Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PGD426

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT FOR A

PROPOSED LOAN

IN THE AMOUNT OF US$500 MILLION TO

REPUBLIC OF THE PHILIPPINES
FOR THE

Philippines Disaster Risk Management and Climate Development Policy Loan with a Catastrophe Deferred Drawdown Option

October 20, 2023

Urban, Resilience And Land Global Practice
East Asia And Pacific Region

Public Disclosure Authorized

Republic of the Philippines

GOVERNMENT FISCAL YEAR

July 1 – June 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of date)

Currency Unit

US$1.00: Php 56.62

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	GMMA	Greater Metro Manila Area
BEDP	Basic Education Development Plan	GOP	Government of the Philippines
BOP	Balance of Payments	GRID	Green, Resilient and Inclusive Development
BSP	Bangko Sentral ng Pilipinas	IBRD	International Bank for Reconstruction and Development
BTMS	Budget and Treasury Management System	IMF	International Monetary Fund
Cat DDO	Catastrophe Deferred Drawdown Option	JICA	Japan International Cooperation Agency
CCA	Climate Change Adaptation	LGU	Local Government Unit
CCDR	Country Climate Development Report	NCCAP	National Climate Change Action Plan
CLUP	Comprehensive Land Use Plan	NDC	Nationally Determined Contribution
COA	Commission on Audit	NGA	National Government Agencies
COVID-19	Coronavirus 19	NPL	Non-Performing Loans
DepEd	Department of Education	PDO	Program Development Objective
DHSUD	Department of Human Settlements and Urban Development	PDP	Philippine Development Plan
DOF	Department of Finance	PFM	Public Financial Management
DOH	Department of Health	PPP	Public Private Partnership
DPL	Development Policy Loan	PEISS	Philippine Environmental Impact Statement System
DRF	Disaster Risk Finance	PFM	Public Financial Management
DRM	Disaster Risk Management	RGHSF	Resilient and Green Human Settlements Framework
DRR	Disaster Risk Reduction	SCD	Systematic Country Diagnostic
DRRM	Disaster Risk Reduction and Management	TWG	Technical Working Group
GDP	Gross Domestic Product		

Regional Vice President:	Manuela V. Ferro
Country Director:	Ndiame Diop
Regional Director:	Anna Wellenstein
Practice Manager (s):	Yoonhee Kim
Task Team Leader (s):	Lesley Jeanne Yu Cordero, Marilyn Tolosa Martinez

REPUBLIC OF THE PHILIPPINES

PHILIPPINES DISASTER RISK MANAGEMENT AND CLIMATE DEVELOPMENT POLICY LOAN WITH A CATASTROPHE DEFERRED DRAWDOWN OPTION

TABLE OF CONTENTS

The Philippines Disaster Risk Management and Climate Development Policy Loan with a Cat DDO was prepared by an IBRD team consisting of Lesley Jeanne Y. Cordero (Senior Disaster Risk Management Specialist and Task Team Leader); Marilyn Tolosa Martinez (Senior Disaster Risk Management Specialist and Co-Task Team Leader); Madhu Raghunath (Sustainable Development Sector Leader); Ronald Upenyu Mutasa (Health, Nutrition, and Population, Practice Manager); Kevin Chua (Senior Economist); Kevin Thomas Cruz (Economist); Ralph Van Doorn (Senior Economist); Fernando Ramirez Cortes

(Senior DRM Specialist); Janssen Edelweiss Nunes Teixeira (Senior Education Specialist); Sachiko Kataoka (Senior Economist); Wei Han (Senior Economist); Melissa Sumang Guerrero (Health Specialist); Lilanie Magdamo (Senior Operations Officer); Rommel Herrera (Operations Officer); Tomas A. St. Maria (Senior Financial Management Specialist); Dominic Aumentado (Senior Procurement Specialist); Maya Gabriella Villaluz (Senior Environmental Specialist); Agnes Balota (Senior Environmental Specialist); Sharon Piza (Economist); Fides Borja (DRM Consultant); Madeleine Ong (DRM Consultant); Miguel Dorotan (DRM Consultant); Jean De Pano (DRM Consultant); Ma. Criscia Alonte (DRM Consultant); Karen Lazaro Enriquez (MTI Consultant); Vincent Abrigo (Senior Program Assistant); Elezor A. Trinidad (Former Program Assistant); Mildren Penales (Program Assistant); and Danica Gonzalez (Team Assistant). The team worked under the supervision of Ndiame Diop (Country Director, EACPF) and Benoit Bosquet (Former Regional Director, SEADR), Anna Wellenstein (Regional Director, SEADR), Francis Ghesquiere (Former Practice Manager, SEAU2), Yoonhee Kim (Practice Manager, SEAU2) and benefited from helpful comments and suggestions from Achim Fock (Former Operations Manager, EACPF), Dandan Chen (Operations Manager, EAPCF), Cristian Aedo (Practice Manager, HEAED), and Aparnaa Somanathan (Former Practice Manager, HEAHN). Armando Guzman (Senior DRM Specialist); Suranga Sooriya Kahandawa (Senior DRM Specialist); Carlos Marcelo Bortman (Lead Health Specialist-Consultant); Enrique Alasino, (Senior Education Specialist), Dao Harrison (Senior Housing Finance Specialist); and Tigran Shmis, (Senior Education Specialist) were the peer reviewers. The team gratefully acknowledges the contribution of the Health and Education Practices of the World Bank and the excellent collaboration with the Government of the Philippines.

SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic
P180585	No

Proposed Development Objective(s)

The development objective is to strengthen the Government of the Philippines' capacity to manage disaster and climate risks, including those in the education, human settlements, and health systems.

Organizations

Borrower:	REPUBLIC OF THE PHILIPPINES
Implementing Agency:	Department of Science and Technology, Department of Health, Department of Finance, Department of Human Settlements and Urban Development, Department of Education

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**500.00**

DETAILS

International Bank for Reconstruction and Development (IBRD)	500.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Results

Indicator Name	Baseline (2023)	Target (2026)
Pillar A: Strengthening the Resilience of the Education System		
Results Indicator A1.1: Percentage of schools that integrate disaster and climate resilience measures; and number of schools strengthened against disaster and climate hazards.	0 (risk-informed and evidence-based platform not yet developed)	80 percent; and 300 schools
Results Indicator A1.2: Sex-disaggregated data is collected and used in developing policies, regulations and informs overall planning and investment programming.	No	Yes
Results Indicator A2: Percentage of schools in the GMMA that implement risk-informed disaster and climate preparedness and response plans	0 (risk-informed and evidence-based platform not yet developed)	80 percent
Pillar B: Strengthening the Resilience of the Human Settlements System		
Results Indicator B1: Number of LGUs that implement zoning regulations based on disaster and climate risk-informed CLUPs.	0 (risk-informed and evidence-based platform not yet developed)	200 LGUs
Results Indicator B2: Number of LGUs that have developed and integrated resilient urban design strategies in their land use plans (CLUPs).	0	30 LGUs
Results Indicator B3: Number of LGUs that have developed plans for green and open spaces using DHSUD's guidelines; and number of LGUs that have established green and open spaces using DHSUD guidelines	0 (guidelines not yet developed)	30 LGUs; and 10 pilot LGUs
Pillar C: Strengthening the Resilience of the Health System		
Results Indicator C1: Percentage of health facilities funded under the DOH Health Facilities Enhancement Program that integrate disaster and climate resilience measures	25 percent	95 percent

IBRD PROGRAM DOCUMENT FOR A PROPOSED DISASTER RISK MANAGEMENT AND CLIMATE DEVELOPMENT POLICY LOAN WITH A CAT DDO TO THE REPUBLIC OF THE PHILIPPINES

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed Disaster Risk Management (DRM) and Climate Development Policy Loan (DPL) with a Catastrophe Deferred Drawdown Option (Cat DDO) of US$500 million aims to strengthen the capacity of the Government of the Philippines (GOP) to manage disaster and climate risks, including those in the education, human settlements, and health systems.** It builds on the recommendations of the 2022 Philippines Country Climate Development Report (CCDR) and on the achievements and lessons from the sustained partnership between the World Bank and the GOP in DRM and climate change adaptation (CCA). The proposed program focuses on reforms that seek to strengthen the resilience of the education, human settlements, and health systems, given their high exposure and vulnerability to disasters and climate change, and their essential role in human capital accumulation, economic growth, and poverty reduction.

2. **The Philippine economy has gradually recovered after the Coronavirus 19 (COVID-19) pandemic interrupted economic growth.** The COVID-19 pandemic severely hampered economic growth and poverty reduction. The Philippines had the worst contraction in its post-war history in 2020 (-9.5 percent), due to the triple shock of the COVID-19 pandemic, which delivered a historical global recession, a health crisis, and containment measures that stifled the domestic economy. The economy has gradually recovered to the pre-pandemic level, growing by 6.6 percent on average in 2021-22. With continued recovery and reform efforts, the economy is now getting back on track in transitioning from a lower to an upper-middle-income country.

3. **Disasters and climate change are threatening to reverse the country's development gains.** Approximately 60 percent of the country's total land area and at least 74 percent of Filipinos are vulnerable to multiple hazards including typhoons, landslides, floods, storm surges, droughts, volcanic eruptions, and earthquakes. From 2012 to 2022, disasters killed around 10,000 persons, affected 117.6 million people and resulted in economic losses amounting to Php 485 billion (US$ 8.5 billion).[1] The impacts of rare events such as Super Typhoon Yolanda (Haiyan, 2013) were more catastrophic with economic losses reaching 4.6 percent of the country's 2013 Gross Domestic Product (GDP). Due to increases in temperature, the country is likely to experience even more frequent and intense climate-related shocks in the future. According to the Philippines CCDR, the losses associated with climate change may amount to up to 7.6 percent of GDP by 2030 and 13.6 percent of GDP by 2040.[2]

4. **Disasters and climate change disproportionately affect the poor, particularly women and girls.** The poor are highly exposed and vulnerable to disasters and climate change. The poor lack resources and have fewer safety nets. They also rely largely on climate-vulnerable occupations such as farming and fishing and tend to live in hazard-prone areas. In urban areas, they live in disaster-prone informal settlements. In the aftermath of a disaster, the poor often suffer more from loss of life, injury, damage to houses, loss of assets and sources of livelihoods, displacement, and lack of access to basic services. The well-being losses of the poorest income quintile have been found to be 1.5 times larger than the average individual loss in the

[1] Philippine Statistics Authority. 2022. Compendium of Philippine Environment Statistics 2012 – 2022 Component 4: Extreme Events and Disasters.
[2] World Bank Group. 2022. Philippines Country Climate and Development Report.

country.[3] Given the disproportionate impact on the poor, the average annual wellbeing losses due to disasters (est. at US$3.9 billion per year) is more than double the annual asset losses of US$1.4 billion.[4] Further, women and girls are differently affected by disasters and climate change. Due to societal and gender norms, they face significant and unique challenges that aggravate inequalities and intensify poverty such as high vulnerability to malnutrition and diseases, difficulty re-entering the workforce, and increased risk of gender-based violence, among others.[5,6]

