that the DRM program is not being implemented in a manner satisfactory to the Bank, the Bank will promptly advise the Borrower of the need for improvement and that a subsequent review would be necessary to confirm that the DRM program is being implemented satisfactorily before it would be able to grant any request for drawdown. In this case, follow-up monitoring would be more frequent until a review confirms that the program is being satisfactorily carried out. Once the Bank is satisfied that drawdown conditions are again in place, the Bank would inform the Borrower that its eligibility to submit disbursement requests has been restored.

74. **Indicators selected to monitor progress toward achievement of the program development objective (PDO) reflect defined areas of action and correspond to the expected outcomes of the prior actions.** They include an appropriate mix of specific qualitative and quantified targets, which are attributable, relevant, and time-bound, and are expected to be sufficient to enable effective monitoring of the project's achievement of the PDO. Moreover, the Pillars and result indicators in the policy framework are aligned with government priorities. Since the policy targets are aligned with regular programs of the relevant agencies, their reporting mechanisms will be used. Activities under the programmatic technical assistance will support some action areas of this proposed CAT-DDO (see Annex 4), and will enable regular monitoring and evaluation of the operation through progress reporting on TA activities.

75. **Grievance Redress**. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns.

76. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND MITIGATION

77. **The overall program risk rating is Moderate.** The Government has shown strong leadership in pursuing the DRM agenda, and the country has already achieved substantial results, with the support of the previous DPL with a CAT-DDO and a long and comprehensive programmatic engagement in DRM, which has reduced the risk of political and social resistance to reforms. This engagement and the strong legal foundation of the DRM framework also mitigates the risk of changing political priorities following general elections in 2016. The remaining risk of limited institutional capacity for disaster risk financing and insurance within sectoral agencies is moderate.

78. **The principal challenge for the Philippines remains to be the effective implementation of reforms that will contribute to inclusive growth in this administration and beyond 2016.** While the Aquino Administration enjoys a relatively high degree of popularity even during the final year of the administration, reform implementation has historically faced challenges in the Philippines. Reforms are often blocked by a variety of vested interests and implementation is dependent on actions across levels of government and agencies. This risk is being mitigated through a strong legal foundation and public demand for reforms. The DRM sector strategies and policies are strongly anchored in Philippine law and development plans. This agenda also has strong support from Congress, and public pressure for better disaster risk management is significant due to the frequency and intensity of disasters in the Philippines.

79. **Risks related to the technical design of the program are low as this operation builds on the World Bank Group's engagement in DRM and strong participation of counterparts in developing the activities.** The policy areas supported under this program consolidate ongoing work and have been designed through a comprehensive TA program. The program also builds on the outcomes and lessons learned from the first DPL with a CAT-DDO.

80. **Risks associated with limited technical capacity in the area of DRFI, especially in sectoral agencies and subnational governments, are being mitigated by substantial TA provided in parallel with this operation**. In most of the areas covered by this program, parallel programmatic TA and capacity building are being supported by the World Bank through grant funding. Other development partners in the Philippines are also actively supporting the DRM agenda through grant or investment financing. Through extensive and proactive engagement with the World Bank team, DOF is now conversant with the principles of Catastrophe Risk Modeling, and how these can be used as the analytical basis for DRFI applications and policies. GOP is also demonstrating increased capacity for engagement with international reinsurance and capital markets.

Risk Categories	**Rating (H, S, M or L)**
1. Political and governance	S
2. Macroeconomic	L
3. Sector strategies and policies	M
4. Technical design of project or program	L
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	M
7. Environment and social	M
8. Stakeholders	L
9. Other	
Overall	**M**

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions	Results
Pillar A – Strengthening risk reduction investment planning and regulations	
Prior action #1 The National Economic and Development Authority has issued the midterm update to the Philippine Development Plan, revising the Borrower's investment programming strategy to prioritize disaster risk reduction and management according to levels of vulnerability to multiple hazards. Prior action #2 The Borrower has provided specific allocations for Risk Resiliency Programs, through the 2015 General Appropriations Act.	**Result Indicator A1.** A methodology for national-level risk-informed planning has been developed and applied by the National Economic and Development Authority in planning and public investment programming. *Baseline*: Not developed (May 2015) *Target*: Methodology developed and applied in planning and public investment programming (September 2018) **Result Indicator A2.** Disaster risk reduction measures are integrated in revisions to the National Building Code of the Philippines (NBCP) developed by the Department of Public Works and Highways. *Baseline*: Not developed (May 2015) *Target*: Revisions integrating disaster risk reduction measures are developed for the NBCP (September 2018) **Result Indicator A3.** Provincial Commodity Investment Plans (PCIPs) developed using the expanded Vulnerability and Suitability Assessment (eVSA) tool are approved by the Department of Agriculture under the Philippine Rural Development Program (PRDP) and under implementation. *Baseline:* 47 PCIPs developed and approved (July 2015) *Target:* 80 PCIPs developed and approved; 72 under implementation (September 2018) **Result Indicator A4.** Policy framework for post-disaster shelter assistance (through recovery and reconstruction phases) formulated by the member agencies of the Social Development Committee and endorsed to the Social Development Committee – Technical Board. *Baseline*: Not formulated (May 2015) *Target*: Policy framework formulated and endorsed to Social Development Committee – Technical Board (September 2018) **Result Indicator A5.** Multi-hazard vulnerability assessments of priority cultural heritage sites completed by the Department of Tourism and assessment methodology adopted in the Philippine Standards for Conservation. *Baseline*: 2 sites assessed (May 2015) *Target*: Vulnerability assessment completed for 5 priority cultural heritage sites and assessment methodology adopted in the Philippine Standards for Conservation (September 2018)

Pillar B – Enhancing the financial capacity to manage natural disaster risk	
Prior action #3 The Department of Finance has adopted the Disaster Risk Financing and Insurance Strategy, which provides a comprehensive framework for the implementation of financial protection solutions against natural disasters at national, local and individual level. Prior Action #4 The Borrower has included special provisions in the General Appropriations Act to allow four agencies (Department of Education, Department of Public Works and Highways, Department of Health and Department of Transportation and Communications) to use the National Disaster Risk Reduction and Management Fund to pay for insurance premiums.	**Results Indicator B1.** Joint catastrophe risk insurance program for Local Government Units (LGUs) developed by the Department of Finance. *Baseline*: Not developed (May 2015) *Target*: Long term program is developed with 10 LGUs participating (September 2018). **Result Indicator B2.** Number of line agencies that have developed and piloted their Disaster Risk Financing and Insurance (DRFI) strategy. *Baseline*: Not developed (May 2015) *Target*: 2 agencies have developed and piloted their DRFI strategy (September 2018) **Result Indicator B3.** Design of property catastrophe risk insurance pool for homeowners established by the Department of Finance and the Insurance Commission. *Baseline*: Not established (May 2015) *Target*: Design established (September 2018). **Results Indicator B4.** Program developed and commenced for post-disaster emergency income support by the Department of Budget and Management, Department of Social Welfare and Development and the Department of Finance.[**] *Baseline:* Not developed (May 2015) *Target:* Program developed and commenced (September 2018). **Results Indicator B5.** Catastrophe risk insurance database template updated and adopted by the Insurance Commission. *Baseline:* Not updated (May 2015) *Target:* Updated template adopted (September 2018).

[**] *The program design will provide for gender-disaggregated data for post-disaster income support and monitoring of beneficiaries.*

ANNEX 2: LETTER OF DEVELOPMENT POLICY

Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

Letter of Development Policy

04 November 2015

Dr. JIM YONG KIM
President of the World Bank Group
Washington, DC

Dear **Dr. Kim:**

Located in the Pacific Ring of Fire, the Philippines is highly exposed to a wide range of natural hazards including earthquakes, volcanic eruptions, and other geological hazards, as well as typhoons and monsoon rains. The recurrent impacts of these natural disasters hurt efforts directed towards reducing poverty, and boosting inclusive economic growth in the country. This vulnerability has been made more evident by the onslaught of sizeable typhoons and earthquakes in the recent years. Among the most notable was super Typhoon Yolanda in 2013, which claimed 6,201 lives, and cost the economy approximately PHP571.1 billion (equivalent to USD12.9 billion in December 2013) in damages and economic losses, hampering economic growth by 0.9 percentage points (ppts) in 2013 and another 0.3 ppts in 2014. Considered as the "new normal", such disasters can greatly affect the poor and vulnerable. These can consequently push people further into poverty, as in the case during Typhoon Yolanda when national poverty incidence increased by about 2.0 ppts.

The passage of Republic Act (RA) 10121, otherwise known as the Philippine Disaster Risk Reduction and Management (DRRM) Act of 2010, has laid the basis for a paradigm shift from reactive to proactive DRRM. Although in place and fulfilled through the National DRRM Plan 2011-2028, much remains to be done in the DRRM area particularly in supporting planning and investments in risk reduction, and enhancing the financial capacity to manage natural disaster risk.

With this in mind and building on the gains from the first Disaster Risk Management Development Policy Loan (DPL) with a Catastrophe-Deferred Drawdown Option (CAT-DDO), which closed in October 2014, we would like to request financial assistance from the World Bank through a Second Disaster Risk Management DPL with a CAT-DDO, to sustain the continuing reforms that the Government is making under the Philippine DRRM Act, the National DRRM Plan and our international commitments adopted in the Sendai Framework for Disaster Risk Reduction.

DRRM in the Philippine Development Plan (PDP) 2011-2016
In recognition of the adverse effects and impacts of natural disasters, the Government reaffirmed DRRM as an important crosscutting theme in the PDP. Released in 2014, the PDP Midterm Update (with Revalidated Results Matrices) specifically identified disaster risk reduction and management strategies to be implemented in provinces that are vulnerable to multiple hazards.

National Disaster Risk Reduction and Management Framework (NDRRMF)
Consistent with and supportive of the strategies under the Philippine Development Plan (PDP) 2011-2016, the NDRRMF envisions a country of "safer, adaptive and disaster-resilient Filipino communities toward sustainable development." This is sought to be achieved through the National DRRM Plan, which covers four distinct yet mutually reinforcing priority areas, namely: (i) Disaster Prevention and Mitigation; (ii) Disaster Preparedness; (iii) Disaster Response; and (iv) Disaster Recovery and Rehabilitation.