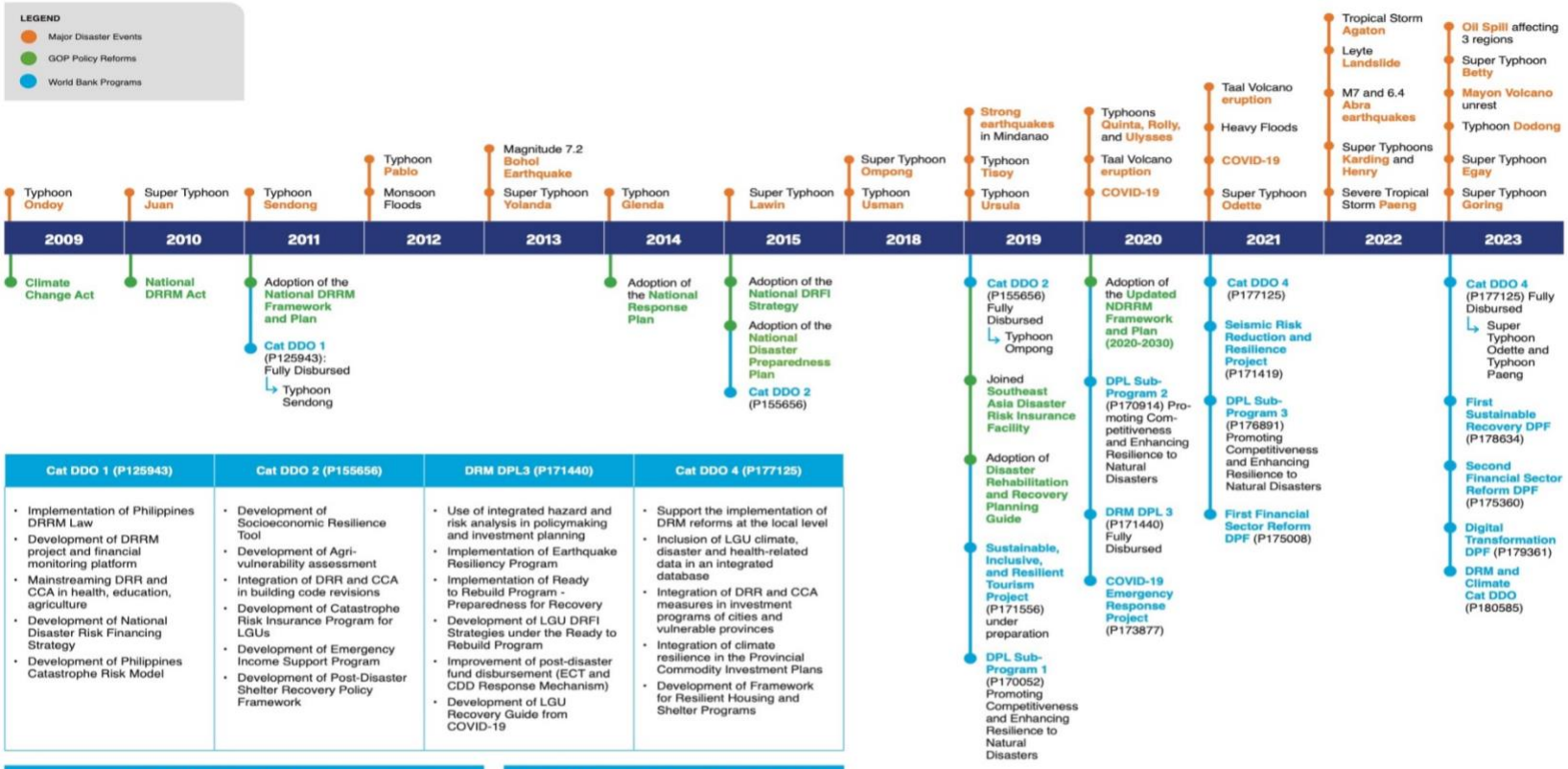
5. **The GOP has been implementing policy reforms to transition from reactive to proactive DRM for more than a decade with a significant focus on preparedness and resilience.** Key milestones include the 2009 Climate Change Act, which mandated the mainstreaming of CCA and mitigation, in synergy with disaster risk reduction (DRR), into development planning; and the 2010 Philippine Disaster Risk Reduction and Management (DRRM) Act that directed the shift from disaster response to DRR and preparedness involving multi-sectoral coordination and active participation at the local level. The GOP continues to mainstream disaster and climate resilience measures in development planning, as reflected in the Philippine Development Plan (PDP) 2023-2028. The PDP strategy for disaster and climate resilience is one that adopts a "well-being lens", where DRR, CCA, and mitigation initiatives contribute to increased income and employment opportunities, improved public health, enhanced knowledge and skills, and in the long-term, help sustain the economic and social well-being of Filipinos.

6. **The partnership between the GOP and the World Bank over the last decade enabled the progression of DRM and CCA reforms.** DRM policies and interventions were put in place because of the country's rich experience and lessons learned from previous disasters, and in part through the support of previous DRM-DPLs with Cat DDOs. Figure 1 provides the overview of key Philippine DRM milestones supported by the World Bank. Annex 5 presents in detail the World Bank DRM engagement in the Philippines.

7. **Considering the evolving risk landscape and heightened complexity of disasters and climate change, there is a need to continue efforts to further strengthen the country's resilience at the sectoral level, particularly in human development —education, human settlements,[7] and health.** These sectors are highly exposed and vulnerable to disasters and climate risks. The frequent onslaught of disasters damaged schools and health facilities and disrupted the delivery of education and health services. Disasters likewise destroyed houses and households' assets, increased household vulnerability and pushed many of them to poverty. Addressing the fundamental constraints that impede these sectors to effectively prevent, reduce, and manage climate and disaster risks is essential. To enhance the resilience of these sectors, there is a need to: (i) strengthen school infrastructure planning and investment programming; (ii) improve emergency preparedness and response capacities in schools; (iii) integrate disaster and climate resilience measures in land use planning and urban design; and (iv) integrate disaster and climate resilience measures in health infrastructure to facilitate the continuity of health services even during disasters and emergencies.

[3] Walsh, B., Hallegatte, S. Measuring Natural Risks in the Philippines: Socioeconomic Resilience and Wellbeing Losses. EconDisCliCha 4, 249–293 (2020). https://doi.org/10.1007/s41885-019-00047-x
[4] Ibid.
[5] Barrameda, T. V. 2012. Stories women tell: Five rural women's lived experiences of survival and typhoons.
[6] https://openknowledge.worldbank.org/server/api/core/bitstreams/80f2e78e-f04f-5a59-86a6-9cfe6bcd7b87/content
[7] Human settlements is the system of built, natural, cultural, and societal components that support the community function, living and sustaining life. In the Philippine context, human settlements is composed of physical components (shelter and infrastructure), and services (education, health, culture, welfare, and nutrition).

Figure 1 The Philippines and the WB: Key DRM Milestones



2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

8. **GDP growth slowed to 4.3 percent year-on-year in Q2 2023 (7.5 percent in Q2 2022) as elevated inflation and weak external demand weighed on services and industry.** While services remained the main growth engine, its contribution to growth fell by 1.9 percentage points as high inflation, waning pent-up demand, and tight financial conditions dampened private consumption growth. Meanwhile, weak external demand weighed on export growth, leading to a slowdown in manufacturing and mining activities. Ongoing fiscal consolidation and underspending resulted in the reversal of government consumption's growth contribution to -1.3 ppts in Q2 2023 (1.9 ppt in Q2 2022). In addition, the contribution of fixed investments remained positive at 1.0 ppt in Q2 2023, albeit lower than the 3.2 ppts contribution in Q2 2022. Slower growth in public construction coupled with high interest rates led to a substantial slowdown in construction investments.

9. **Inflation remained elevated in 2023, resulting in continued monetary policy tightening.** Headline inflation increased to 6.6 percent in the first eight months of 2023, well above the 2-4 percent target of the Bangko Sentral ng Pilipinas (BSP, Central Bank). High inflation was driven by elevated food prices and housing and utilities prices. Moreover, the economic recovery led to demand-side price pressures, with core inflation averaging 7.4 percent in the first eight months of 2023. After peaking in March, core inflation has since decreased to 6.1 percent in August, suggesting easing demand-side pressures. After a year of policy tightening, the BSP paused monetary tightening since May 2023 as inflation has largely decelerated.

10. **The balance of payments position (BOP) reversed to a surplus in the first seven months of 2023.** The BOP surplus was supported by a steady inflow of remittances, net foreign borrowings by the government, and a narrower trade gap. Weaker imports and the recovery in services exports narrowed the trade deficit to 13.4 percent of GDP in H1 2023 (15.0 percent of GDP in H1 2022). Meanwhile, reserves remained stable, equivalent to 7.4 months' worth of imports during the first eight months of 2023.

11. **The fiscal deficit continued to narrow as ongoing fiscal consolidation efforts led to a reduction in public spending.** The reduced deficit was in part driven by a rise in tax revenues, with the government surpassing its collection target. Meanwhile, public expenditures declined, amid ongoing fiscal consolidation efforts and delays in budget execution. As a result, the fiscal deficit narrowed to 4.8 percent of GDP in H1 2023. Public debt stood at 61.0 percent of GDP as of June 2023, still well above the 39.6 percent of GDP recorded in end-2019. The debt profile remains favorable, consisting of long-term (78.2 percent), domestic (68.9 percent), and peso-denominated (68.7 percent) debt as of end-July 2023.

12. **The Philippine financial system remained resilient with well-capitalized banks and no material exposure to recently failed banking institutions abroad.** Asset quality continued to improve, as evidenced by the decline in the gross non-performing loan (NPL) ratio amid robust domestic demand. Meanwhile, the NPL coverage ratio is adequate at 104.9 percent, which is higher than pre-pandemic levels. Bank profitability continued to show considerable improvement, surpassing pre-pandemic levels. Nonetheless, the expansion of total outstanding loans in June was tempered by elevated interest rates, primarily affecting the loan growth for production activities. As of May 2023, most temporary relief measures introduced during the COVID-19 pandemic had already lapsed save for those that incentivize lending to micro-small-

medium enterprises.

Table 1: Summary of Key Economic Indicators

	2020	2021	2022	2023	2024	2025	2026
	Actual			Projected			
	In percent of GDP, unless otherwise stated.						
Growth and inflation							
Gross domestic product (percent change)	-9.5	5.7	7.6	5.6	5.8	5.8	5.7
Inflation (period average)	2.4	3.9	5.8	5.9	3.6	3.0	3.0
Public sector							
National government balance	-7.6	-8.6	-7.3	-6.0	-5.1	-4.1	-3.9
Total revenue (government definition)	15.9	15.5	16.1	15.7	15.8	15.9	16.2
Total spending (government definition)	23.5	24.1	23.4	21.7	20.9	20.1	20.1
National government debt	54.6	60.4	60.9	61.1	61.4	60.9	60.2
Balance of payments							
Total exports	33.1	33.0	35.4	34.3	33.7	33.9	34.0
Total imports	29.9	34.5	39.8	37.9	37.0	37.0	37.0
Remittances	9.2	8.9	8.9	9.2	9.3	9.4	9.3
Current account balance	3.2	-1.5	-4.4	-3.6	-3.3	-3.1	-2.9
Foreign direct investment	1.9	3.0	2.3	2.5	2.7	2.8	2.8
Portfolio investment	0.5	-2.6	0.3	0.5	0.6	0.6	0.7
International reserves and foreign exchange							
Gross official reserves (months of imports)	12.3	9.7	7.3				
US dollar (average)	49.6	49.3	54.5				

Source: Government of the Philippines for actual data and World Bank for projections.
Note: Please refer to the annex for the detailed macroeconomic indicators

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

13. **Although growth will moderate over the medium term, it will remain robust, averaging 5.7 percent in 2023-26.** In the short term, growth is expected to slow to 5.6 percent in 2023.[8] Global growth is expected to moderate substantially in 2023 due to the impact of ongoing monetary tightening, more restrictive credit conditions, high inflation, and lower global trade growth. Domestic private consumption growth will weaken in 2023, due to elevated inflation, while tighter financing conditions will dampen credit growth and subdue investments. Over the medium term, growth will remain anchored on domestic demand, as inflation returns to within the target range. The medium-term outlook will be supported by an increase in investment buoyed by reforms which liberalized investment in key sectors such as transportation, logistics, telecommunications, and renewable energy. Moreover, the public investment program will remain supportive of the economic recovery, despite ongoing fiscal consolidation. The government's continuing efforts to strengthen DRM, particularly the reforms supported by this operation, are expected to mitigate the short and long-term impacts of disasters, climate change, and public health emergencies on human capital accumulation, economic growth, and poverty reduction.

14. **Headline inflation will remain above the central bank target in 2023, although the pace of monetary policy tightening is expected to soften as inflation slows.** While global commodity prices for energy expected to moderate, domestic food supply challenges due to weather disturbances, the tightening of global rice supply, and delays in importation, will weigh on headline inflation. Second-round effects on wages, rent, and transport prices will contribute to high core inflation in 2023. Headline inflation is projected to remain above the BSP target range of 2–4 percent, averaging 5.9 percent in 2023. The BSP is expected to temper policy tightening, as inflation has declined from its peak in early 2023. However, the

[8] The GOP's Development Budget Coordination Committee projects that GDP growth will reach 6.0 to 7.0 percent for 2023, picking up to 6.5 to 8.0 percent for 2024 to 2028. 185th DBCC Meeting on June 9, 2023.

BSP may resume policy tightening should inflation expectations increase due to rising food and transport costs in recent months. Inflation is projected to return to the target range in 2024-25 as the authorities resolve domestic food supply challenges while demand side price pressures wane.

Table 2: Philippines External Financing and Sources (2020 – 2026)

	2020	2021	2022	2023	2024	2025	2026
	Actual			Projections			
	In billion US$						
Financing requirement	**-7.9**	**6.4**	**20.9**	**17.1**	**18.2**	**18.7**	**19.1**
Current account deficit	-11.6	5.9	17.8	15.8	16.5	17.1	17.8
General government amortization	1.2	1.2	1.0	1.3	1.7	1.7	1.3
Net Errors and Omissions	2.5	-0.8	2.0	0.0	0.0	0.0	0.0
Financing sources	**-7.9**	**6.4**	**20.9**	**17.1**	**18.2**	**18.7**	**19.1**
Net FDI	6.8	12.0	9.2	11.0	13.5	15.5	17.0
Net Portfolio Investments	1.7	-10.2	1.2	2.3	3.0	3.5	4.0
Net All Other Flows	-8.9	0.3	-1.5	-5.5	-6.1	-6.7	-7.4
Gross general government borrowing	8.5	5.6	4.7	6.0	6.1	6.5	7.6
Change in reserve assets	-16.0	-1.3	7.2	3.3	1.6	-0.1	-2.1

Source: Government of the Philippines for actual data and World Bank for projections.

15. **The current account deficit will narrow over the medium term due to the recovery in services exports, steady remittance inflows, and lower global commodity prices.** External demand for merchandise exports is expected to moderate in 2023 because of a sharp slowdown in global activity, with better prospects in 2024-25, as global growth recovers. Import growth is expected to decelerate in 2023 due to slower growth in investments and private consumption, and the reduction in global commodity prices. As a result, the current account deficit is projected to narrow to 3.6 percent of GDP in 2023 and decline to an average of 3.2 percent in 2024-25. The current account deficit is expected to be financed primarily by net foreign direct investments inflows, general government borrowing, and net portfolio inflows.

16. **The pace of public spending is expected to decelerate in line with medium-term fiscal consolidation program.** The fiscal deficit will decline to 3.9 percent of GDP by 2026, as the initial stages of fiscal consolidation will be led a reduction in public spending. Planned reductions in recurrent spending consist of the unwinding of pandemic support and plans to make bureaucracy leaner and more efficient. Although capital outlays will also decline over the forecast horizon, the GOP will complement public infrastructure spending with more PPPs. Spending on education and health are expected to remain above pre-pandemic levels. Climate related expenditures have not been impacted by fiscal consolidation, as climate related spending reached a record high in 2023. While fiscal consolidation will initially have a dampening effect on growth, the benefits of fiscal sustainability will lead to a higher growth compared to a 'no fiscal consolidation' scenario in the long term. The current spending program does not include the full fiscal devolution of responsibilities to Local Government Units (LGU), as the transition to full devolution by 2024 was extended due to concerns of LGU absorptive capacity.

17. **The government's efforts to pursue fiscal consolidation through a strategic reduction in public expenditures will be complemented by efforts to improve revenue collection.** Tax revenues are expected to decline to 14.2 percent of GDP in 2023 amid slower economic growth, lower import duties due to a moderation in global commodity prices, and the second tranche of reductions in personal income taxes from the 2019 tax reform law. Tax collections are expected to reach pre-pandemic levels in 2026, amid sustained growth, and efforts to improve tax collection through tax policy and administration reforms.

The baseline projection currently incorporates the passage of three priority tax policy measures, which is expected to increase revenues by an estimated annual average of 0.2 percent of GDP beginning in 2024. Moreover, the government plans to expand disaster risk financing and its potential to finance relief, recovery, reconstruction, and climate adaptation.

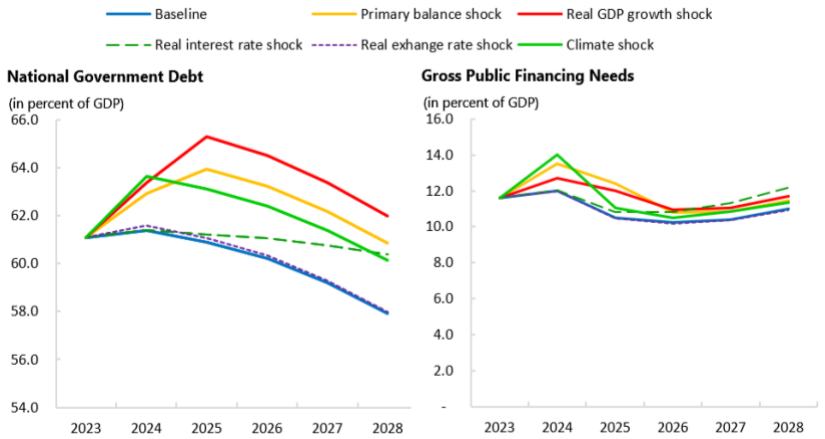
18. **Although public debt increased significantly since 2019, the combination of fiscal consolidation and the growth recovery will keep debt levels sustainable.** The national government debt-to-GDP ratio is projected to continue to peak at 61.4 percent in 2024 and decline thereafter due to fiscal consolidation and the growth recovery. The recent reform to expand the use of public-private partnerships (PPP) for infrastructure investment are not expected to lead to greater risk to the fiscal position. The risk for the pipeline PPP is managed by a contingency allocation in the budget. The favorable debt composition is expected to be maintained in line with the government debt management strategy.

Table 3. External Debt Composition (End-December 2022)

	US$ million	Share of Total Debt	Percent of GDP
Total External Debt	**111,268**	**37.2**	**28.4**
Monetary Authorities	3,833	1.3	1.0
General Government	59,809	20.0	15.2
Banks	19,840	6.6	5.1
Other Sectors	27,787	9.3	7.1
of which intercompany lending	4,008	1.3	1.0
Long term	94,649	31.6	24.1
Short tem	16,619	5.5	4.2

Source: BSP, PSA.

Figure 2 National Government Debt-to-GDP Projection under Alternative Scenarios



Source: World Bank staff calculations.

19. **The debt dynamics remain resilient against different shocks.** Four different scenarios were considered including shocks on the real growth rate, interest rate, real exchange rate, and the primary balance. Among these scenarios, the most significant shocks are those originating from deviations in the real GDP growth rate and the primary balance. If projected growth rates are reduced by a third or the primary deficits raised by 120 bps in the next two years, national government debt will increase to a higher path with a debt ratio peaking around 65.3 percent or 63.9 percent, respectively, in 2025 before declining in the medium run (**Figure *2* National Government Debt-to-GDP Projection under Alternative**

ScenariosFigure 2). In the worst-case scenario of combined macro-fiscal shock, the debt ratio will peak at 68.5 percent of GDP in 2025. In addition, a climate shock similar to Typhoon Haiyan in 2024 would increase the primary deficit by 2 percentage points, leading to an increase in debt-to-GDP ratio to 63.6 percent, 2.2 ppt higher than the baseline.

20. **The growth outlook faces significant downside risks.** On the domestic front, food security may be challenged given the weak agriculture sector, onset of El Niño, and tighter domestic and global food commodity supplies. Future energy and food shocks brought about by protracted geopolitical conflicts and extreme weather events remain key downside risks in the foreseeable future. This could lead to persistently high inflation, which would erode purchasing power, and threaten to deepen poverty and worsen economic vulnerability. The possibility of higher-than-expected global inflation, tighter global financing conditions, and escalating geopolitical tensions could cause a sharper-than-expected growth slowdown. In addition, the threat of sticky core inflation due to tight labor markets and resilient demand could lead to further monetary tightening. The risk of a sharp tightening of global financial conditions could result in capital outflows and currency depreciation in emerging markets and developing economies.

21. **Climate shocks, in the form of extreme weather events or slow-onset trends will continue to weigh on the country's immediate recovery and long-term inclusive growth prospects.** These climate shocks disrupt economic activities, damage infrastructure, and induce deep social disruptions. On average, annual losses from typhoons are currently estimated at 1.2 percent of GDP and as much as 4.6 percent of GDP in extreme cases like Super Typhoon Yolanda (Haiyan) in 2013. By 2030, the average estimated loss of GDP is at least 3.2 percent, rising to at least 5.7 percent by 2040. However, the impacts could be much worse, reaching 7.6 percent of GDP by 2030 and 13.6 percent by 2040. As a result, the cost of inaction could severely undermine the Philippines' collective long-term vision to be free from poverty by 2040 and remains a constant downside risk to the country's outlook.

22. **The macroeconomic policy framework is adequate for the proposed operation.** The growth outlook is positive, anchored on domestic demand, a recovering services sector, and a public infrastructure investment agenda that will gain steam over the forecast horizon. The government's commitment to accelerate the pace of structural reforms as part of the recovery will further promote competitiveness and support growth. The financial sector remains stable and faces no material exposure to banking sector stress abroad, while asset quality continues to improve, even with the removal of most pandemic related forbearance measures. The BSP has responded to rising inflation with monetary tightening, consistent with its inflation-targeting objective and responsive to global interest rate movements. It is expected to maintain a market-determined exchange rate regime as the first line of defense against external shocks. On fiscal policy, the authorities have publicly laid out its medium-term expenditure plan, reflecting a steadily declining share of expenditures to GDP, and is expected to gradually raise revenues through tax reforms. Public debt is sustainable owing to the expected growth recovery and fiscal consolidation.

3. GOVERNMENT PROGRAM

23. **Building resilience to disasters, climate risks, and public health emergencies is a core priority of the**

country, as reflected in *Ambisyon Natin* 2040[9] and the PDP 2023-2028. In 2016, the GOP approved *Ambisyon Natin* 2040 and mandated that the four PDPs prepared until 2040 should be anchored on the country's long-term vision. The current PDP (enabled by Executive Order No. 14, s. 2023) aims to deepen the economic and social transformation and steer back the economy to a high growth path to reinvigorate job creation and accelerate poverty reduction. It underscores the need for collective action to address the compounding impacts of the COVID-19 pandemic, disasters, and climate change. The PDP continues to mainstream disaster and climate resilience measures across its thematic strategy frameworks including education, human settlements, and health.[10] The PDP strategy for disaster and climate resilience is one that adopts a "well-being lens", where DRR, CCA, and mitigation initiatives contribute to increased income and employment opportunities, improved public health, enhanced knowledge and skills, and in the long-term, help sustain the economic and social well-being of Filipinos.

24. **The Updated National DRRM Plan 2020-2030 provides strategic direction for the country on disaster and climate resilience.[11]** Among others, the National DRRM Plan prioritizes (i) generating baseline information for all hazards risk assessments; (ii) using digital technology for risk informed planning and decision-making; and (iii) increasing structural integrity of buildings and critical infrastructure to reduce damage, disruption to essential services, and save lives.