Disaster Prevention and Mitigation is supported by policies that prioritize hazard evaluation and mitigation, vulnerability analyses, identification of hazard-prone areas, and mainstreaming DRRM into development plans. Key programs include the Nationwide Operational Assessment of Hazards (Project NOAH) under the Department of Science and Technology that is developing flood hazard assessments for the country's 18 major river basins, providing early warning to vulnerable communities against impending floods, and using advanced technology to enhance current geo-hazard maps. A flood risk assessment study for the entire Metro Manila and surrounding basin area was undertaken from February 2011 to February 2012, to prepare a comprehensive flood risk management plan. This Master Plan details a set of priority structural and non-structural measures, for which individual feasibility studies are now being carried out, while short-term interventions are already being implemented. The Master Plan is serving as the roadmap/vision of the Government for flood management in Metro Manila until 2035. Special allocation has been made in the General Appropriations Act of 2015 to support the Government's Risk Resiliency Programs, in line with this policy priority.

Disaster Preparedness entails key strategic actions around community awareness and understanding, contingency planning, conduct of local drills, and the development of a national disaster response plan. Risk-related information coming from the prevention and mitigation aspect is necessary for the development of responsive preparedness activities that match the needs of people. As an example, a methodology for Pre-Disaster Risk Assessment (PDRA) has been developed, and successfully implemented prior to Typhoon Hagupit, as a disaster preparedness tool for "hazard specific, area focused, and time bound" risk assessment. Upon the forecast of an event, the PDRA provides inputs to inform appropriate preparedness actions to be taken by both national government agencies and local government units (LGUs). LGUs are then guided by the OplanListo program that provides mayors and Local DRRM Offices a checklist that enumerates what should be done before, during, and after disasters.

Disaster Response activities during the emergency and relief phases range from needs assessment to search and rescue to relief operations to early recovery. Minimizing the impacts of disasters on communities relies heavily on reducing vulnerability through prevention, mitigation and preparedness. The Government has established institutional mechanisms for disaster response, and the National DRRM Council conducts regular drills and capacity building for search, rescue and retrieval operations.

Rehabilitation and Recovery falls under the National Economic and Development Authority that, as Vice-Chair of the National DRRM Council for Rehabilitation and Recovery, developed the Reconstruction Assistance on Yolanda (RAY) Plan. This is operationalized through the Comprehensive Rehabilitation and Recovery Plan, which enumerates the projects, programs and activities to be implemented in the 171 municipalities located in 14 provinces affected by Typhoon Yolanda.

Review of the Philippine DRRM Act

While the Act will continue in effect, the achievement of its intended results is being reviewed in accordance with its sunset clause, and subsequent legislation may be passed to increase its efficacy. The National DRRM Council is conducting this review based on the lessons learned from the past five years of implementation, and Typhoon Yolanda, the unprecedented scale of which has caused major challenges in post-disaster recovery. Any remedial legislation arising from the review will also be aligned with the country's commitments under the Sendai Framework for Disaster Risk Reduction.

Disaster Risk Financing and Insurance Strategy of the Government

To address the recurrent financial impact of natural disasters, the Government has adopted its Disaster Risk Financing and Insurance (DRFI) Strategy. The DRFI Strategy is aimed at achieving two overarching goals in managing the effects of natural disasters: (i) to sustain economic growth and protect development gains from natural disaster shocks; and (ii) to reduce impact on the poorest and most vulnerable and prevent them from falling into a cycle of poverty. The strategy has four priorities to support these development goals.

National level: Improve the financing of post-disaster emergency response, recovery, and reconstruction needs. The government is combining different risk financing instruments to protect against events of different frequency and severity. Such risk layering aims to minimize the cost of financing and optimize the timing of the same, and is being implemented by:

(i) Acquiring contingent credit lines (such as the DPL with a CAT-DDO) to protect against moderate disasters, which provide rapid financing in the case where a disaster may exceed the capacity of calamity fund reserves; and

(ii) Using risk transfer to access international private reinsurance and capital markets. Risk transfer instruments such as reinsurance, catastrophe bonds, or catastrophe swaps aim to improve the government's disaster response capacity in case of infrequent but potentially devastating disasters by providing access to immediate liquidity following such events.

Local level: Provide local governments with funds for post-disaster recovery and reconstruction. This will be achieved by:

(i) Developing options to pilot a catastrophe risk insurance facility for local government units; and

(ii) Supporting National Government Agencies and Local Government Units to improve their property insurance coverage, for example by providing standardized policies to be adopted by all public agencies.

Individual level: Empower poor and vulnerable households and SMEs to quickly restore their livelihoods after a disaster. This is being pursued to expand the capacity of domestic insurance markets to protect individuals and small businesses, strengthen micro-insurance, and set up disaster-linked social protection schemes.

To strengthen post-disaster assistance to the poorest and most vulnerable, the Government is exploring options to institutionalize a system of emergency income support through post-disaster cash transfers utilizing the reach and payment infrastructure of the Government's Conditional Cash Transfer program (Pantawid Pamilyang Pilipino Program, or 4Ps).

Risk Analytics: Use risk data to support decision making about financial protection. Initiatives in this strategic priority are geared towards building an improved asset exposure and historical loss database, and refining the catastrophe risk model to allow for catastrophe risk assessment below the provincial level.

Conclusion

The measures presented above comprise a key subset of the broader Disaster Risk Reduction and Management program that the Government is implementing in the context of the PDP Midterm Update, the Philippine DRRM Act and National DRRM Plan, as well as the Sendai Framework for Disaster Risk Reduction. They are underpinned by the Disaster Risk Financing and Insurance Strategy, and supported by the special provisions (enabling the use of the National DRRM Fund for line agencies to insure its assets against catastrophes) and allocations (for Risk Resiliency Programs) in the General Appropriations Act of 2015.

In conclusion, I would like to reiterate our strong commitment to the reform agenda presented in the aforementioned policies and outlined in this letter. We look forward to the Bank's continued support for our efforts ultimately aimed at building a more disaster-resilient nation.

Sincerely yours,

CESAR V. PURISIMA
Secretary of Finance

028845

ANNEX 3: Fund Relations Annex

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 15/401
FOR IMMEDIATE RELEASE
September 4, 2015

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2015 Article IV Consultation with Philippines

On August 26, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Philippines.[1]

The Philippine economy continues to expand strongly in line with potential growth. Real GDP grew by 6.1 percent in 2014, driven by household consumption, private construction, and exports of goods and services. Economic growth slowed in the first quarter of 2015, due mainly to temporary factors, including the effects of dry weather on agricultural production, weak global demand for exports, and slow budget execution. Inflation fell below the bottom of the BSP's target band (3±1 percent) in June 2015, led by lower fuel and food prices. As the economy is growing broadly at potential, there is no evidence of price or wage pressures, and considerable slack in the labor market remains. The current dry weather associated with El Niño conditions has not yet resulted in higher inflation. The external and fiscal positions are strong, with a 2014 current account surplus of 4.4 percent of GDP, gross international reserves of $79.5 billion (or 406.5 percent of short-term debt by residual maturity), a national government fiscal deficit of 0.6 percent of GDP, and general government debt at 36.4 percent of GDP.

The outlook for the Philippine economy remains favorable despite uneven and generally weaker global growth prospects. Real GDP is projected to grow by 6.2 percent in 2015, as lower commodity prices lift household consumption and improved budget execution raises public spending. Lower fuel prices, partly offset by somewhat higher food prices due to assumed moderate El Niño conditions, should help keep inflation in the bottom half of the BSP's target band. The current account surplus is expected to rise in 2015 due to lower oil prices and continued inflows from business process outsourcing and remittances. Fiscal policy is expected to remain prudent. Risks to the outlook are tilted to the downside. The Philippine authorities are

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

well equipped to respond as needed with suitable policies should any risks materialize, particularly given the strong fundamentals and ample policy space.

Executive Board Assessment[2]

Executive Directors commended the Philippine authorities for their prudent macroeconomic management, which has delivered strong outcomes and has set the stage for favorable growth prospects despite external headwinds. Looking ahead, Directors encouraged continued vigilance in managing risks, and supported the authorities' focus on infrastructure investment, structural reforms, and on improving living conditions and achieving more inclusive growth.

Directors welcomed the government's plan to step up infrastructure investment and social spending, and return to the medium term fiscal deficit target of 2 percent of GDP. They noted that the planned increase in public expenditure in 2015 is appropriate from both cyclical and development perspectives, given the current low inflation, large infrastructure and social needs, and low and declining public debt. Directors also encouraged further efforts to strengthen public financial management and budget execution, and to mobilize revenue to meet the large social and infrastructure needs.

Directors considered the current monetary policy stance as appropriate in view of the low inflation, moderating and more balanced credit growth, and moderating—albeit still robust—economic activity. They encouraged continued vigilance, in particular if inflation or credit growth were to accelerate with signs of potential overheating. Directors supported the central bank's plan to implement an interest rate corridor to improve monetary policy transmission, and encouraged the passage of the central bank charter that would authorize the issuance of central bank bills and increase minimum capital. Directors also emphasized continued exchange rate flexibility, with participation limited to smoothing excessive volatility.

Directors noted that the financial system remains sound. They welcomed the use of targeted prudential policies to limit financial excesses and strengthen resilience, and noted that more stringent prudential regulations may be needed should any systemic risks become apparent. Directors encouraged the passage of the draft law that broadens the central bank's financial stability mandate, and welcomed the central bank's efforts to enhance access to information on conglomerates' finances.

Directors supported the authorities' medium term priorities that would allow the country to reap the dividends from its young and growing population. These priorities should include raising infrastructure spending, facilitating public private partnerships, improving the business climate, and enhancing human capital and social services for the poor. Directors also welcomed the focus

[2] At the conclusion of the discussion, the Deputy Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

on financial deepening and inclusion as essential elements of the authorities' inclusive growth strategy. They noted that alternative means of financing and hedging, such as bond and equity markets, could help finance large infrastructure needs. Directors welcomed the recent release of the national strategy for financial inclusion.