25. **The 2030 Basic Education Development Plan (BEDP) of DepEd outlines the key challenges, policies, and priority areas in education.**[12] It aims to fill in the learning gap resulting from the COVID-19 pandemic, protect education investments from the impacts of natural and human-induced hazards, and ensure learning continuity in the aftermath of disasters, among others. The BEDP emphasizes the following critical needs: (i) enhancing schools' access to relevant disaster response, rehabilitation, and recovery-related datasets and system; (ii) establishing risk assessment data for DRRM, CCA, and peacebuilding; (iii) developing contingency plans and service continuity plans; and (iv) carrying out major repair and reconstruction of the infrastructure and replacement of equipment damaged by disasters. These goals and priority areas reflect DepEd's thrust of a resilient education system.

26. **The Resilient and Green Human Settlements Framework (RGHSF) of the Department of Human Settlements and Urban Development (DHSUD) is a national policy that aims to address the challenges in human settlements.** It adopts a resilience-driven perspective to assess, develop, manage, and evaluate the development of communities in six key result areas: (i) resilient population; (ii) resilient and green land-use and urban planning; (iii) balanced, interconnected, and climate-responsive sustainable development; (iv) transformative multilevel climate governance; (v) blue, green, and circular economy; and (vi) revitalized housing basic services. It specifically highlights the integration of risk assessment tools in the formulation of Comprehensive Land Use Plans (CLUPs) and local development plans.[13]

[9] Ambisyon Natin 2040 embodies the collective aspiration of the Filipino people that, by 2040, the Philippines will a prosperous, predominantly middle-class society where no one is poor. The people live long and healthy lives and are smart and innovative and will live in a high-trust society where families thrive in vibrant, culturally diverse, and resilient communities". To achieve this vision, the country needs to continue building resilience and creating an environment where people can improve their lives and well-being stably and predictably, be protected from disasters and other shocks that push them to poverty, and help them better prepare for, recover faster, and rebuild better from the impacts of disasters.
[10] National Economic and Development Authority. 2022. Philippine Development Plan 2023-2028.
[11] National DRRM Council. 2020. National DRRM Plan 2020-2030.
[12] Department of Education. 2022. Basic Education Development Plan 2030 (BEDP 2030).
[13] DHSUD Department Circular No. 2023-003, series of 2023. Adoption of the Resilient and Green Human Settlements Framework.

27. **Several strategies set the vision for the modernization of the health sector.** These include the (i) Health Sector Strategy 2023-2028 of the Department of Health (DOH), which defines the country's vision and overall policy direction for the health sector;[14] (ii) National Policy on DRRM in Health,[15] which provides strategies to institutionalize DRR and management in health at all levels; and (iii) Philippine Health Facility Development Plan 2020-2040, which articulates the overall directions and strategy of the DOH to achieve an integrated, modern resilient and sustainable health system that can meet the demands of Universal Health Care through the evidence-based allocation of health facility investments at all levels.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

28. **The proposed DRM and Climate Cat DDO is part of the GOP's National Disaster Risk Finance (DRF) and Insurance Strategy.** In 2015, the GOP developed the National DRF Strategy to manage the country's financial exposure to natural hazards focusing on three levels of intervention: national, local, and individual. It adopts a sophisticated risk-layering approach to minimize the cost and optimize the timing of post-disaster response. Currently, the GOP has a menu of risk financing instruments that includes, among others: (i) annual budget allocations to the National and Local DRRM Funds, including agencies' Quick Response Funds; (ii) contingent financing from development partners as pre-arranged loans that can be accessed in times of financial crisis including this proposed operation; (iii) catastrophe risk insurance for households and businesses through the Philippines Catastrophe Insurance Facility;[16] and (iv) a new National Indemnity Insurance Program, with a planned placement in FY2024, to provide insurance coverage for strategic high-risk national government assets.

29. **The proposed operation builds on the efforts from previous Cat DDO operations that focused on DRM reforms at the national and sub-national levels, and on the policy recommendations of the 2022 Philippines CCDR.** These reforms include: (i) incorporating disaster and climate resilience in the assessment of hospitals (Cat DDO1); (ii) reviewing the National Building Code to incorporate disaster and climate resilience measures (Cat DDO2); (ii) investment planning for risk reduction and resilience in Greater Metro Manila Area (DRM-DPL3); (iv) use of risk information through GeoRiskPH in the physical planning and policy-making, environmental impact assessments, local DRM planning, rehabilitation and recovery planning (DRM-DPL3); and (v) establishment of climate and disaster risk assessment baseline data (Cat DDO4). The proposed operation also builds on the policy recommendations of the 2022 Philippines CCDR, including (i) updating of guidelines and standards for long-term education investment programming towards more disaster-resilient and learning-conducive schools; and (ii) building green and climate-resilient health facilities; (iii) integrating land use, transport, and urban planning in cities.

30. **The development objective of the proposed DRM and Climate Cat DDO is to strengthen the capacity of the GOP to manage disaster and climate risks, including those in education, human settlements, and**

[14] Department of Health. 2020. Administrative Order 2022-0038, series of 2022. Health Sector Strategy for 2023-2028.
[15] Department of Health. 2019. Administrative Order 2019-0046, series of 2019. National Policy on DRRM in Health.
[16] The Philippines Catastrophe Insurance Facility pools catastrophe risk into an industry-wide aggregate portfolio to allow better access to reinsurance support and ensure adequate premium rates with the ultimate aim of increasing market penetration for catastrophe insurance and helping ensure the sustainability of the domestic insurance industry.

health systems. The proposed operation will support reforms that are organized into three pillars: Pillar A (Strengthening the Resilience of the Education System), Pillar B (Strengthening the Resilience of the Human Settlements System), and Pillar C (Strengthening the Resilience of the Health System). It will also strengthen the synergies and complementarities across the three pillars including the use of a planning platform that allows integrating, updating, and sharing of exposure, vulnerability, and risk information across the three sectors. Moreover, the proposed operation will support the key priority actions identified in the PDP 2023-2028, Updated National DRRM Plan 2020-2030, BEDP 2030, RGHSF, and Health Sector Strategies, and will contribute to the achievement of the *Ambisyon Natin* 2040 and the country's international commitments relating to disasters and climate change.

31. **The key features of the proposed operation include:**
    - *Pre-approval criteria.* To gain access to this contingent financing instrument, the Borrower must have an adequate macroeconomic policy framework and a satisfactory DRM program in place (or under preparation) throughout the drawdown period.
    - *Drawdown trigger.* The drawdown trigger will be a (i) *State of Calamity*[17] in the Borrower's territory due to a natural disaster or public health emergency,[18] and/or (ii) *State of Public Health Emergency*[19] in the Borrower's territory which has been declared by the President through a Proclamation of Calamity duly published in the Official Gazette, in accordance with the DRRM Act and the Mandatory Reporting of Notifiable Diseases and Health Events of Public Health Concern Act.
    - *Features.* Up to the full loan amount is available for partial or full 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.

32. **This operation is aligned with the goals of the Paris Agreement.** The proposed reforms that will be pursued under this operation are consistent with the 2021 Philippines' Nationally Determined Contribution update that commits to a 75 percent reduction in cumulative emissions (excluding land-use change and forestry) in the period from 2020 to 2030, relative to projected BAU cumulative emissions of 3,340 $MtCO_2e$. On mitigation, all Prior Actions are unlikely to cause a significant increase in greenhouse gas emissions or any persistent barriers to transition to low-GHG emissions. Therefore, all Prior Actions are aligned with the mitigation goals of the Paris Agreement. On adaptation and resilience, the

[17] The DRRM Act defines "State of Calamity" 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 due to the occurrence of a natural or human-induced hazard.

[18] The DRRM Act defines "disaster" as a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources. It may include loss of life, injury, *disease* and other negative effects on human, physical, mental, and social well-being, together with damage to property, destruction of assets, loss of services, Social and economic disruption, and environmental degradation.

[19] The Mandatory Reporting of Notifiable Diseases and Health Events of Public Health Concern Act defines "Public health emergency" as an occurrence or imminent threat of an illness or health condition that is caused either by bio terrorism; appearance of a novel or previously controlled or eradicated infectious agent or biological toxin; natural disaster; chemical attack or accidental release; nuclear attack or accident; or attack or accidental release of radioactive materials; and poses a high probability of either a large number of deaths in the affected population; large number of serious injuries or long-term disabilities in the affected population; widespread exposure to an infectious or toxic agent that poses a significant risk of substantial harm to a large number of people in the affected population; international exposure to an infectious or toxic agent that poses a significant risk to the health of citizens of other countries; or trade and travel restrictions.

contributions of all Prior Actions to the PDO are not likely to be at risk from climate hazards. The design of the prior actions will reduce these risks to an acceptable level, by integrating disaster and climate risk assessments and resilience measures in (i) school infrastructure planning and investment programming, (ii) school-based contingency planning (iii) land use planning, and (iv) development of urban design strategies, and (iv) construction of new health facilities. Therefore, all prior actions of the proposed DPF program are aligned with the adaptation and resilience goals of the Paris Agreement. A detailed review is presented in Annex 4.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar A: Strengthening the Resilience of the Education System

33. **Prior Action #1:** To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order and (ii) through its Department of Education (DepEd), mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order.

34. **Rationale.** Around 78 percent of public schools and 96 percent of students in the Philippines are exposed and vulnerable to multiple hazards. From 2021-2023, approximately 4,000 schools were damaged due to various disasters, which has affected learning continuity of two million children.[20] The DepEd estimates that, for tropical cyclones alone, students lose around 3-58 school days. There is a need to enhance the resilience of school infrastructure to mitigate frequent class disruptions and avert their long-term adverse and irreversible consequences on learning outcomes. To systematically address this challenge, there is a need to put in place (i) systems and data for risk-informed and evidence-based school infrastructure planning and investment programming including procedures for regular collection and updating of risk information; (ii) selection and prioritization of school infrastructure investments based on a set of criteria; (iii) process for the preparation of school infrastructure investment program; and (iv) design parameters for school infrastructure to consider disaster and climate resilience, gender inclusive[21], and learning-conducive elements.[22]

35. **Policy.** The Borrower, through Presidential Executive Order No. 14 (2023), mandates the integration of DRR and climate resilience measures in the education system through risk-informed and evidence-based planning.[23] This directive is operationalized in the DepEd Department Order that directs the utilization of technology-enabled climate and DRR data management systems to improve school infrastructure planning and investment programming. A risk-informed and evidence-based platform for DepEd would

[20] Department of Education. 2022. Regional Memorandum No. 159, Series of 2022.
[21] Recent studies highlighted the need to improve learning environment and address the lack of gender-responsive facilities and services in schools (e.g., water, sanitation and hygiene facilities).
[22] The Holistic Evidence and Design showed that the education infrastructure can explain up to 16 percent of students' learning outcomes. Learning-conducive environments are those that contribute to learning by providing students with adequate conditions in terms of lighting, ventilation, air quality, acoustics, and a sense of space ownership, for instance. Peter Barrett, et. Al. 2019. The Impact of School Infrastructure on Learning.
[23] National Economic and Development Authority. 2022. Philippine Development Plan 2023-2028. p. 358-9.

facilitate the: (i) systematic collection and use of sex-disaggregated baseline data,[24] and hazard and risk assessment results for the development of school infrastructure investment program; (ii) selection and prioritization of school infrastructure interventions based on a set of criteria including vulnerability and resilience measures, and elements that would optimize learning outcomes; and (iii) integration of resilient, green, inclusive, and learning-conducive elements, and gender-responsive measures[25] in the design, and operation of education facilities that would help reduce reconstruction costs, avert long-term economic losses, and promote students' wellbeing.

36. **Expected Results.** By 2026, 80 percent of DepEd schools integrate disaster and climate resilience measures,[26] and 300 schools strengthened against disaster and climate hazards; and sex-disaggregated data is collected and used in developing policies, regulations and inform overall planning and investment programming.

37. **Prior Action #2.** To protect students and DepEd personnel from natural hazards, the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and evidence-based platform through the issuance of DepEd Order.

38. **Rationale**: Based on DepEd data, 96 percent of the 28 million students in the country are exposed to multiple hazards. Approximately a third of these students (10 million) are in the Greater Metro Manila Area (GMMA).[27] The GMMA risk assessment study estimates that a 7.2 magnitude earthquake on the West Valley Fault (a probable maximum scenario, so-called 'The Big One') could result in catastrophic destruction of lives, infrastructure, and properties. Moreover, the COVID-19 pandemic showed the vulnerability of schools to public health risks. These circumstances highlight the importance of school-based contingency (emergency preparedness and response) planning that focuses on structural measures (e.g., regular inspection of the structural integrity of school buildings, retrofitting existing buildings for multiple hazards) and non-structural measures (e.g., conduct of regular emergency drills, regular removal of structures that impede movement, conduct of basic life support training, updating, and dissemination of emergency hotlines, preparation, pre-positioning, and deployment of temporary learning spaces and modules, etc.). Through these, students and DepEd personnel will be able to anticipate, prepare for, respond to, and recover from disasters and climate-related shocks. DepEd developed a Contingency Planning Guidebook in 2019, but the protocols and strategies need to be customized based on specific hazards and vulnerabilities of schools and their differing needs, and aligned with national and regional emergency preparedness and response plans.[28]

39. **Policy.** The DepEd Department Order directs the schools to develop Emergency Preparedness and

[24] Baseline data include, among others, the locations, conditions, and capacities of public school infrastructure, socio-demographic profiles of students and personnel, and location-specific hazards, exposure, and vulnerability of school buildings.
[25] Gender-responsive measures refer to interventions that address the specific needs and concerns of women and children such as gender-segregated toilets and increasing the access of girls in menstrual hygiene management to water, sanitation, and hygiene facilities.
[26] Private schools are encouraged to upload their data and information in the risk-informed platform.
[27] The GMMA, which is composed of NCR, Region IV-A, and III, is the economic center of the Philippines. It is densely populated and one of the most disaster-prone regions in the Philippines because of its high exposure to geological and hydrometeorological hazards. DepEd. 2022. Data Bits Enrollment Data, SY 2021-2022. https://www.deped.gov.ph/wp-content/uploads/2022/08/5-Data-Bits-Enrollment-Data-May.pdf
[28] This includes the Metro Manila Earthquake Contingency Plan (Oplan Metro Yakal Plus).

Response (contingency) Plans using a risk-informed and evidence-based platform. This is aligned with the BEDP 2030 that aims to introduce innovations on enhancing the preparedness, resilience, and well-being of students; and capacitate schools in CCA and DRM.[29] Institutionalizing school-based emergency preparedness and response plans, which provide for the protocols, processes, and responsibilities of schools, students, and personnel before, during, and after a disaster, can enhance the education system's resilience. These plans would be informed by hazard, risk, and vulnerability assessments, and customized based on the prevailing contexts, capacities, and resources of schools. Simulations of projected disaster scenarios (including those relating to typhoons, rain-induced landslides, floods and earthquakes) will also be integrated into the emergency preparedness and response plans and conducted regularly. Timely, effective, and well-coordinated emergency preparedness and response planning will facilitate faster response and recovery and more efficient resource management, thus enhancing the overall resilience of the education system.

40. **Expected Results.** 80 percent of schools in GMMA implemented risk-informed disaster and climate preparedness and response plans.

Pillar B: Strengthening the Resilience of the Human Settlements System

41. **Prior Action #3:** To establish livable communities, the Borrower, through the Department of Human Settlements and Urban Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order.

42. **Rationale**: The high concentration of population and assets in urban areas is increasing the risks of natural hazards and climate change impacts. Records show that the impacts of disasters and climate change on human settlements have been catastrophic. Each year, disasters affect at least 10 million people and damage 700,000 housing units,[30] as many settlements are in hazard-prone areas. LGUs are mandated to develop CLUPs to guide their decisions in identifying appropriate development strategies, directing critical infrastructure and new developments to suitable locations, and managing urban sprawl that further contributes to climate change. CLUPs, if well formulated and applied, can be a transformative blueprint for resilience planning, as it influences other local plans including the Comprehensive Development Plan, Local DRRM Plan and Local Climate Change Action Plan. In 2015, the DHSUD established and prescribed guidelines for mainstreaming DRR-CCA in the preparation of CLUPs. However, many LGUs still face many constraints in CLUP preparation because of inconsistent spatial resolutions of available maps,[31] and unavailability of appropriately scaled probabilistic multi-hazard maps. Many LGUs also confront lack of capacity in carrying out climate and disaster risk assessment[32] and the integration of its results for land use planning.

43. **Policy**: The Government, through the DHSUD, requires the LGUs to integrate climate and disaster risk

[29] Department of Education. 2022. Basic Education Development Plan 2030 (BEDP 2030). p. 154.
[30] Department of Human Settlements and Urban Development. 2022. The Framework for Resilient Housing and Shelter Programs in the Philippines Building Better Housing in the Philippines.
[31] National Economic and Development Authority. 2022. Philippine Development Plan 2017-2022.
[32] Climate and Disaster Risk Assessment determines the level of exposure, vulnerability, and risks of population, urban use areas, natural resources, lifeline utilities, and critical point facilities to disasters.

assessments and results in the formulation of their CLUPs. Given the challenges faced by LGUs, the Department Order recognizes the need to develop a technical driven risk-informed and evidence-based platform (a digital platform) to streamline the integration of disaster- and climate-resilient measures in land use planning. A readily accessible centralized platform containing comprehensive, updated, and standardized datasets, including official hazards and risk assessment results will help LGUs facilitate the generation, availability, and accessibility of spatial data, and speed up the local planning and capital prioritization and investment process. Risk-based CLUPs will also help LGUs formulate appropriate zoning regulations and other development controls, identify safe and suitable areas for development, and determine the appropriate placement of urban infrastructure and settlements and risk reduction intervention measures. Moreover, it will help them identify and mitigate climate and disaster risks that are embedded in current land use practices and promote resilient and sustainable urban development.

44. **Expected Results:** By 2026, 200 LGUs implement zoning regulations based on disaster and climate risk-informed CLUPs.

45. **Prior Action #4**: To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order.

46. **Rationale**: The impact of disasters, climate change along with the lessons from COVID-19 has highlighted the need to revisit requirements on location, urban design, and provision of multi-functional green and open spaces[33] to improve the resilience, livability, and sustainability of the human settlements system. The intensifying hazards and risks necessitate the development and implementation of green and resilient urban design strategies such as compact, mixed-use, and transit-oriented development, localization of the Green Building Code, shift to low-carbon transport mode, adoption of nature-based solutions, and multi-functional green spaces. These will create more flexible and adaptive urban areas capable of mitigating and responding to disaster and climate risks and pandemics.[34] These changes can be facilitated through existing land-use changes and can be embedded within CLUPs. DHSUD has directed LGUs to integrate climate resilient measures in land use and urban design through evidence-based planning. However, the lack of country-specific urban planning standards and accessible tools impede the LGUs' ability to develop and implement resilient urban design strategies.

47. **Policy**: The DHSUD directs all its offices and attached agencies to accelerate the adoption and implementation of disaster and climate-risk informed urban planning through DHSUD Department Order on the Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System. DHSUD offices are mandated to develop guidelines and digital tools for LGUs in planning resilient urban design strategies, including the establishment of multi-functional green and open spaces. The Guidelines will equip the LGUs, NGAs, and stakeholders in identifying and implementing appropriate strategies to manage urban development and incorporate urban planning design into climate actions including increasing and enhancing green and open spaces in urban areas. This will be complemented by the Urban

[33] National Economic and Development Authority. 2022. Philippine Development Plan 2017-2022.
[34] United Nations Human Settlements Programme. 2021. Cities and Pandemics: Towards a More Just, Green and Healthy Future.

Planning and Design Reference Tool for Climate Resilience of Local Governments of DHSUD[35] which will provide technical information, best practices, and policy guidance for LGUs on urban design strategies. This policy will also strengthen the cooperation between the NGAs and LGUs by capacity building support to LGUs to undertake resilience-focused and low-carbon urban planning and design.

48. **Expected Results:** By 2026, 30 pilot LGUs have integrated resilient urban design strategies in their CLUPs. Likewise, 30 LGUs have developed plans for green and open spaces using DHSUD's guidelines; and 10 LGUs have established green and open spaces using DHSUD guidelines.

Pillar C: Strengthening the Resilience of the Health System

49. **Prior Action #5**: To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation, and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of DOH Department Memorandum.

50. **Rationale:** Disasters and climate change cause damage to health infrastructure, disrupt the delivery of health services, and strain health care resources and capacity. For instance, around 400 health care facilities were damaged by Super Typhoon Odette (2021) and Luzon Earthquake (2022). From 2019-2022, the DOH estimated the total cost of damage to health facilities at Php 1.23 billion (US$ 22.4 million) from major disasters that crippled the health system in delivering humanitarian response.[36] Moreover, health facilities have a high climate footprint as they are among the largest consumers of energy. Adopting climate smart technologies in the multi-year investment planning, design, construction, and operation of health facilities is critical to strengthen resilience of health facilities to the impacts of disasters and minimize carbon emissions while continuing to provide quality health and safety to the people amidst disasters. This entails reducing exposure of health facilities to different hazards, while implementing green, and resilient design standards.

51. **Policy:** The DOH Department Order mandates its bureaus to integrate disaster and climate resilience measures in the construction, renovation, and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program. This directive is aligned with the PDP 2023-2028, the DOH Health Sector Strategy 2023-2028, and the DOH Health Facility Development Program 2020-2040 in ensuring that all health facilities are safe and of quality to prepare for and adapt to future disasters and public health emergencies. Embedding resilient and innovative solutions in infrastructure design, construction, and operation will ensure continuous health service delivery while keeping the patients safe. Moreover, the Department Order mandates the greening of DOH-funded hospitals and health facilities, including the improvement of energy and water efficiency and conservation, sustainable cooling systems, and sustainable healthcare waste management. Setting the standards for a green and safe health facility will minimize the carbon footprint of the health sector while providing quality health services and safety to the people.

[35] Department of Human Settlements and Urban Development. 2023. Memorandum Circular 2023-001. Adoption of the Urban Planning and Design for Climate Resilience: A Reference Tool for Local Governments and Planning Actors in the Philippines.
[36] Department of Health. 2023. Internal data on damaged health facilities 2019-2022 from the Health Emergency Management Bureau.

52. **Expected Results:** By 2026, 95 percent of health facilities funded under the DOH Health Facilities Enhancement Program integrate disaster and climate resilience measures.

Table 4: Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Operation Pillar A: Strengthening the Resilience of the Education System	
Prior Action #1: To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order and (ii) through its Department of Education (DepEd), mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order. *Presidential Executive Order No. 14, s. 2023, Approving and Adopting the Philippine Development Plan, 2023-2028, Outcome1, Chapter 12 on Expanding and Upgrading Infrastructure, issued on January 27, 2023, issued on January 27, 2023.* *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 5, issued on July 20, 2023.*	***Philippine Institute for Development Studies. 2022. Philippine Institute for Development Studies, Discussion Paper Series No. 2022-10 School Infrastructure in the Philippines: Where Are We Now and Where Should We Be Heading?*** The study assesses the current state of the Philippines basic education school infrastructure system and presents the correlation between school infrastructure assets and better learning outcomes, higher productivity, and economic growth. ***Herrera-Almanza, Catalina and Cas, Ava. Mitigation of Long-Term Human Capital Losses from Natural Disasters: Evidence from the Philippines. 2021.*** The study provides an empirical assessment on whether the 1989 Typhoon-Resistant School Building Project mitigates the adverse effects of extreme weather shocks on education and labor market outcomes of typhoon-affected children a decade from its implementation.
Prior Action #2. To protect students and DepEd personnel from natural hazards, the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and evidence-based platform through the issuance of DepEd Order. *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 6, issued on July 20, 2023.*	***Torani S, Majd PM, Maroufi SS, Dowlati M, Sheikhi RA. 2019. The importance of education on disasters and emergencies: A review article.*** The study highlights the importance of disaster education for vulnerable people as a functional, operational, and cost-effective risk management approach. Integrating children's needs in the planning and designing of comprehensive disaster management programs is essential to reduce disaster risk and build a culture of school safety, preparedness, and resilience.
Pillar B: Strengthening the Resilience of the Human Settlements System	
Prior Action #3: To establish livable communities, the Borrower, through the Department of Human Settlements and Urban Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order. *DHSUD Department Order 2023-006 Series of 2023,*	***Mukim, Megha, and Mark Roberts, editors. 2023. Thriving: Making Cities Green, Resilient, and Inclusive in a Changing Climate. Washington, DC: World Bank Group. doi:10.1596/978-1-4648-1935-3.*** This provides both the stocktaking of the challenges and barriers for cities to be green, resilient, and inclusive in the face of changing climate and policy options and instruments like land-use planning and zoning that can be tailored by cities to their peculiarities.