Philippines: Selected Economic Indicators, 2010–16

	2010	2011	2012	2013	2014	2015	2016
						Staff proj.	
GDP and prices (percent change)							
Real GDP	7.6	3.7	6.7	7.1	6.1	6.2	6.5
CPI (annual average)	3.8	4.7	3.2	2.9	4.2	2.1	3.5
CPI (end year)	3.6	4.2	3.0	4.1	2.7	3.4	2.7
Investment and saving (percent of GDP)							
Gross investment	20.5	20.5	18.2	20.0	20.9	22.0	22.3
National saving	24.1	23.0	21.0	24.2	25.4	27.1	26.7
Public finances (percent of GDP)							
National government balance (authorities' definition)	-3.5	-2.0	-2.3	-1.4	-0.6	-1.5	-2.0
National government balance 1/	-3.6	-2.1	-2.4	-1.5	-0.6	-1.5	-2.0
Nonfinancial public sector balance 2/	-3.3	-0.8	-0.6	0.6	0.9	0.0	-0.5
Revenue and grants	18.5	18.6	19.4	20.1	20.1	20.6	20.7
Expenditure	21.7	19.4	20.0	19.5	19.2	20.6	21.2
Nonfinancial public sector debt	54.8	55.3	53.0	51.3	47.8	45.5	42.5
Monetary sector (percent change, end of period)							
Broad money (M3) 3/	10.0	7.1	9.4	31.8	11.2	9.3	...
Interest rate (91-day treasury bill, end of period, in percent) 4/	1.3	1.7	0.5	0.5	2.5	2.1	...
Credit to the private sector (in percent) 3/	8.9	19.3	16.2	16.4	19.9	14.5	...
External sector							
Export value, goods (percent change)	26.2	4.1	21.2	-4.0	7.3	3.5	5.5
Import value, goods (percent change)	24.7	9.5	11.3	-4.8	2.3	1.6	7.1
Current account (percent of GDP)	3.6	2.5	2.8	4.2	4.4	5.0	4.5
Capital account (US$ billions)	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Financial account (US$ billions) 5/	-11.5	-5.3	-6.8	2.2	10.1	7.1	6.1
Direct investment (net) 5/	1.6	0.3	1.0	-0.1	0.8	0.0	-0.7
Errors and omissions (US$ billions)	-3.5	0.3	-4.6	-4.2	-5.5	-5.2	-4.9
Overall balance (US$ billions)	15.2	11.4	9.2	5.1	-2.9	3.1	4.3
Total external debt (percent of GDP) 6/	36.9	33.7	32.0	28.9	27.3	25.6	23.1
Debt service ratio 7/	13.6	13.6	9.9	11.1	8.7	7.8	10.6
Reserves(US$ billions)	62.4	75.3	83.8	83.2	79.5	81.7	84.5
Reserves/short-term liabilities 8/	403.3	482.5	397.9	405.5	406.5	361.2	366.8
Exchange rate (period averages)							
Pesos per U.S. dollar 9/	45.1	43.3	42.2	42.4	44.4	44.5	n.a.
Nominal effective exchange rate (2005 =100) 9/	100.0	99.0	102.6	105.4	102.7	109.6	n.a.
Real effective exchange rate (2005 =100) 9/	100.0	100.7	105.6	109.8	109.5	117.9	n.a.

Sources: Philippine authorities; World Bank; and IMF staff projections.

1/ Fund definition. Excludes privatization receipts and includes deficit from restructuring of the previous central bank (Central Bank-Board of Liquidators

2/ Includes the national government, 14 government-owned enterprises, social security institutions, and local governments.

3/ Universal and Commercial Banks, May 2015 (year-on-year).

4/ Secondary market rate, the latest data point is May 2015.

5/ In BPM6. An increase in either assets or liabilities is always positive and a decrease is always negative. Net investment is assets minus liabilities

6/ Includes external debt not registered with the central bank, and private capital lease agreements.

7/ In percent of exports of goods and nonfactor services.

8/ Reserves as a percent of short-term debt (including medium- and long-term debt due in the following year).

9/ Data for 2015 corresponds to January - May.

ANNEX 4: PROGRAMMATIC DISASTER RISK MANAGEMENT TECHNICAL ASSISTANCE

Pillar A – Strengthening risk reduction investment planning and regulations

Result Indicator A1. A methodology for national-level risk-informed planning has been developed and applied by the National Economic and Development Authority in planning and public investment programming.

Technical assistance will support the development of a methodology for the National Economic and Development Authority to employ in its core mandate of public investment programming and investment coordination. NEDA formulates government policy on infrastructure, social development, land use and physical planning, however, a methodology to measure and compare the resilience benefits of investments in specific sectors is lacking. The developed methodology will help NEDA quantify the impacts of various investments on resilience, and in this way support prioritization of risk reduction investments both sectorally and spatially. The methodology will also allow for identification of provinces with highest levels of poverty, vulnerability, and exposure to hazards, so that resilience-enhancing investments can be targeted toward these provinces.

Result Indicator A2. Disaster risk reduction measures are integrated in revisions to the National Building Code of the Philippines (NBCP) developed by the Department of Public Works and Highways.

The Government of the Philippines has identified the need to review the basic provisions of the National Building Code of the Philippines (NBCP) to determine whether it sufficiently addresses disaster risk reduction and supports mitigation disasters and climate change impacts on the built environment. Technical assistance support will be sought to assist DPWH with review the basic provisions of the National Building Code of the Philippines and support the development of revisions which would fundamentally improve the national building regulations and strengthen risk reduction. These revisions should take into account international best practice, modern engineering design standards, the country's current development and resilience goals, as well as ongoing and planned infrastructure programs of both the public and private sectors.

Result Indicator A4. Policy framework for post-disaster shelter assistance (through recovery and reconstruction phases) formulated by the member agencies of the Social Development Committee and endorsed to the Social Development Committee – Technical Board.

Technical assistance will support the development of a policy framework to help the Government of Philippines to respond to post-disaster shelter needs in a more efficient and adequate manner. The policy framework will guide the implementation of post-disaster shelter assistance, by defining the principles of shelter assistance, clarifying implementation arrangements and coordination mechanism among relevant agencies, laying out a menu of options from temporary to permanent shelter with coherent financing mechanisms, and describing ways in which a wider range of ownership and tenure status can be supported for post-disaster shelter assistance.

Result Indicator A5. Multi-hazard vulnerability assessments of priority cultural heritage sites completed by the Department of Tourism and assessment methodology adopted in the Philippine Standards for Conservation.

Technical assistance will support the Department of Tourism to assess and reduce the vulnerability of cultural heritage structures to multiple hazards, in line with the lessons learned from Bank-supported structural damage assessment conducted immediately after the Bohol Earthquake of 2013. This will be done by: (i) reviewing existing risk assessments, hazard maps, and historical records, (ii) prioritizing and recommending specific structures for detailed vulnerability assessment, (iii) assessing the vulnerability of selected cultural heritage structures, and (iv) and outlining options to mitigate the impacts of earthquakes and other natural disasters on the assessed structures. Based on stakeholder discussions, the technical assistance will focus on selected cultural heritage assets in the Bohol and Cebu Provinces, and Intramuros, Manila. The methodology for vulnerability assessment will be documented and submitted for inclusion in the Philippine Standards of Conservation that are currently being developed by the National Commission for Culture and the Arts in collaboration with the National Historical Commission of the Philippines and the National Museum.

Pillar B – Enhancing the financial capacity to manage natural disaster risk

Results Indicator B1. Joint catastrophe risk insurance program for Local Government Units (LGUs) developed by the Department of Finance.

Technical Assistance is supporting DOF and local governments to establish a joint catastrophe risk insurance facility for local government units, drawing on experience from the Pacific Catastrophe Risk Assessment and Financing Initiative and the Caribbean Catastrophe Risk Insurance Facility. Preliminary actuarial analysis shows that such a facility would enable the reduction of premiums by at least 25 percent, as a result of pooling of catastrophe risk among provinces. A pilot is proposed for implementation in August 2015 with selected provinces, based on requests made during a roundtable held in March 2015. The timeline is technical feasible but aggressive, and will be heavily contingent on political and operational progress by GOP. Consultations with the most at-risk provinces are ongoing, with a significant number of provinces already submitting Expressions of Interest to participate. A Technical Workshop on June 16-17, 2015 will discuss (parametric) product design and operational/legal aspects of the proposed pilot. Options for incentivizing provinces to participate in the pilot will likewise be discussed and the Workshop. The eventual establishment of a longer-term facility is a key consideration in the design of the pilot.

Result Indicator B2. Number of line agencies that have developed and piloted their Disaster Risk Financing and Insurance (DRFI) strategy.

Technical Assistance will be provided to national government agencies to design DRF strategies. Discussions are already ongoing with the Department of Education (DepEd) and Department of Public Works and Highways to review their portfolio of buildings and infrastructure and explore opportunities to develop a parametric insurance program for key assets. Initial actuarial analysis has been discussed with DepEd.

Result Indicator B3. Design of property catastrophe risk insurance pool for homeowners established by the Department of Finance and the Insurance Commission.

The Department of Finance and the Insurance Commission are working with the Philippine Insurance and Reinsurance Association (PIRA) on the establishment of a catastrophe risk insurance facility for homeowners and SMEs, similar to the Turkish Catastrophe Insurance Pool. DOF requested World Bank support to evaluate the proposal and assist in the design of such a pool. IFC is assisting PIRA in the discussions with potential national and international private sector participants and partners.

Result Indicator B4. Program developed and commenced for post-disaster emergency income support by the Department of Budget and Management, Department of Social Welfare and Development and the Department of Finance.

Technical Assistance will be provided to the Department of Social Welfare and Development jointly with the Social Protection and Labor Global Practice (GP) and the Finance and Markets GP to support the design of this program. This will build on Social Protection and Labor GP's ongoing operation supporting the country's conditional cash transfer program, which will be leveraged for the proposed emergency income support program. This activity has been agreed with DOF under the ongoing DRFI technical assistance.

Result Indicator B5. Catastrophe risk insurance database template updated and adopted by the Insurance Commission.

Technical Assistance is ongoing, developing updated templates together with the Insurance Commission (IC), based on international best practice. Technical support will be provided to IC to review the templates, hold consultations with private sector companies to revise the templates for the domestic market, and support the adoption of these updated database standards through capacity building.

ANNEX 5: DETAILED MACROECONOMIC POLICY FRAMEWORK

Recent economic developments

Output and demand

1. **In the first quarter (Q1) of 2015, Philippine economic growth decelerated to 5.2 percent, its lowest quarterly growth in more than 3 years.** As in previous quarters, growth was continued to be driven by private consumption However, slow government consumption and a pronounced contraction in public infrastructure spending pulled down overall growth. On the production side, industry grew at 5.5 percent, driven by strong growth of private construction and manufacturing. Services slowed down to 5.6 percent from 6.8 percent in Q1 2014, as agriculture slightly accelerated.

2. **On the supply side, despite its deceleration, services continued to be the main driver of growth due to its large share of the economy.** The services sector grew at 5.6 percent and accounted for 3.1 ppt of overall growth. Strong demand for office and residential spaces, especially by the BPO industry, sustained the growth of the real estate subsector at 6.4 percent. The industry sector grew by 5.5 percent as manufacturing slowed down, as the subsector was forced to dip into existing inventory due to the ill effects of last year's road and port congestion. Meanwhile, agriculture continued to underperform, albeit with slightly improved performance to 1.6 percent from 0.6 percent in the corresponding quarter of last year.

3. **On the demand side, GDP growth was driven by private consumption and private construction, while limited by the contraction in public infrastructure spending.** Despite the sustained impact of Typhoon Yolanda on household income, growth of private consumption was sustained at 5.4 percent, suggesting that many households have recovered. Sustained growth of remittances, at 5.5 percent in Q1 2015, continued to support private consumption. Net exports turned negative in contrast to 2014, contributing -1.8 ppt to overall growth. This is the result of weaker export growth coming from a very high base in Q1 2014, and strong import growth, as the country recovers from port congestion that hampered its imports in 2014. Finally, after a lull towards the end of 2013 and Q1 2014, private construction continues its strong recovery, growing by 14.2 percent in Q1 2015. However, public infrastructure investment continued to be slow, as it contracted by 24.6 percent, severely limiting growth in the first quarter.

External accounts

4. **The country's current account remained in strong surplus.** In 2014, the current account surplus increased to 4.4 percent of GDP. This translates to a gross national savings rate of 24.7 percent of GDP. Strong exports and sustained growth of remittances remained the key drivers of the current account surplus. Exports of services increased to USD 25 billion in 2014, 6.4 percent higher compared to the same period in 2013, driven by the fast-growing BPO industry as well as a pick-up in tourism.

5. **Driven by better governance and strong macroeconomic fundamentals, net FDI inflows reached USD 6.2 billion in 2014, the highest in Philippine history.** However, the country's FDI inflows still lag far behind that of its East Asian neighbors,[31] suggesting that investment climate constraints remain significant.[32]

6. **In contrast to the current account surplus, outflow of other capital items led to a balance of payments (BOP) deficit in 2014, the first in a decade.** Despite the improvement in the current account and FDI, large net outflows of portfolio investment and other capital items (a reversal years of inflow since

[31] In 2014, according to their respective local media and statistics offices, Indonesia attracted USD 24.5 billion, Vietnam USD 21.9 billion, and Thailand USD 12.7 billion in FDI.

[32] Preliminary Q1 2015 data show that FDI inflows declined significantly, suggesting that the country can only sustain strong FDI inflows if investment climate constraints are addressed.

2010), largely the result of upcoming US monetary policy normalization, drove the BOP deficit equivalent to one percent of GDP. The result is lower gross international reserves (GIR) of USD 79.5 billion by December 2014, before recovering slightly to USD 80.4 billion in March 2015. Nonetheless, the level of GIR remains high and is still at very comfortable levels. Reserves are enough to cover 10.5 months of imports or 3.9 times the value of the country's short-term external liability by residual maturity.[33] Moreover, despite some financial market volatilities, the economy and financial sector remains strong and were recently recognized with another credit rating upgrade by Moody's to two notches above investment grade.

Financial sector

7. **The financial sector remains generally sound and financial sector risk moderate**. The Article IV consultation mission of the IMF (see Annex III) found that the financial sector withstood the recent global financial crisis well and that developments in recent quarters continue to support the January 2010 financial system stability assessment. The IMF team found that banks' non-performing loan ratios have stayed low and capital adequacy ratios high, and welcomed the government's careful monitoring of two sources of vulnerability, namely interest rate and concentration risk. Though asset bubbles have not been a concern so far, asset price movements warrant careful attention in an environment of rising external inflows.

Prices and monetary policy

8. **Inflation continued to moderate in Q1 2015 at 2.4 percent from 4.1 percent in 2014, with positive impact on both households and businesses.** Lower inflation towards the end of 2014 and early 2015 was driven by monetary tightening on the demand side and falling prices of key commodities on the supply side. Food prices are still rising, but at a slower pace than before given stabilizing rice prices on account of ample supply following the importation of 1.8 million metric tons (MMT) over the past year. Weaker global demand for oil, stable production of oil, and more competition from natural gas also contributed substantially to lower oil prices. These have strongly benefited households and businesses as the Philippines is a major importer of oil.

9. **Aside from falling commodity prices, lower inflation is also the result of several demand-side policy adjustments.** In 2014, with inflation approaching the upper bound of the central bank's inflation target and money supply growth sustained at more than 30 percent for 10 consecutive months, the Monetary Board tightened monetary policy. In July 2014, policy rates were increased by 25 basis points (bps) and were hiked by another 25 bps in September, bringing overnight borrowing and lending rates to four and six percent, respectively. The interest rate on special deposit accounts was also increased in September by 25 bps to 2.5 percent. These policy tightening measures, which are still currently in place, proved effective in curbing money supply growth as it has stayed below 10 percent between November 2014 and February 2015.

10. **The peso broadly tracks market fundamentals and central bank intervention is limited to smoothing volatilities.** In 2014, the average exchange rate depreciated by 4.6 percent to PHP/USD 44.4, broadly tracking rising interest rates in the US. Through April 2015, the average exchange rate slightly appreciated by around 1.5 percent. However, in real effective exchange rate terms, the peso has appreciated

[33] Short-term external liability by residual maturity refers to external debt with original maturity of one year or less, plus principal payments on medium and long-term loans of the public and private sectors due in one year or less, as defined by the central bank.

by around 9 percent in Q1 compared to the same period last year as the euro and yen depreciates relative to the dollar.

Fiscal policy

11. **Tax effort continued to improve due to higher economic growth and improved tax administration.** In Q1 2015, tax revenues grew by 13.4 percent and reached 13.3 percent of GDP, from 12.3 percent of GDP in 2013. Revenues from the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) grew by 16 and 6.7 percent, respectively. Absent new tax policy measures, the increase in revenues is attributed to both economic growth and better revenue administration. To improve tax audits and adhere to international agreements, the Department of Finance (DOF) is seeking to ease the restrictions on bank secrecy and enhance data sharing with the Securities and Exchange Commission. For its part, the BIR has mandated top taxpayers to file their income tax returns electronically. On the other hand, the BOC is working with congress to pass the Customs Modernization and Tariff Act to allow BOC to further improve its collection efficiency, reduce smuggling, and lower non-tariff barriers.

12. **Higher tax revenues and weak spending, especially in public infrastructure, resulted in a low deficit in Q1 2015**. The national government fiscal deficit in Q1 reached 1.1 percent of GDP (from 0.6 percent of GDP in 2014). While this lower deficit points to an improving fiscal stance, it also indicates missed opportunities to use the growing fiscal space brought about by stronger revenue collection to make growth more inclusive.

Macroeconomic outlook and debt sustainability

13. **In spite of the weaker global environment and impact of recent natural disasters, growth prospects for the Philippines remain positive.** Uneven recovery in high-income countries, slower growth in the East Asia region, and normalization of US monetary policy can adversely affect Philippine growth.[34] Despite this, the Philippines has the means to sustain high growth in the near-term given its strong macroeconomic underpinnings. With supportive monetary and fiscal policies, in particular, taking advantage of the growing fiscal space, the country can sustain high growth in the near-term and make it even more inclusive.

14. **In the near-term, achieving growth of around 6.5 percent in both 2015 and 2016 are within reach if the government executes the budget as programmed.[35]** With private consumption growth steady at around five to six percent, GDP growth of around 6.5 percent hinges primarily on the ability of the government to spend the budget as planned. A commitment to fully utilize the budget, in particular, reaching the five percent of GDP target for infrastructure spending by 2016 and fully implementing the Yolanda master plan, will not only raise the contribution of public spending to GDP growth, it will also encourage the private sector to invest more, thereby boosting GDP growth further. Higher overall investment can also be supported by timely implementation of the PPP program. The remaining sources of growth can come from a faster global recovery, leading to improvements in the country's export sector.

15. **The weaker global economy will likely affect Philippine growth, albeit modestly.** The June 2016 Global Economic Prospects downgraded global growth projections from three to 2.8 percent in 2015. The main reasons for the downgrades are the plateauing of growth in the US and China. As these are key trading partners of the Philippines, it can pull down growth of Philippine exports.

[34] Also, natural disasters (e.g., category four typhoon or magnitude 7 and up earthquake) cannot be ruled out.
[35] Given the unexpected low growth of 5.2 percent in Q1, the team is currently reviewing the feasibility of attaining the 6.5 percent full year growth in 2015.

16. **On the other hand, rapidly falling oil prices will benefit the Philippines.** The country, as well as its key trading partners, such as China and Japan, are net importers of oil. Therefore, lower oil prices can boost Philippine exports to net oil importing trading partners. This can boost GDP growth by at least 0.5 ppt.[36] On the other hand, remittances from Filipinos working in the Middle East may decline, but this is likely to be more than offset by remittances from net oil importing countries.[37]

17. **The key risks to growth are slower than expected global growth and tightening of capital markets on the external front, and further lags in public spending and the upcoming 2016 elections on the domestic front.** Aside from the risks stemming from a weaker than expected global economy and unanticipated spending delays (discussed above), the Philippines also has to contend with tightening capital markets and political risk stemming from the upcoming 2016 presidential elections. While the Philippines' macroeconomy and financial system are fundamentally sound, rising interest rates, volatilities, and capital outflow can hurt certain highly leveraged corporates and households, although the risk of contagion is small. The general elections in 2016 also poses significant risk to sustaining reforms made under the reformist Aquino Administration. Past experience shows that investors hold back investment in the 12 months prior to the elections until there is certainly on policy. This could slow down growth further.

18. **Meanwhile, inflation is expected to stabilize at three percent in 2015 and 3.5 percent in both 2016 and 2017.** Inflationary pressures are subsiding due to rapidly falling crude oil prices, which have declined by an average of 7.7 percent in 2014 (and over 40 percent between January and December 2014) and are projected to further decline by an average of 39 percent in 2015. This, together with slower food inflation and decelerating liquidity growth, could give the central bank room to revert to a more accommodative stance to support growth.

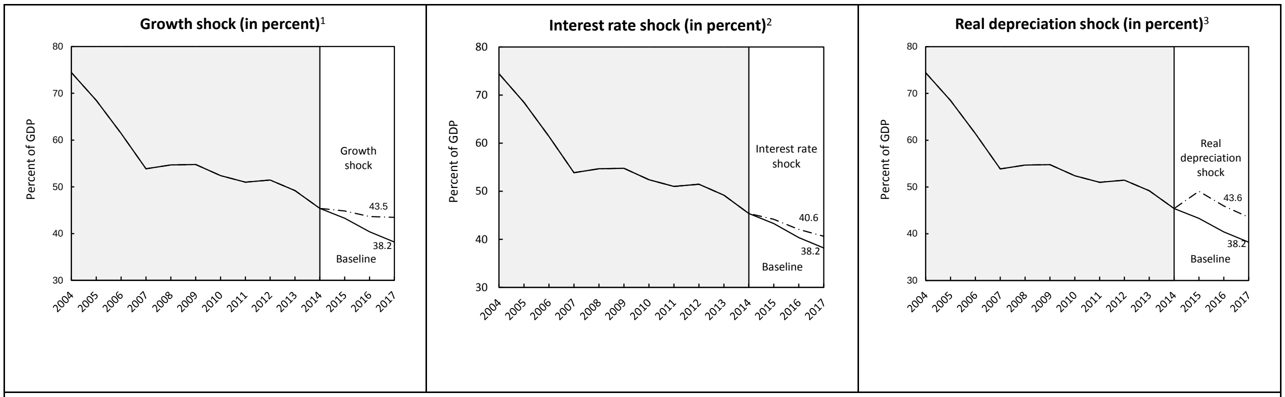
19. **Medium-term growth is dependent on the ability of the country to raise investment and implement structural reforms to boost potential growth.** Philippine output gap is close to zero,[38] which suggests limited capacity to sustain growth of above six percent in the medium term. Thus far inflationary pressures have been contained by prudent monetary policy and government underspending. Expanding potential output requires more investments in human and physical capital. In this regard, the government's resolve to double infrastructure spending from 2.5 to five percent of GDP by 2016 is welcome. Moreover, the World Bank estimates that the country needs to spend an additional five percent of GDP on health and education to boost labor productivity and the competitiveness of Filipino workers. This incremental increase in infrastructure and social services spending of 7.5 percent of GDP would bring the national government spending share to around 25 percent of GDP, which is more in line with the spending patterns of the country's neighbors and facilitate the creation of good jobs. Higher investments would require significant increases in revenues. The Bank estimates that around 3.8 percent of GDP can be raised by improving tax administration while the remaining three percent of GDP need to be raised from tax policy.