Prior Actions	Analytical Underpinnings
Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System, Section 3, Item 5, issued on June 15, 2023.	
Prior Action #4: To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order. *DHSUD Department Order 2023-006 Series of 2023, Development of Digital Climate and Disaster Risk informed Land Use and Urban Planning System, Section 3, Item 4, issued on June 15, 2023.*	***Mukim, Megha, and Mark Roberts, editors. 2023. Thriving: Making Cities Green, Resilient, and Inclusive in a Changing Climate. Washington, DC: World Bank Group. doi:10.1596/978-1-4648-1935-3***. The report explains the importance of urban design as one of the key determinants to either exacerbate or mitigate the impacts of climate change to cities.
Pillar C: Strengthening the Resilience of the Health System	
Prior Action #5: To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of Department Memorandum. *DOH Department Memorandum 2023-0252 series of 2023, Adherence to the Guidelines on the Green and Safe Health Facilities Requirements Integration of Climate and Disaster Resilient Measures in the Construction of Health Facilities, issued on July 18, 2023.*	***World Bank Group. 2022. Philippines: Country Climate and Development Report.*** The report identified the need to ensure health facilities are sited and constructed to resist impacts and use medical technologies and products with a lower environmental footprint. This health priority action will help reduce the negative impacts that extreme climate events may lead to, such as the damages to health care infrastructure and disrupting access to essential health services.

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

53. **The proposed DRM and Climate Cat DDO is fully aligned with the Country Partnership Framework of the World Bank Group for the Philippines (CPF, Report No. 24605- PH for FY2019-2023), the World Bank's Green, Resilient and Inclusive Development (GRID) Approach, and its corporate commitments to the Sendai Framework for DRR and Paris Climate Agreement.** This proposed operation supports the CPF Focus Area #1 (Investing in Filipinos), particularly CPF objective #1, which seeks to improve access to education services. Moreover, it supports CPF Focus Area #3 on reducing core vulnerabilities by building peace and resilience. This focus area aims to address the country's core vulnerabilities of conflict alongside climate change and natural disasters, which pose the most significant risks to future growth and inclusion in the Philippines. It specifically supports CPF Objective #10 on increased resilience to natural disasters and climate change. This proposed Cat DDO is also consistent with the GRID approach which recognizes the interrelatedness of poverty, inequality, COVID-19 and climate change, and calls for solutions that simultaneously and systematically foster green systems, enhance resilience, and promote inclusivity. Finally, the proposed operation supports the country's NDC priorities, including DRM and CCA.

54. **The proposed operation complements World Bank-supported investment projects and development policy loans.** These include the (i) Seismic Risk Reduction and Resilience Project (P171419, US$300 million, ongoing) supporting the Government's Earthquake Resiliency Program for Greater Metro Manila area; (ii) Infrastructure for Safer and Resilient Schools Project (P180936, US$500 million under preparation) aiming to rehabilitate and increase resilience of school infrastructure, and enhance the DepEd's capacity to manage green, resilient, inclusive and learning-conducive school infrastructure; (iii) Philippines First Sustainable Recovery DPL (P178634, US$750 million, ongoing), which supports the GOP in accelerating the economic recovery, protecting the environment and improve climate resilience, and improving fiscal management; (iv) Philippines Second Financial Sector Reform DPL (P175360, US$600 million, ongoing), which provides continuing support in strengthening financial sector stability, integrity, and resilience and expanding financial inclusion; and (v) Philippine Digital Transformation DPL (P179361, US$600 million, ongoing), which assists the GOP in fostering an enabling environment for digital technologies to boost inclusive and resilient economic growth.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

55. **The World Bank conducted consultations with the concerned NGAs and relevant stakeholders in the preparation of the DRM and Climate Cat DDO.** The DOF convened a Technical Working Group (TWG) to consult relevant agencies, including the DOST, NDRRM Council– Office of Civil Defense (OCD), DepEd, DHSUD, DOH, and other key agencies. This TWG was created under Cat DDO 1 and was sustained under Cat DDO 2, DRM DPL3, and Cat DDO 4. The DOF regularly convenes the TWG to discuss the progress of the result indicators and policy actions. The TWG has been an effective platform for consultation, coordination, and monitoring of the program implementation of previous and ongoing operations.

56. **The World Bank also convened consultation meetings with development partners including the Japan International Cooperation Agency (JICA) and Asian Development Bank (ADB).** During the preparation of the Cat DDO, there was strong coordination with the Government of Japan through the Japan-World Bank Global Facility for Disaster Reduction and Recovery and JICA. The ADB is active in risk financing with a focus on cities, which complements World Bank work on this agenda. The DOF regularly conducts bilateral discussions with partners around specific topics or sectors for donor collaboration.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

57. **The DRM and Climate Cat DDO will advance interventions that protect human capital, reduce inequalities, and abate education deprivation of vulnerable groups.** Deprivation in education, health, and safe living conditions accounts for 91 percent of multidimensional deprivation in the country as evidenced from Family Income and Expenditure Survey 2018. Worsening this cycle of inequality and aggravating education, health, and living conditions deprivations is the compounding effects of COVID-19 and climate shocks, thus the heightened urgency of addressing these factors. According to the 2022 World Bank report on Poverty and Inequality in the Philippines, expanding education infrastructure and improving access to health facilities and safe human settlements are among the keys to promote equality

of opportunity.[37] The proposed reforms can help ensure equal opportunities to improve well-being and optimize the country's collective human capital as a catalyst for economic growth.

58. **The reforms supported by the DRM and Climate Cat DDO are likely to have positive impacts on poverty and inequality.** The development of risk-informed and evidence-based platform for the education and human settlement sectors (Prior Actions 1, 2, 3) will allow the agencies to use disaster and climate risk information as well as socio-economic data in policy formulation, investment planning, DRM planning, and land use planning. It can facilitate the systematic prioritization and selection of interventions that can benefit most vulnerable sectors (e.g., learners) and poorest communities.

59. **Improved availability, access, and use of data and digital technology are expected to help the sectors to be better prepared and resilient from these shocks, generating local baseline information including disaster risk mapping.** Prior Actions 1 and 5 can also help reduce exposure to disasters and improve the quality of school infrastructure and health facilities to withstand disasters. Extreme climate events often cause damage to infrastructure. These reforms help ensure that education and health infrastructure are properly planned with adequate consideration of climate and disaster risks. These will facilitate the continuity of education and health service delivery when affected by natural disasters, which will be beneficial to the poor.

60. **The proposed operation will support actions that address existing gender inequalities in disaster and climate policy and planning.** Disasters have a significant impact on women and girls in terms of losing their means of income, restricted movement, and limited availability of reproductive healthcare and hygiene amenities. Gender-based violence also increases. This violence causes trauma to survivors and their families and reduces their ability to recover and rebuild.[38] In the Philippines, the lack of sex-disaggregated information on disasters and climate risk poses a key challenge in making interventions that are geared toward the specific needs and concerns of women and girls. Developing a risk-informed platform for the education sector under this proposed operation entails the inclusion of sex-disaggregated data for policy-making and investment planning, which is a strong determinant in building a robust and socially inclusive information system. The integration of disaster and climate resilience measures, coupled with sex-disaggregated data and gender-responsive interventions, can contribute to raising gender equality by increasing women's role in DRM and climate change adaptation measures. Building age-, disability-, and gender-responsive infrastructure are critical elements in ensuring inclusive education, human settlements, and health systems.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

61. **The DRM and Climate Cat DDO supports reforms with overall positive impact on the environment and contributions in enhancing the resilience of individuals, institutions, and ecosystems.** The proposed reforms will aid the government in advancing a climate resilience-driven perspective in the planning, programming, and implementation of its programs including the environmental assessment of critical infrastructure. The disaster- and climate-resilient school investment program, multi-year land use plans,

[37] World Bank Group. 2022. Overcoming Poverty and Inequality in the Philippines: Past, Present, and Prospects for the Future. http://hdl.handle.net/10986/38346, pp. 40, 73-75.
[38] World Bank Group. 2022. Good Practice Note: Gender-Based Violence (GBV) Mitigation in Post-Disaster Contexts – Lessons Learned from Central Sulawesi.

and health facilities cover technical standards, green building designs and climate-smart measures. Climate and DRM guidelines will be used by NGAs and LGUs in planning urban infrastructure investments. Annex 3 provides a summary of the Environment and Poverty/Social Analysis.

62. **The GOP has existing environmental regulations that will help assess, monitor, and address the potential environmental and social impacts of the proposed reforms.** The Philippine Environmental Impact Statement System (PEISS) outlines the essential elements of environmental and social assessment, which involves screening, scoping, assessment, independent review, public participation, monitoring, reporting, audit, and feedback. Environmentally Critical Projects or projects located in Environmentally Critical Areas will be subject to the Environmental Impact Assessment process[39] and will require an Environmental Compliance Certificate. Further, the PEISS requires project proponents to design and implement mitigation measures to manage environmental and social impacts. Relevant laws are the Climate Change Act, DRRM Act, Green Building Code, Water Code, Sanitation Code, Indigenous Peoples' Rights Act, and laws protecting Women, Child and Youth Welfare Senior Citizens and Disabled Persons.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

63. **The PFM environment in the Philippines is generally sound as reflected in the 2016 Public Expenditure and Financial Accountability (PEFA) assessment except for certain challenges that are being addressed.** The GOP has significantly improved its PFM at the national level and continues to be a strong performer in the region. The 2016 PEFA assessment indicated that three of the seven PFM pillars[40] have improved since the 2010 PEFA assessment. The financial statements of NGAs are audited annually. There were no major qualifications on the DOF annual financial statements in recent years, and most matters raised in previous years' audit reports were fully or partly addressed. The national government budget is made available to the public throughout the budget process in the DBM website, from the preparation of the budget proposal (National Expenditure Program) to enactment of the General Appropriations Act, to declaration of its effectivity through signing by the President of the Philippines.