20. **The overall debt burden continues to fall, giving the Philippines ample fiscal space to support the much needed increase in physical and human capital investment.** From over five percent of GDP more than a decade ago, the deficit has been maintained at around two percent of GDP in the last four years. Borrowing spreads have also fallen from over 600 bps to just 200 bps over the same period. Alongside prudent debt management, debt service as a share of revenues fell from over 80 percent to just 27 percent and the national government debt fell from over 70 to around 45 percent of GDP between 2003 and 2014.

[36] For more comprehensive analysis of the impact of falling oil prices on growth, see the East Asia Pacific Update, April 2015 edition. This is available at: http://www.worldbank.org/en/region/eap/publication/east-asia-pacific-economic-update.
[37] Historically, even throughout many crises, remittances to the Philippines have always proved to be resilient.
[38] In 2014, potential GDP growth was estimated at 5.9 percent while actual GDP growth reached 6.1 percent. This narrow margin suggests that there is less room for higher growth in the medium-term unless the country accelerates investment.

21. **A debt sustainability analysis (Figure 5.1) projects that national government debt-to-GDP ratio will continue to trend downwards to 38.2 percent of GDP by 2017, barring any unexpected shocks, and will remain broadly sustainable, even with shocks.** Standard shocks on interest rates and growth (i.e., one standard deviation from the historical mean) and on exchange rate (i.e., 30 percent real depreciation) would increase the debt stock to between 40 and 44 percent of GDP. These levels are still broadly sustainable. The same downward trajectory is also seen in the consolidated public sector debt and total external debt.

Figure 5.1. National government debt-to-GDP ratio projection with shocks



Source: World Bank staff calculations
Notes: The shaded areas represent actual data.
The first figure represents a one standard deviation shock to growth.
The second figure represents a one standard deviation shock to interest rates.
The third figure represents a one-time real depreciation of 30 percent, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Table 5.1. Key economic indicators (2010 to 2017)

	2010	2011	2012	2013	2014	2015	2016	2017
	Actual					Projections		
Growth and inflation	(in percent of GDP, unless otherwise indicated)							
Gross domestic product (percent change)	7.6	3.7	6.8	7.2	6.1	6.5	6.5	6.3
Inflation (period average)	3.8	4.6	3.2	3.0	4.1	3.0	3.5	3.5
Savings and investment								
Gross national savings	24.1	23.0	20.9	23.9	24.1	25.2	25.6	26.3
Gross domestic investment	20.5	20.5	18.1	19.7	19.7	22.5	23.2	24.2
Public sector								
National government balance (GFS basis) 1/	-3.6	-2.1	-2.4	-1.5	-0.7	-2.1	-2.1	-2.1
National government balance (Govt Definition)	-3.5	-2.0	-2.3	-1.4	-0.6	-2.0	-2.0	-2.0
Total revenue (Govt Definition)	13.4	14.0	14.5	14.9	15.1	15.6	16.0	16.2
Tax revenue	12.1	12.3	12.9	13.3	13.6	14.0	14.3	14.5
Total spending (Govt Definition)	16.9	16.1	16.8	16.3	15.7	17.6	18.0	18.2
National government debt	52.4	51.0	51.5	49.2	45.4	44.3	40.4	38.2
Balance of payments								
Merchandise exports (percent change)	26.2	4.1	21.2	-3.6	7.3	8.0	11.0	12.0
Merchandise imports (percent change)	24.7	9.5	11.3	-3.1	2.2	9.0	11.0	11.5
Remittances (percent change of US$ remittance)	8.2	7.2	6.3	7.4	5.9	6.0	5.5	5.5
Current account balance	3.6	2.5	2.8	4.2	4.4	2.7	2.4	2.1
Foreign direct investment (billions of dollars)	1.2	2.0	3.2	3.9	6.2	5.0	4.0	4.0
Portfolio Investment (billions of dollars)	4.0	3.1	4.2	0.4	-0.3	1.0	2.0	2.3
International reserves								
Gross official reserves 2/ (billions of dollars)	62.4	75.3	83.8	83.2	79.5	82.3	84.7	85.0
Gross official reserves (months of imports)	9.6	11.6	11.9	11.5	10.2	9.8	9.0	8.8
External debt 3/	30.4	30.1	28.1	28.0	27.5	26.8	26.0	25.5

Sources: Government of the Philippines for historical and World Bank for projections.
1/ Excludes privatization receipts and includes CB-BOL restructuring revenues and expenditures (in accordance with GFSM)
2/ Includes gold
3/ World Bank definition. The difference with central bank data is that it includes the following: i) gross due to head office/ branches abroad of branches and offshore banking units of foreign banks operating in the Philippines, which are treated as quasi-equity in view of nil and/or token accounts of permanently assigned capital required of these banks; ii) long-term loans of non-banks obtained without BSP approval, which cannot be serviced using the foreign exchange resources of the Philippine banking, and iii) long-term obligations under capital lease agreements.

Table 5.2. Key fiscal indicators (2010 to 2015)

	2010	2011	2012	2013	2014	2015
	Actual					Budget
Revenue and grant	13.4	14.0	14.5	14.9	15.1	16.5
Tax revenue	12.1	12.3	12.9	13.3	13.6	15.5
Net income and profits	5.4	5.9	6.1	6.2	N/A	7.3
Excise tax	0.7	0.7	0.7	1.0	N/A	1.1
Sales taxes and licenses	2.4	2.4	2.7	2.7	N/A	3.2
Others	0.7	0.7	0.7	0.7	N/A	1.0
Collection from Customs	2.9	2.7	2.7	2.6	2.9	2.9
Nontax revenue 1/	1.3	1.6	1.6	1.6	1.5	1.0
Grant	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	17.0	16.1	16.9	16.4	15.7	18.5
Current expenditures	13.8	13.3	13.6	13.3	12.8	13.9
Personnel services	5.2	5.1	5.1	5.0	4.8	5.4
MOOE	2.0	2.1	2.4	2.5	2.4	3.1
Allotment to LGUs 2/	2.4	2.4	1.9	2.1	2.2	2.2
Subsidies	0.2	0.5	0.5	0.6	0.6	0.4
Tax expenditures	0.5	0.3	0.5	0.2	0.2	0.2
Interest payment	3.4	3.0	3.1	2.9	2.5	2.6
Capital outlays	3.1	2.6	3.2	3.0	2.8	4.4
Net lending	0.1	0.2	0.3	0.1	0.1	0.2
Balance (GFS definition)	-3.6	-2.1	-2.4	-1.5	-0.7	-2.1
Balance (GOP definition)	-3.5	-2.0	-2.3	-1.4	-0.6	-2.0
Primary Balance (GFS)	-0.2	0.8	0.7	1.4	1.9	0.5
Memorandum items						
Privatization receipts (PHP billions)	0.9	0.9	8.3	2.9	1.9	2.0
Nominal GDP (PHP trillion)	9.0	9.7	10.6	11.5	12.6	14.2

Sources: Department of Finance, Bureau of Treasury, and Department of Budget and Management, and World Bank staff calculations
1/ Excludes privatization receipts (these are treated as financing items in accordance with GFSM).
2/ Allocation to local government units (LGUs) excludes capital transfers, which are included in capital outlays.

ANNEX 6: TYPHOON YOLANDA POST-DISASTER NEEDS ASSESSMENT: SOCIAL IMPACTS ASSESSMENT

This section of the post-disaster needs assessment considers the human and social impacts of typhoon Yolanda. As the typhoon has affected some of the poorest regions of the Philippines, its impact on households and communities is expected to be long-term. A recovery and reconstruction program needs to take into account their socio-economic vulnerabilities as expressed through a number of cross-cutting sectors, and implement them through direct transfer of assistance to the people.

This summary presents the demographic and poverty profile of the disaster-affected areas. It reviews how people responded to the disaster event and coped with its immediate impacts. It assesses the impacts on the different sectors as experienced by the people, as compared to the impact on physical assets, and suggests various measures which need to be taken to support household and community recovery.

Methodology and Sources of Information

The human recovery needs assessment (HRNA) was conducted by the regional PDNA teams in each of seven regions. Some of the regional teams collected information through administering a questionnaire, while other teams conducted the assessment through focus group discussions. A detailed household-level survey eliciting information on different aspects of human and social impacts was, however, not attempted. The regional teams also could not turn these assessments into systematic accounts of impacts. Despite these limitations, there has been enough evidence of the wider human and social impacts from the most affected regions. The summary is based on the feedback and comments provided by a number of respondents on a range of issues, which included the distribution of immediate relief, experience of evacuation centers, coping strategies, impact on different aspect of their lives and livelihoods, and the need for recovery assistance.

A few other agencies conducted sector-specific surveys at the household and community level. The Assessment Capacities Project (ACAPS) has produced a Secondary Data Review (SDR) report on the basis of primary assessments conducted in a number of sectors. The HRNA chapter draws upon the SDR report in a significant way. In addition, the chapter also draws upon the Multi-Cluster Initial Rapid Assessment (MIRA I) conducted in November, 2013 and Multi-Cluster Needs Assessment (MIRA II) conducted in December 2013. MIRA II was conducted to supplement the information obtained through MIRA I. While the MIRA I aimed to provide information about impacts at the community level, the second assessment aimed to better understand impacts at the household level.

Despite the information that is available through multiple sources, it must be said that a more comprehensive and systematic approach is needed to collect data on the needs and priorities of affected and vulnerable groups, including those related to gender, age, and disability. As the SDR prepared by the ACAPS has pointed out that there has been a serious lack of sex and age disaggregated data in most assessments combined with a lack of voice of vulnerable affected groups, including older persons, persons with disability, and indigenous groups. Without sex and age disaggregated data, it is impossible to adequately and appropriately plan and implement an effective and efficient gender, and rights-based, humanitarian response. Further, there is a lack of data regarding the environmental impact of the typhoon in assessments and activity reports, and limited data relating to mainstreaming issues as protection and Gender Based Violence (GBV).

The chapter will convey peoples' experiences and expectations in the aftermath of typhoon Yolanda, which would make the recovery program more responsive to households' and community's needs. It includes information on the issues in certain sectors which affect the people severely, but are not really neatly quantifiable in physical terms. These sectors are environment, governance, and livelihoods—those important but invisible sectors which have a serious impact on peoples' lives.

Demographic Profile of the Disaster-affected Areas

Typhoon Yolanda has affected a large population of the Philippines, both in terms of percentage of the total population as well as the absolute number. Based on the 2010 population census, the total population of the Philippines is 92.3 million, but projections suggest this number rose to 98.9 million in December 2013. Total populations in Yolanda affected Regions IV-B MIMAROPA, VI Western Visayas, VII Central Visayas, VIII Eastern Visayas and XIII CARAGA together count for more than 23 million (or 25%) of the total population of the Philippines.[39]

Some of these regions such as Western Visayas (428 p/ km2) and Central Visayas (342 p/ km2) have a much higher density of population compared to the national average of population density (308 p/ km2). It implies that the risk exposure in these regions is much higher compared to the other regions of the country.

The disaster inflicted severe damages upon the rural and urban areas, as well as coastal areas and hinterland of the affected regions. In the urban areas, it affected tourism, trade, and informal sector employment, while in rural areas it damaged plantations, crops, and boats.

Poverty Profile of the Population

An estimated 14.12 million people are reported affected in the four regions, out of which 4.8 million are under the poverty threshold. The incidence of poverty is high in all the affected areas. However, it is particularly high in Region VIII, Eastern Visayas, where levels of poverty incidence by magnitude of population are the country's highest (45.6%) with the exception of Mindanao (ARMM). The other regions too which include Region IV-B, MIMAROPA (33.4%), Region VII, Central Visayas (35.5%), and Region VI, Western Visayas (27.9%), score higher than the national average of 25%.[40]

ADB estimates an increase in national poverty incidence by 1.9 percentage points resulting from typhoon Yolanda. The estimate assumed varying percentage losses in income depending on source, whether from wages (agricultural or non-agricultural), entrepreneurial activity (agricultural or non-agricultural), or transfers.[41]

Although in Region VI, Western Visayas, and Region VII, Central Visayas, almost a similar number of people are affected, there are nearly 700,000 more poor affected people in Region VII, Eastern Visayas. Eastern Visayas is a predominantly rural area, with agriculture and fisheries being the main sources of peoples' livelihoods. The region is expected to have the largest jump in poverty because of the magnitude of the damage in the region, the destruction in public infrastructure and services, and the high share of families that were vulnerable to fall into poverty before the typhoon. ADB estimates that the poverty rate in Eastern Visayas may increase from 41.2 percent to 55.7 percent.

[39] http://www.popcom.gov.ph/popstat.php; http://www.census.gov.ph.
[40] http://www.nscb.gov.ph/poverty/default.asp, Philippines Poverty Statistics.
[41] Reconstruction Assistance on Yolanda, 2013.

In recent disasters in the Philippines, the poor as well as other vulnerable groups have consistently been disproportionately affected.[42] An estimated 80% of vulnerable groups (persons with disabilities, pregnant and lactating women, and older people) affected by Typhoon Washi were not given special attention,[43] highlighting the need to identify and respond to the needs of vulnerable groups.

Deaths, Injuries, and Displacement

According to the situation report issued by the National Disaster Risk Reduction Management Council (NDRRMC) dated 4 April 2014, the confirmed death toll is 6,292. It is a very high death toll for a natural disaster. In 2012, the Philippines had the highest number (2,385) of natural disaster fatalities anywhere in the world.[44] In the Asia-Pacific region, the Philippines is the only country where the number of human deaths in natural disasters has increased in recent years. It is indeed an alarming trend, which must evoke serious concern and be responded through a national effort to reduce the level of mortality. It would require greater investment in early warning community-based, capacity-building, and considerable improvement in disaster preparedness.

In Typhoon Yolanda, there are a number of tragic stories about the entire family except one or two being swept away by tidal surges. As the families saw their loved one being swept away before their own eyes, the sense of tragedy is very acute. Though the local government as well as the organizations and newspapers have tried to locate missing persons, 1,061 people are still missing, as per the NDRRMC update. People are still trying to locate their family members. The sense of trauma which the communities have faced particularly in severely affected areas will not easily go away.

The assessments that have been conducted have reported psycho-social distress, including fear and changes in behavior such as sadness, crying, and other exaggerated emotions in the affected areas of Iloilo, Leyte, and Eastern Samar. Roughly 40 percent of households report feeling insecure. Children and young people remain profoundly affected by what they experience during the typhoon. Psycho-social support thus has emerged as an important priority.

According to the NDRRMC update, 28,698 people have been injured in the typhoon. Despite their personal losses, the personnel from the Rural Health Unit made themselves available to serve those who needed medical attention, especially pregnant women, children and the elderly. Medicines were available at the health centers, however, a large number of injured people who live in remote areas were not accessible. As a result, there was a delay in the provision of medical assistance. According to the WHO, with some of the more remote areas being accessible about four weeks later, there was a second wave of people reaching hospitals with injuries. As local hospitals were not functional in the affected areas due to destruction, some of the people who were injured required air evacuation. Hospitals in Manila treated about 20 people with spinal cord injuries, and many more with fractures and amputations.

Damaged houses and debris, uncollected solid waste and broken pavements and roads pose a high threat for physical injuries. According to the Multi-Cluster Needs Assessment (MCNA) conducted in December 2013, the risks are highest for women, 67% of household responding noted that women are at increased risk of physical injuries compared to 34% of men.[45]

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[42] Disaster-induced internal displacement in the Philippines - The case of Tropical Storm Washi/Sendong.
[43] Post-disaster Needs Assessment Washi, 2012.
[44] CRED 2012.
[45] Multi-cluster Needs Assessment, Philippines Typhoon Yolanda (December 2013), also known as MIRA II.

There is no data on the disabilities caused by Typhoon Yolanda, and there is a need to conduct a survey of the people rendered disabled by Typhoon Yolanda, and provide assistance for their rehabilitation. This is an area where updated information is not available. It is a critical gap, and a delay in assisting the disabled people would make their situation worse. Children with disabilities, especially those who live in rural areas affected by Typhoon Yolanda are vulnerable to disruptions in education and require support, mainstreaming, and close monitoring to ensure effective access to government assistance and services.

Early Warning Dissemination

All the interviews with groups of people confirmed that people knew about Typhoon Yolanda as a super-typhoon. Most of the respondents mentioned that they were in their homes when typhoon Yolanda struck as they had received early warning from several sources. Those who had concrete houses decided to wait out the storm in the comfort of their homes and made necessary preparations such as stocking of food, water, and clothes, in case they needed to evacuate. Some respondents, especially those living in danger zone areas decided to seek shelter in their evacuation centers identified by the government. Schools, chapels, and Barangay halls were some of the places identified as evacuation centers. Some took refuge in two-storeyed houses. Usually, the women, children and elderly were evacuated to safer places and men and older sons were left at their homes. People who decided to evacuate a day before the storm hit prepared for their families' immediate needs, like flashlights, candles, matches, food, and water, but they did not expect that the storm would last long; hence, the provisions were only good for a short-term duration.

However, people thought that the storm would bring heavy rains and so almost everyone prepared for normal flooding. People also made an effort to gain information regarding the typhoon's current location, speed and time of landfall. Not many thought of the force of the wind and storm surges that the typhoon would bring. A lack of popular knowledge and awareness of storm surges and their impacts contributed to a high level of fatality in the area. It is the six-meter high storm surge which killed most of the people.

Evacuation of the People

Some LGUs had the experience of preparing for typhoons and other calamities, based on which they reminded the people to make essential preparations and shift to evacuation centers. However, not all were aware of the dangers of a storm surge and its effect on the community, specifically those living along the coastal areas. Officials provided the warning, in many cities with bullhorns, urging residents to occupy higher ground, or take refuge in evacuation centers. About 1 million people evacuated. However, typhoon's severe force overwhelmed any preparations. In Tacloban City, thousands of people got to a big indoor stadium, considered to be storm proof. Though the reinforced roof survived, the people were killed by a 6-meter high surge of water which flooded the structure. In Tacloban, the storm surge was like a tsunami. Nobody expected that the typhoon could do so much damage.

The people residing in evacuation centers are predominantly from the poorest segments of the population; almost half of the people who are living still in evacuation centers belong to those with current expenditure levels among the bottom quartile of the population. People in evacuation centers are among those most severely impacted by the typhoon as reflected in almost every indicator presented in this report.[46]

[46] MIRA II, Page 6.

The interviews with communities and local government officials provide a clear indication that people were not very aware of the fatal impacts of storm surges, and they were overwhelmed with the sheer force of disaster. As the typhoons are expected to be stronger and more intense in coming years, there are clearly some lessons for the dissemination of early warning. It is not just enough that the people be warned of the typhoon and the need for evacuation, they should also be informed of various parameters of severity, particularly the speed of wind, storm surges, and the level of inundation. Local governments need to designate those buildings as evacuation centers which are at a sufficient height so that the people do not risk losing their lives when they move to such centers.

Coping with Immediate Aftermath of Typhoon Yolanda

The people found it difficult to cope with the impact of disaster event in the immediate aftermath. Due to disruption of transport and communication, the distribution of relief started late. It was further delayed in far-flung affected areas as the access roads were blocked due to heap of debris. However, once the relief distribution began, it was orderly and smooth. Most families who suffered damages and losses received food and non-food items from various sources such as the Local Government Units, Department of Social Welfare and Development, International NGOs, and private donors. A large number of donors provided humanitarian assistance, which improved the supplies of relief goods.

Barangay Councils identified the beneficiaries and managed the relief distribution. The distribution of immediate assistance was transparent, and communities were informed of the amount of relief goods distributed. The Local Government Units reported / announced to the community all the relief goods that they received and a copy of this list was submitted to the local Disaster Risk Reduction and Management Offices (DRRMOs) and updated them from time to time. The Municipal and Provincial Disaster Risk Reduction & Management Offices kept track of the list of beneficiaries and ensured that there was no repetition in respect to distribution of relief goods, and all the families received both food and non-food items. In respect to non-food items, priorities were given to differently-abled persons, senior citizens, single parents, households with most number of children below 10 years old, and households with no regular source of income. Most respondents expressed their appreciation on the transparency and manner of distribution.