64. **The GOP continues to make strides in PFM reform.** The Second and Third Philippines DPL to Foster More Inclusive Growth (P126580, P147803) supported the formulation, adoption, and use of a Unified Accounts Code Structure in budgeting, accounting, and reporting. A Treasury Single Account has been implemented and the Bureau of Treasury is expanding its coverage. The DPL for Improving Fiscal Management (P167651) included actions to strengthen budget preparation, cash management, and adoption of the Budget and Treasury Management System (BTMS) as the basis for a single national government financial information system. However, the use, rollout, and further development of the BTMS was indefinitely suspended effective August 1, 2021, in view of the changes in the strategic direction of the envisioned Integrated Financial Management Information System (IFMIS). In December 2022, the PFM Committee lifted the suspension of the rollout and implementation of the BTMS, and provided for its reactivation and

[39] The EIA is the government's primary tool in evaluating and predicting the potential environmental hazards, socio-economic impact, and cumulative effects of a proposed project.
[40] These include transparency, policy-based budgeting, and asset and liability management.

continued development.[41] Further, in accordance with Executive Order No. 29, s. 2023,[42] the PFM Committee continuously ensures the alignment of the BTMS in the overall strategic direction of IFMIS through its ongoing efforts of conducting policy review of key PFM processes and development of PFM Reforms Roadmap, among others. The Digital Transformation DPL (P179361) will support the resumption and roll-out of the BTMS. The Bank started initial consultations with the GOP on potential comprehensive investment operation to support the GOP's broader digital transformation with emphasis on expansion and integration of core government systems (inter alia, to enable growth of BTMS into Integrated Financial Management Information System. Moreover, to improve budget predictability and execution, the GOP gradually tightened the validity period for obligations since 2019 when an annual cash budget was adopted. The adoption of cash-based budgeting appropriations effectively limited the validity of obligations to the year funds are appropriated. The Budget Reform bill is one of the priority bills of the current administration. There is a renewed commitment and support to its passage. It is considered as one of the triggers in the second operation of the Sustainable Recovery DPL series.

65. **The GOP has continued to strengthen the country's public procurement system through Republic Act 9184 (Government Procurement Reform Act of 2003).** The law mandated several measures to address systemic procurement corruption, including the mandatory use of public bidding, periodic M&E of the performance of the procurement system through the Agency Procurement Compliance and Performance Indicator system, and the mandatory use of the Philippine Government Electronic Procurement System's (PhilGEPS) feature of bid and contract award notification. The law also (i) established the Government Procurement Policy Board (GPPB) as the regulatory and normative body; (ii) initiated the professionalization of public procurement practice; (iii) enhanced collaboration with civil society organizations as procurement observers; and (iv) promoted sustainability through the Green Public Procurement Roadmap (2017). However, many challenges remain, especially relating to eligibility and rules of participation, procurement approaches for optimal value for money and sustainable procurement, independent complaints review body, and modernization of PhilGEPS operational functionalities for increased efficiency. The GPPB- TSO, World Bank and ADB conducted a comprehensive assessment of the Philippines Public Procurement System using the revised Methodology for Assessing Procurement Systems. Results and recommendations were validated by the key public procurement stakeholders on May 17, 2021. These are expected to guide the GOP in prioritizing reforms to enhance the effectiveness of the public procurement system in improving the efficiency in public service delivery while achieving value for money with good governance under a transparent environment towards sustainable development.

66. **To hasten the GOP's initiative of effectively implementing a cash budgeting system, the conduct of advance procurement has been strengthened and institutionalized through administrative issuances.** Transparency, which is one of the governing principles in public procurement, has been at the forefront of various procurement reforms of the government such as the posting of critical procurement information not only on the PhilGEPS website but also on the websites and official social media platforms of NGAs, and the development and the posting of blacklisting orders by the agencies in GPPB portal. One

[41] Reactivation of the Use of the Budget and Treasury Management System (BTMS) FreeBalance Tool and Conduct of Policy Review for the Implementation of the Integrated Financial Management Information System (IFMIS). PFM Committee Resolution No. 1-2022.
[42] Office of the President. 2023. Executive Order No. 29, s.2023, Strengthening the Integration of Public Financial Management Information Systems, Streamlining Processes Thereof, and Amending Executive Order No. 55 (s. 2011) for the Purpose.

positive impact of the COVID-19 pandemic is the full implementation by agencies of various digital transformation initiatives that were initiated by GPPB before the pandemic, such as the use of (i) digital signature and (ii) videoconferencing and similar technology during meetings or conferences. Pending the modernization of the PhilGEPS, electronic bid submission was allowed to facilitate procurement activities during the COVID-19 pandemic. The PhilGEPS is undergoing its modernization with the virtual store and merchants' registry already in-place. The electronic bidding feature, which includes an online platform for the creation of the annual procurement plan, purchase requests, e-bulletin, e-bid submission, online conduct of post-qualification, online purchase order/contract management, and online filing of requests for reconsideration and protest, is under pilot implementation. The implementation of PhilGEPS will start gradually in 2023 in the National Capital Region and rolled out to other regions.

67. **The BSP foreign reserves control environment 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. Its financial statements are audited by the COA. The World Bank and the IMF have been relying on the audited financial statements released by the COA. The auditor's opinions in the BSP-audited financial statements for CY 2019-2021 are unmodified (unqualified). However, the audit opinion contains an "Emphasis of Matter" paragraph related to a deviation from Philippine Accounting Standards 1 on the presentation of financial statements on income and expenses in CY2021. The paragraph reflects the auditor's judgment that the matter is fundamental to users' understanding of the financial statements. This "Emphasis of Matter" has no impact on the FOREX control environment.

68. **The proceeds of the DPL will be deposited in US dollars in a dedicated account at the BSP that forms part of the FOREX reserves** once the loan becomes effective and (i) a proclamation declaring a State of Calamity has been issued by the Borrower's President due to an imminent or occurring natural catastrophe and/or a public health emergency; and/or (ii) a proclamation declaring a State of Public Health Emergency has been issued by the Borrower's President due to a public health emergency, and (iii) submission of withdrawal application in required format in US dollar. The GOP will transfer funds from the US dollar dedicated account to the treasury single account in local currency (pesos) that will be used to pay the government's budget expenditure. Immediately after the disbursement of the loan, the GOP will ensure that the loan amount is promptly accounted for in the GOP budget system in the General Fund, and available to finance budget expenditures. The GOP will provide written confirmation to the World Bank within 30 days that this accounting and transfer has been completed, including the exchange rate applied to convert the loan proceeds into Philippine Peso, and the name and number of the government's bank account in which the funds have been deposited and the exact amount of the funds received in the account. The Loan shall not be used to finance excluded expenditures, as defined in the General Conditions for IBRD Financing dated December 15, 2018 (Last revised on July 15, 2023). If any portion of the loan is used to finance excluded expenditures as so defined in the General Conditions, the World Bank has the right to require the GOP to promptly, upon notice from IBRD, refund the amount equal to such payment to the World Bank. Amounts refunded to the World Bank will be canceled from the loan.

69. **The Cat DDO is the disbursement mode for this operation.** The Cat DDO 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 World Bank Regional Vice President. The loan proceeds may be drawn down at any time after a natural disaster or emergency resulting in a declaration of a State of Calamity or Public Health Emergency by the President in accordance with the Philippine DRRM Act, or as it may be amended by the GOP at the time

of disbursement. For this operation, the drawdown trigger will cover new and distinct shocks, which should differ from pre-existing shocks or an ongoing state of calamity. The closing date is December 31, 2026.

70. **Fiduciary Risk:** Based on the assessment of the PFM Systems and FOREX control environment, fiduciary risk is moderate. Given the level of fiduciary risk, no audit of the DPL will be required.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

71. **The DOF is the main liaison with the World Bank on budget support operations, including the proposed operation**. However, policy dialogue and monitoring and evaluation of the program will be supported in close collaboration with the National DRRM Council– OCD, DOF, National Economic and Development Authority, Department of Budget and Management, DOST, DepEd, DHSUD, and DOH. The GOP has designated the DOF International Finance Group as the World Bank's main counterpart in the policy dialogue and monitoring of the operation.

72. **Indicators selected to monitor progress toward achievement of PDO reflect defined areas of action and correspond to the expected outcomes of the prior actions.** They include specific qualitative 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, Prior Actions, 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.

73. **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 Financing may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms, or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. 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 Bank's Accountability Mechanism, please visit https://accountability.worldbank.org.

6. SUMMARY OF RISKS AND MITIGATION

74. **The most relevant risks that may substantially affect the achievement of the program development objectives include institutional capacity for implementation and sustainability, and stakeholder risks.** Risks relating to institutional capacity for implementation and sustainability are considered Substantial. The policy actions under the three Pillars require working with different offices of the DepEd, DHSUD, and

DOH at the central level and multiple units at the local level (i.e., LGUs, divisions, schools, etc.), which have varying technical capacities. This may slow down the implementation of proposed reforms. Moreover, stakeholder risks are considered Substantial as some policy actions (e.g., integration of disaster and climate resilience measures in school infrastructure, land use planning, and health facilities) would require inputs from various stakeholders, who may have different perspectives about the specific reforms being pursued. These risks will be mitigated through the following: (i) defining the roles and responsibilities of implementing agencies, specifying resources, and agreed targets for the projects through a Memorandum of Agreement; (ii) joint development and implementation of a stakeholder engagement plan and communications strategy using the existing government platforms for stakeholder consultations; (3) provision of technical assistance and capacity building program to DOST, DepEd, DHSUD, and DOH and their subnational counterparts in pursuing the policy reforms under this program including the implementation and enforcement of guidelines, measures, and standards. Lessons from previous Cat DDOs highlight that continuing policy dialogue during implementation and providing technical assistance are essential to support implementing agencies in pursuing the reforms and delivering the agreed results. Even with the mitigation measures cited above, residual risks remain Substantial given the multiplicity of actors and stakeholders involved. While the Philippines faces downside risks to growth from domestic and external sources, it is deemed that the macroeconomic risks would have a moderate impact on the achievement of the PDO.

75. **The overall risk rating for the proposed operation is Moderate.** The GOP has demonstrated strong leadership and commitment to advancing the DRM reform agenda. The policy reforms that are being pursued under this Cat DDO have strong legal foundation and public support. The DOF remains steadfast in leading the reform process and convening oversight and line agencies to continue the policy dialogue at both political and technical levels. The inter-agency TWG that was established since the first Cat DDO continues to function for consultation, coordination, and monitoring of program implementation. Inter-agency issues and challenges in implementing reforms are discussed and resolved by TWG. The GOP generally established a good track record for delivering results.

Table 5: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Moderate
8. Stakeholders	Substantial
9. Other	Low
Overall	Moderate

ANNEX 1: POLICY AND RESULTS MATRIX

Prior Actions	Results		
Prior Actions	**Indicator Name**	**Baseline (2023)**	**Target (2026)**
Pillar A: Strengthening the Resilience of the Education System			
Prior Action #1: To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order, and (ii) through its Department of Education (DepEd) mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order. *Presidential Executive Order No. 14, s. 2023, Approving and Adopting the Philippine Development Plan, 2023-2028, Outcome 1, Chapter 12 on Expanding and Upgrading Infrastructure, issued on January 27, 2023* *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 5, issued on July 20, 2023*	Results Indicator A1.1: Percentage of schools that integrate disaster and climate resilience measures; and number of schools strengthened against disaster and climate hazards. Results Indicator A1.2: Sex-disaggregated data is collected and used in developing policies, regulations and informs overall planning and investment programming. DepEd DOST	0 (risk-informed and evidence-based platform not yet developed) No	80 percent; and 300 schools Yes
Prior Action #2: To protect students and DepEd personnel from natural hazards the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and	Results Indicator A2: Percentage of schools in the GMMA that implement risk-informed disaster and climate preparedness and	0 (risk-informed and evidence-based platform not yet developed)	80 percent

Prior Actions	Results		
evidence-based platform through the issuance of DepEd Order. *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 6, issued on July 20, 2023*	response plans. DepEd DOST OCD		
Pillar B: Strengthening the Resilience of the Human Settlements System			
Prior Action #3: To establish livable communities, the Borrower, through the Department of Human Settlements and Urban Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order. *DHSUD Department Order 2023-006 Series of 2023, Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System, Section 3, Item 5, issued on June 15, 2023*	Results Indicator B1: Number of LGUs that implement zoning regulations based on disaster and climate risk informed CLUPs. DHSUD DOST	0 (risk-informed and evidence-based platform not yet developed)	200 LGUs
Prior Action #4: To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order.	Results Indicator B2: Number of LGUs that have developed and integrated resilient urban design strategies in their land use plans (CLUPs). DHSUD	0	30 LGUs

Prior Actions	Results		
DHSUD Department Order 2023-006 Series of 2023, Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System, Section 3, Item 4, issued on June 15, 2023	Results Indicator B3: Number of LGUs that have developed plans for green and open spaces using DHSUD's guidelines; and number of LGUs that have established green and open spaces using DHSUD guidelines. DHSUD	0 (guidelines not yet developed)	30 LGUs; and 10 pilot LGUs
Pillar C: Strengthening the Resilience of the Health System			
Prior Action #5: To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of DOH Department Memorandum. *DOH Department Memorandum 2023-0252 series of 2023, Adherence to the Guidelines on the Green and Safe Health Facilities Requirements Integration of Climate and Disaster Resilient Measures in the Construction of Health Facilities, issued on July 18, 2023*	Results Indicator C1: Percentage of health facilities funded under the DOH Health Facilities Enhancement Program that integrate disaster and climate resilience measures DOH	25 percent	95 percent

ANNEX 2: LETTER OF DEVELOPMENT POLICY

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

DEVELOPMENT POLICY LETTER

AJAY BANGA
President
World Bank Group (WBG)
Washington, D.C.