In some cases where private donors asked for a specific group to handle the distribution of goods, the MDRRM office coordinated with these groups such as Church / Barangay leaders. Before and during the disasters, food items from the LGUs were distributed to the people in the evacuation centers. Right after the typhoon, both food and non-food items (tarpaulins/shelter kits) came and the immediate need of the community was provided for, albeit not all those who were affected received assistance. For those municipalities which were hardest hit, medium to long-term help is being made possible by some International NGOs.

There were instances of looting as well following the disaster event. The affected families from Tacloban City admitted that they looted items from supermarkets, but those items were goods of basic necessities such as food, water, milk, and clothes. They could not really identify those people who looted things which are not for immediate survival such as appliances, jewelry, etc. It must be said that the incidents of looting was reported in the worst affected area of Tacloban City, and not in any other area.

The Multi-Cluster Needs Assessment (MIRA) of December 2013 showed that 31% of the affected population were currently not living in their own house. They are either living in temporary shelter near to their homestead, or staying with friends and family. The homelessness and dislocation of the people has been a source of stress. Women and elderly people have been the most affected groups. Elders in the family are most affected from extreme weather conditions making them most vulnerable to illnesses.

Impact on Livelihoods

Typhoon Yolanda's impact on the livelihoods of almost six million working women and men has been severe. It could be explained in terms of destruction of assets and supplies, disruption of markets and businesses, and reduction in demand for skilled and non-skilled labor. Income has been halved on average in many sectors.

In July 2013, prior to Typhoon Yolanda, the working-age population (aged 15 years old and over) in the four most affected regions (IV-B, VI, VII, VIII) was estimated at 15.0 million. Out of this number, approximately 9.6 million were in the labor force, registering a labor force participation rate of 63.9 per cent. With a labor force of 3.2 million in both Regions VI and VII, they account for 66.6 per cent of the total labor force in the four regions. Some 9.0 million people were employed in the four regions, while 0.6 million were unemployed, representing an unemployment rate of 6.2 per cent. Furthermore, some 3.8 million workers were in vulnerable employment (own-account workers and unpaid family workers), representing 42.6 per cent of total employment in the four regions. In particular, vulnerable employment rates were relatively high in Region IV-B and Region VIII, at 49.0 per cent and 48.1 per cent respectively.

Key labor market indicators, prior to Typhoon Yolanda (in '000)

	IV-B	VI	VII	VIII	Total (4 regions)
Working-age population (15+)	1,955	5,182	4,900	3,010	15,047
Labor force	1,296	3,205	3,201	1,914	9,616
Employed	1,246	2,964	2,992	1,819	9,021
Underemployed	243	666	365	528	1,802
Unemployed	50	241	209	95	595
Vulnerable employment	592	1,136	1,203	849	3,780
Labor force participation rate (%)	66.3	61.8	65.3	63.6	63.9
Employment rate (%)	96.1	92.5	93.5	95.0	93.8
Underemployment rate (%)	19.5	22.5	12.2	29.0	20.0
Unemployment rate (%)	3.9	7.5	6.5	5.0	6.2
Vulnerable employment rate (%)	49.0	37.9	41.5	48.1	42.6

Source: All data based on Philippines Labor Force Survey, July 2013, except vulnerable employment and vulnerable employment rate, which are based on the Labor Force Survey, October 2012.

An ILO impact assessment indicates that some 5.6 million workers, 60% men and 40% women, in the four regions are estimated to have had their livelihoods impacted temporarily or permanently as a result of Typhoon Yolanda.[47] This represents over 60 per cent of total employment in the four regions. Amongst the total number of workers affected, an estimated 2.4 million vulnerable workers, or 42.9%of affected workers, were either self-employed or unpaid family workers. With inadequate incomes and no or limited access to social security prior to the disaster, this group of workers is most vulnerable to any disruption in employment and income flows. Among the four regions, Region VII is estimated to have both the largest number of workers and largest number of vulnerable workers affected.

According to the Philippines labor force survey, half the workforce in the affected areas previous to the Typhoon was in the service sector, with the industrial sector accounting for 13% of employment, and 38% in agriculture. Livelihoods are often mixed, with many households maintaining secondary or

[47] ILO (2013/11/28) Service Sector Severely Affected by Typhoon Haiyan.

tertiary livelihoods, and therefore have more than one income source. This improves income diversity (hedging) on the one hand, and allows for lean periods in one activity type to be complemented by other activities on the other hand[48]. Households with mixed but vulnerable livelihoods (agriculture, fishing, trading etc.) have suffered damages even in their secondary and tertiary sources of income. This was observed in the coastal areas in particular, as well as in major urban centers on the coast.

Rural Livelihood Losses

The survey conducted for MIRA showed that agriculture and fishing were the most severely impacted: more than half (51 percent) of fisherfolk and 29 percent of farming households reported that their livelihoods were completely destroyed. In addition, more than half of those engaged in wholesale and retail trade (51 percent) also reported a lasting impact on their livelihoods due to the typhoon. By contrast, those in salaried and skilled employment as well as other daily laborers (unskilled, non-agriculture) reported less impact, with the majority reporting no or temporary impact, i.e. disrupted but now restored.

Though the coastal areas were significantly affected, the impact was severe in some of the inland communities. In Leyte, many communities also reported damage to their livelihoods, largely due to extent of damage sustained on coconut plantations on which many of these communities depend. Given that coconut plantations can take approximately seven years to grow and become productive, alternative livelihood options may need to be identified and encouraged for affected households.

In terms of area destroyed, farming households report that for all crops except rice (coconut, banana, vegetable, corn, cassava and sugarcane), crop area destruction was more than 90 percent. Paddy fields were damaged to the extent of 72 percent of cultivated area.

Fishing communities were hit hard in that they not only lost their boats and fishing equipment but also their houses and catch earnings. Twenty-eight percent of fisherfolk have lost their boats and 35 percent have lost almost all fishing equipment including nets. Many fisherfolk reported being able to resume limited fishing activities (mostly for consumption) by sharing boats and equipment. On average, fishing was disrupted for almost a month in all areas. The main challenge for households that depend on fisheries is not only access to boats and fishing equipment but also access to electricity to refrigerate fish for sale at a later stage. Fisherfolk with seaweed plantation or aquaculture farms were also severely affected.

As elsewhere, in the Philippines, animals are considered valuable assets in rural communities and an important secondary source of income throughout many livelihood groups. Overall, 31 percent of households reported livestock losses, mainly of poultry.

Urban Livelihood Losses

While many households maintain more than one income source, those in the coastal and urban areas in particular have suffered losses across different activity types as well as along the value chain which includes processing, salting, canning, etc. [49] Wage laborers engaged in downstream agricultural and livestock sectors such as rice milling and feed milling have also been severely affected as a result of damages in plantations and paddy fields. [50]

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[48] FAO Livelihood Profiles 2013.
[49] FAO Livelihood Profiles 2013.
[50] ILO 2013, Northern Cebu Livelihood Impact Assessment.

In Tacloban City area, a large number of retail stores run by small vendors who normally supplied the city and its surrounding Barangays with fresh food and dry goods had been severely damaged. Other than physical damage and looting, many reported a lack of capital and clientele. The few shops that had resumed operations were reportedly selling goods that had either been looted, or recovered from the debris such as cigarettes and light drinks. A large number of tricycle and pedicab drivers in Tacloban City had either lost their vehicles or required repairs. [51]

The small business owners who were affected operated their businesses at their house (Sari-sari store). It is the women of the house or other family members who mostly looked after the business. The assets that were lost were mostly the inventory. As for damages to structures, they have no other option but to rebuild. All household enterprises (Sari-sari stores and handicrafts) do not employ hired help, and as a result, no workers were laid off.

More women than men are engaged in the informal economy. While activity in this sector is largely untaxed, labor rights and contracts are rarely enforced, thereby increasing the risks of exploitation.

Income Losses

The household survey conducted as part of the MIRA II has reported that there are significant income losses. Across all the affected areas, half of income derived from the main livelihood activities was reportedly lost as a result of typhoon Yolanda, with the most affected areas experiencing 80 to 90% losses. The poorest households were the most severely affected in terms of income losses. The poorest quartile of households (measured in terms of total expenditure in November) reported losing around 75% of their income, while the second poorest quartile lost 55%, the third poorest lost 43%, and the richest quartile lost 27%. This trend highlights the vulnerability of the poorest segments of the population who now face additional income challenges as a result of typhoon Yolanda.

In terms of income losses by specific livelihood, fishing and farming were again the most impacted: fisherfolk lost around 70% of their income while farmers lost 54% in the aftermath of Yolanda. Wholesale/retail traders and non-agricultural daily laborers also reported losses of approximately half of their income in November. Salaried and skilled employment reported smaller but still substantial income losses, of around 38%.

Whatever little money the affected households have, they spent on making temporary/makeshift shelter. Though some respondents received help, most of them said they had no outside help (i.e. remittance from an OFW family member, family members working in Manila). Since Nipa and Ambolong trees (source of materials used for roofing) were mostly destroyed, some respondents have resorted to taking out cash loans from informal lenders, and for those gainfully employed, they borrowed from lending institutions like banks, formal lending companies, and Government Financial Institutions (GFIs) like Government Service Insurance System (GSIS) Home Development Mutual Fund, Social Security System (SSS). There were no reported cases of a spike in interest rates. 25% of female-headed households are now receiving remittances, compared to the lower figure of 18% before the crisis.[52]

In the absence of cash, there is a likelihood of dependence upon loan sharks and informal moneylenders, colloquially called ‘5-6’ loan schemes), which perpetuates the cycle of indebtedness (FAO Livelihood Profiles 2013). The quick recovery of financial institutions, despite problems with ID documents, at least ensures the ongoing transfer of remittances.[53]

[51]Oxfam 2013, Emergency Food Security and Vulnerable Livelihoods Assessment Report, Tacloban City and Leyte Province.
[52] MIRA II, 2013.
[53] Oxfam 2013, Emergency Food Security and Vulnerable Livelihoods Assessment, Daan Bantayan.

The proposed recovery interventions in the area of livelihoods are mentioned in the section related to recovery and policy recommendations.

Housing: Human and Social Impacts

The damage to housing in the wake of Typhoon Yolanda is enormous. The total number of houses totally destroyed is 489,613, while the number of houses partially damaged is 595,149. With a huge incidence of homelessness, the housing remains a key priority for the affected population.

Inferior quality materials and poor construction underscore much of the devastation to houses: observations from the field confirm that many of the houses destroyed were built from wood and other fragile materials. With the risk of up more typhoons in the coming months, shelter concerns are a top priority.

While there is discussion of housing damages and reconstruction needs emerging from the chapter on social sector, the section discusses peoples' needs, choices, and expectations. People have limited cash to pay for repairs and rebuilding. Almost 20% of those whose homes are destroyed are living in temporary shelters near to their homestead. A large number of families, especially those who can afford to and have relatives elsewhere, have left their community at least temporarily. Of those who have migrated, about one third come from the coastal areas.

Temporary / transitional housing

Temporary / transitional housing, also known as bunkhouses, needs to be made available for families forced to relocate due to housing insecurity at least until it is safe to return back to their home or, if necessary, until they are relocated. However, the provision of temporary / transitional housing raises several issues which need to be addressed:

a. A selection criteria needs to be developed which is applied consistently for provision of temporary shelter. The criteria must be communicated to all the people who are considering moving into temporary shelter.

b. There will not be enough temporary shelter for the people who have been displaced. In such situation, a standard assistance should be considered so that people can build temporary shelter through their own efforts.

c. It is equally important to provide basic civic amenities such as water, sanitation, and schools close to cluster of temporary shelter. If the people need to live there for a certain length of time, they must be provided with living conditions which are acceptable.

The affected households indicate that their immediate priority needs are still reconstruction and repair of housing, continuation of food assistance, and fulfillment of cash requirements. No major differences are observed between priority needs expressed by female and male respondents.

Low income generation limits the ability of people to start or complete the reconstruction of their houses. An estimated 70% of households are in need of support to rebuild or repair their homes.[54] Limited cash is available to pay for repairs and rebuilding.[55]

Debris and rubble clearing must be prioritized to make room for new shelter. The debris contains timber and corrugated galvanized iron (CGI) roofing materials that can be salvaged for rebuilding or repair

[54] REACH (2014/01) Super Typhoon Haiyan, Shelter and Wash Cluster Assessment.
[55] MIRA II, 2013.

purposes. It is important to salvage CGI especially in urban areas as natural resources such as palm leaves for roofing and bamboo is not easily accessible. The skills of men and women in recycling and natural resource harvesting will inform equitable inclusion in the shelter response.

Housing, land and property issues potentially affect over a third of all IDPs. These issues have become an increasing concern, as many households do not own land titles. An estimated 62% of the affected population owns or rent their plot. However, 33% of the population lives on rent-free land with (27%) or without consent (6%) of the owner. Having the consent of the owner is not a guarantee for these families occupying their land as they can be forcibly relocated or evicted by the landlord.[56] In the absence of these legal rights, they could be overlooked in government housing allocations.

If availability of land emerges as a critical issue, there is a need for wider consultations with households and communities to resolve the issue. Appropriate gender-sensitive solutions need to be identified and effective solutions implemented by government, where necessary with the support of the international community.

There is an urgent need to prioritize shelter assistance according to vulnerability, especially for households headed by women, older people, children, and persons with disability whose needs have not been met before the new rainy season starts. Those households who did now own a house or land before the typhoon or have lost their land or property titles also need to be assisted for housing.

A large number of affected households are returning to rebuild or repair their houses. Financial and technical assistance for self-help housing / owner-driven reconstruction is a strategy which the national and local governments must consider. Provision of building materials, tools, and organizing cash for work and trainings is a sustainable solution that will enhance community resilience.[57]

The need for community and urban planning in highly damaged areas will be crucial, particularly in areas with possible reduction in population, key changes to community infrastructure, and areas where government wants to declare as no-build and no-settlement zones.

If there is a demand for enforcing 40 / 50 meters from the coastline as no-building zones, a large number of families affected by the implementation of this regulation will need to be relocated. The decision will need to be implemented in consultation with the local governments and communities.

Key recovery interventions in the area of housing are mentioned in the section related to recovery below.

Protection Issues

There is an overall lack of sex and age disaggregated data on protection concerns, both pre- and post-typhoon. However, there are certain protection issues that have been expressed in several assessments conducted after typhoon Yolanda.

The key protection issue that emerged is a general feeling of insecurity among men and women, especially in evacuation centers, but also throughout the affected areas. On average, across all geographical areas, sex and wealth categories, 40% of households interviewed indicated a feeling of insecurity.

As a large number of people were displaced due to typhoon, protection risks increased considerably for women and children. A total of approximately 3.3 million people moved into 1,092 evacuation centers. As a result, conditions such as overcrowding, lack of privacy, lack of lighting, and lack of segregated

[56] REACH (2014/01) Super Typhoon Haiyan, Shelter and Wash Cluster Assessment.
[57] Shelter Cluster, 2013 Typhoon Haiyan - Shelter Cluster Technical Guidance.

facilities heighten the likelihood of sexual and gender-based violence in evacuation centers overall (SRP 2013/12/10), and especially within families. Women in 26% of households are restricting their movements by fear of prevailing insecurity, especially in inland areas of Leyte and the Western coast of Samar which suffered significant damage as a result of extreme wind.[58]

Government institutions and NGOs have reported trafficking as a major concern, particularly because areas heavily impacted by the typhoon, like Samar and Leyte, were known hot spots for trafficking of women and girls prior to the current disaster.[59] Around 15 percent of households express an increased risk of human trafficking in these sites for both men and women. Women, children and adolescents from poorer households may be particularly at risk. In other areas, the increased risk or human trafficking is expressed by 4.3 percent of households for females and 2.2 percent of households for males. The danger of human trafficking will need to be strictly monitored for households still residing in evacuation centers.

In addition, a child protection rapid assessment carried out by UNICEF in Leyte, Samar, Eastern Samar, Cebu and Capiz suggest there are increasing concerns about the potential risk of violence, abuse and exploitation against women and children in the typhoon-affected areas. Mitigating actions include support for the psycho-social wellbeing of children and their families and prevention measures to reduce a potentially increasing risk of child sexual abuse and child trafficking.

IDPs in remote areas and areas affected both by conflict and by the typhoon, and in evacuations centers face protection risks related to their displacement, relocation and resettlement.[60]

Loss of documents can lead to significant land and property rights issues. Families who have lost legal documentation of land and property title may encounter legal dispute on ownership of land tenure. These groups will require support from local or provincial government resources to recover these assets.

Gender

The assessment is seriously constrained by a lack of sex and age disaggregated data. Without the necessary data on how vulnerable groups such as women, older persons, and persons with disability are affected, it is difficult to plan a well-targeted recovery program.

In the Philippines, the number of female-headed households is around 20% of total households, and in typhoon-affected areas, the percentage must be the same. This group is clearly more vulnerable, and they need to be identified for the purpose of assistance. A positive development is that remittances from abroad for female-headed households have increased after the typhoon, compared to pre-typhoon level.

More women than men are engaged in the informal economy. Small and local traders (mostly women) who relied on local agricultural or fishing have suffered a significant economic blow; their recovery will not be rapid. Impacts on women have been presented as below:

1. Poorer families, and especially women, are engaging in negative coping strategies and limiting food intake. If these strategies continue for a long time, it may have a negative effect on the health and physical well-being of the affected population, especially children, pregnant women, older people, people with chronic illnesses and those with disabilities.

2. Men are primarily involved in catching fish, while women are engaged in pre- and post-fishing activities. Women undertake local fish processing and marketing activities and are involved in mending

[58]MIRA II.
[59]IACAT, 2012. The Second National Strategic Action Plan against Trafficking in Persons 2012-2016.
[60] Strategic Response Plan Philippines Typhoon Haiyan 2013.

nets, tending fishing equipment, and other activities.[61]Livelihoods interventions need to be organized, taking into account such a gendered division of labor.

3. Both men and women farm, but have different roles. Usually, men prepare the land. Both men and women transplant and harvest the crops. Women are also engaged in post-harvest processing (cleaning and drying at household level) and selling the surplus production of both vegetables and staple food crops. Some women are active in farming. Immediate support for resumption of agriculture will benefit both men and women engaged in farming.

4. Timely early recovery and livelihoods support, which includes gender analysis, should be provided to the agricultural and fishing communities so as to enable men and women to restore their income and food generating activities. Reliable supply routes are critical when planning support for food production activities.

5. By region, a high prevalence of nutritionally at-risk pregnant women was noted in MIMAROPA (43.6%) and Western Visayas (33.2%). Despite efforts to improve the health and nutrition of mothers and newborns, maternal and neonatal mortality is still at 200 per 1,000 live births.

6. In the three regions most-affected by Typhoon Yolanda (Western Visayas, Central Visayas and Eastern Visayas), the reported rates for physical and sexual violence are higher than the national average.

7. One overlooked need during and after disasters relates to female reproductive and hygiene care. Few women stated that they had access to feminine hygiene supplies and most women who were sexually active stated that they did not have access to birth control.

Food Security

The section is based on the results of a household-level survey conducted to assess the level of food security in the typhoon-affected areas. A team of researchers associated with the Igarapé Institute and the Institute of Social Work and Social Science conducted a rapid household survey which included 4,366 households with a total of 20,524 individuals.

As the food supplies ran short, more than half of all households reportedly experienced hunger after the typhoon. Urban households were nine times more likely to be food secure than rural households in the weeks after the typhoon. Rural households were significantly more likely than urban households to report losing food stored for later consumption and/or animals used for food or sale during or after the typhoon.

Supplies of food and water were not enough to nourish the affected population due to huge number of families affected. Relief goods from government and non-government organizations would be sufficient only for a few days. Poor families have no other option but to reduce the expenditures for food and sometimes skip meals together.

Areas with limited food assistance are primarily located in the Western Visayas and Eastern Visayas regions with La Paz, Buruaen, Santa Fe, Pastrana, and Tabontabon areas particularly in need.

Poorer families, and especially women, are engaging in negative coping strategies and limiting food intake. It would be important to increase their purchasing power through cash-based interventions so that they can purchase food, and the negative effect on health and physical well-being of the affected population could be avoided.

[61] Asia-Pacific Fishing Commission, 2012.

The critical place of remittance support in shaping peoples' wellbeing was also confirmed. Access to remittances from family members abroad served as a protective factor with respect to food security. Those receiving remittances or cash transfers after the typhoon were 4.72 times more likely to be food secure than other households. It is worth noting that the frequency of remittance flows from Filipinos working overseas grew continuously in 2013 – up to US$2 billion a month, a 6.6% increase on previous years. Though 10% of households had received remittances or cash transfers since the typhoon, many more reported that they expected to receive such funds.

People taking shelter in evacuation centers, marginalized or isolated indigenous communities and those considered highly vulnerable (older people, people with disabilities, pregnant and lactating women, the chronically ill, households with multiple infants and small children, and those from areas with a high pre-disaster prevalence of malnutrition and extreme poverty) are at high risk of food insecurity in the coming months if they are not able to recover their livelihoods.