Dear **President BANGA**:

On behalf of the Government of the Philippines (GPH), we would like to provide an update on our disaster risk management (DRM) agenda and express our interest in obtaining a budget support loan from the World Bank - International Bank for Reconstruction and Development (WB-IBRD) through the Philippines Disaster Risk Management (DRM) and Climate Development Policy Loan (DPL) with a Catastrophe Deferred Drawdown Option (CAT DDO) in the amount of USD500 million which will serve as a standby facility that may be disbursed during calamities and emergencies in support of the GPH's external financing program.

Based on the 2022 World Risk Index Report, the Philippines has the highest disaster risk in the world. Approximately 60 percent of the country's total land area and at least 74 percent of Filipinos are vulnerable to multiple hazards including typhoons, volcanic eruptions, and earthquakes. As a disaster-prone country, the Philippines suffers significant losses ranging from damaged schools, houses, and health facilities, leading to the disruption of the delivery of education and health services, as well as the loss of income and other sources of livelihood. The WBG's Philippines Country Climate Development Report for 2022 estimates that the losses associated with climate change may amount to up to 7.6 percent of GDP by 2030 and 13.6 percent of GDP by 2040.

In view of the said potential tremendous effects to lives and development, building resilience to disaster and climate risks is a core priority of the country as enshrined in *Ambisyon Natin 2040*. The Government recognizes the need for more effective and responsive policies and programs that focus on disaster and climate resilience at the sectoral level. To this end, the GPH approved the Philippine

Development Plan 2023-2028 through Executive Order No. 14, s. 2023 to accelerate climate action and strengthen disaster resilience by, among others, (a) embedding resilient and innovative solutions in planning, programming, and asset management; (b) facilitating technology-enabled and science-based policy and planning in managing disasters and climate risks; and (c) establishing a data management system with disaster risk reduction (DRR) and climate change adaptation (CCA) and mitigation measures.

The proposed Philippines DRM and Climate DPL with a CAT DDO aims to strengthen the GPH's capacity to manage risks arising from climate change, natural disasters, and disease outbreaks, with particular focus on the education, human settlements, and health systems sectors, which serve as the three pillars of the program.

Through **Pillar A: Strengthening the Resilience of the Education System,** the program supports policy reforms aimed at enhancing the resilience of the basic education sector from disasters and climate risks and help build resilient, green, inclusive, and learning-conducive schools. In support of this objective, Executive Order No. 14, s. 2023, required the National Government to integrate disaster and climate resilience measures in planning, programming, and infrastructure design. In line with this and to further strengthen the resilience of the education system in particular, the GPH mandated the development of a multi-year School Infrastructure Investment Program and emergency preparedness and response (contingency) plans using a risk-informed and evidence-based platform through Department of Education (DepEd) Department Order No. 19 s. 2023.

Under **Pillar B: Strengthening the Resilience of the Human Settlements System,** the program enables reforms for the development of digital disaster and climate risk-informed land use plans, urban design strategies, and green and open spaces. To this end, the GPH mandated the development and use of a risk-informed and evidence-based platform to integrate the climate and disaster resilience measures in land use and urban planning, particularly prescribing to Local Government Units (LGUs) to adopt the same in the formulation of Comprehensive Land Use Plans, through Department of Human Settlements and Urban Development (DHSUD) Department Order No. 2023-006, s. 2023. Through the same Order, the GPH mandated the development of guidelines for LGUs in planning resilient urban

design strategies, including the establishment and maintenance of green and open spaces.

Lastly, through the reforms under **Pillar C: Strengthening the Resilience of the Health System,** the **program** enhances the resilience of health infrastructure to prepare for and adapt to future disasters and public health emergencies. In this regard, the Philippines DRM and Climate DPL with Cat DDO will sustain the reform process in DRR and CCA interventions that we have undertaken in the past decade. For this purpose, the GPH, through the issuance of the DOH Department Memorandum No. 2023-0252 s. 2023, mandated the integration of disaster and climate resilience measures in the construction, renovation, and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program. This will enable the health sector to better withstand the impact of hazards and minimize the disruption of health services.

The decade-long partnership between the GPH and the WB-IBRD enabled the progression of DRM and CCA reforms from reactive to proactive risk management with a significant focus on resilience. The foregoing reforms reinforce our commitment to continue to strengthen the DRM system in the Philippines and address complex DRM challenges that significantly affect the country's capacity to prepare for, respond to, and recover from disaster and climate risks in the education, human settlements, and health sectors.

The GPH remains steadfast in this endeavor and acknowledges the strong collaboration and continued support the Bank has been extending over the years. We look forward to our sustained cooperation and partnership towards achieving the country's development agenda.

Very truly yours,

BENJAMIN E. DIOKNO
Secretary of Finance

SEP 29 2023

ANNEX 3: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Pillar A: Strengthening the Resilience of the Education System		
Prior Action #1: To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order, and (ii) through its Department of Education (DepEd) mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order. *Presidential Executive Order No. 14, s. 2023, Approving and Adopting the Philippine Development Plan, 2023-2028, Outcome 1, Chapter 12 on Expanding and Upgrading Infrastructure, issued on January 27, 2023, issued on January 27, 2023.* *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 5, issued on July 20, 2023.*	*Yes, Positive environmental effects will be generated due to the inclusion of climate/disaster resilient design features for stronger, more lasting infrastructure that will result in less extraction of natural resources leading to improvement in resource efficiency and overall environmental quality.*	*Yes - Positive social effects will be generated through education service continuity provided by functional infrastructure and facilities amidst disasters. This will help ensure that students will not be learning deprived in times of disasters.*
Prior Action #2: To protect students and DepEd personnel from natural hazards, the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and evidence-based platform through the issuance of DepEd Order. *DepEd Department Order 019 series of 2023, Institutionalization and Implementation of Risk-Informed and Evidence-Based School Infrastructure Planning, and Programming, Section 6, item 6, issued on July 20, 2023.*	*Yes, Positive environmental effects, will be generated due to proactive risk management to ensure human safety and security and environmental protection.*	*Yes - Positive social effects will be generated through education service continuity provided by operational schools amidst disasters. This will help ensure that students will not be learning deprived in times of disasters.*
Pillar B: Strengthening the Resilience of the Human Settlements System		
Prior Action #3: To establish livable communities, the Borrower, through the Department of Human Settlements and Urban	*Yes - Positive environmental effects will be generated due to utilization of latest climate and disaster risk*	*Yes - Positive social effects will be generated due to reduction of communities*

Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order. *DHSUD Department Order 2023-006 Series of 2023, Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System, Section 3, Item 5, issued on June 15, 2023.*	*information in assessments that will result in better situation analysis identifying the most resilient and environmentally sound land use options.*	*exposed to multiple hazards through delineation of safer areas for development, and identification of evidence-based disaster resilient measures to reduce vulnerabilities of already exposed communities.*
Prior Action #4: To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order. *DHSUD Department Order 2023-006 Series of 2023, Development of Digital Climate and Disaster Risk-informed Land Use and Urban Planning System, Section 3, Item 4, issued on June 15, 2023.*	*Yes – Positive environmental effects will be generated due to the integration and utilization of disaster resilient standards that will define the character, space allocation, facilities, required environmental features, and ecosystem services to be preserved in urban areas.*	*Yes – Positive social effects will be generated due to increase in resilient urban spaces and facilities that will lower risks of communities from disasters and climate change and increase their adaptive capacities.*
Pillar C: Strengthening the Resilience of the Health System		
Prior Action #5: To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of DOH Department Memorandum. *DOH Department Memorandum 2023-0252 series of 2023, Adherence to the Guidelines on the Green and Safe Health Facilities Requirements Integration of Climate and Disaster Resilient Measures in the Construction of Health Facilities, issued on July 18, 2023.*	*Yes, Positive environmental effects will be generated due to the inclusion of climate/disaster resilient design features for stronger, more lasting infrastructure that will result in less extraction of natural resources leading to improvement in resource efficiency and overall environmental quality.*	*Yes - Positive social effects will be generated through health service continuity provided by functional infrastructure and facilities amidst disasters. This will help ensure that patients will not be deprived of health services in times of disasters.*

ANNEX 4: PARIS ALIGNMENT ASSESSMENT

Program Development Objective: To strengthen the capacity of the Government of the Philippines to manage disaster and climate risks, including those in the education, human settlements, and health sectors.	
Step 1: Taking into account our climate analysis (e.g., Country Climate and Development Reports or CCDRs), is the operation consistent with the country's climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?	**Answer:** Yes. **Explanation**: The proposed reforms that will be pursued under this operation are consistent with the National Climate Change Action Plan (NCCAP), National Climate Risk Management Framework, and the country's Nationally Determined Contribution (NDC). Following the enactment of the 2009 Climate Change Act, the GOP prepared the NCCAP 2011-2028, outlining the country's agenda for adaptation and mitigation. The proposed Climate Cat DDO reforms are fully aligned with key NCCAP priorities, including strengthening the resilience of the education system, human settlement system and health system. The GOP also developed the National Climate Risk Management Framework in 2019 to address the intensifying adverse impacts of climate change. The framework prioritizes the development of a climate action planning system based on unified and integrated science and risk-based approach and supported by a strong risk database, information, and analytics that are accessible at the national and sub-national levels. In 2017, the GOP ratified the Paris climate treaty together with the country's NDC. The Philippines committed to a projected GHG emissions reduction and avoidance of 75%, of which 2.71% is unconditional 9 and 72.29% is conditional, 10 representing the country's ambition for GHG mitigation for the period 2020 to 2030 for the sectors of agriculture, wastes, industry, transport, and energy. The Philippines also expressed its intention to strengthen its resilience and adaptive capacity through enhanced access to climate finance, technology development and transfer, and capacity building, especially in the implementation of policies and measures relating to the circular economy and sustainable consumption and production practices.
Mitigation goals: assessing and reducing the risks	
Prior Action #1. To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order, and (ii) through its Department of Education (DepEd), mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order.	
Pillar Objective: Strengthening the Resilience of the Education System	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation**: Developing a risk-informed and evidence-based platform for school infrastructure planning and programming will not directly cause a significant increase in GHG emissions. However, it will facilitate the preparation of a school investment plan that will lead to increase investments in school infrastructure through repair, retrofitting, construction, and rehabilitation. The investments,

	when realized can lead to an increase in materials and energy use and associated GHG emissions during construction and operation. This downstream risk can be mitigated. The GOP now requires that school infrastructure and other facilities comply with the Philippine Green Building Code. The Code sets the standards for efficient use of resources, site sustainability, and indoor environmental quality to (i) reduce the negative impact of buildings on human health and the environment and (ii) reduce GHG, energy, and water consumption by at least 20 percent. The standards cover the building's life cycle, including planning, design, construction, use, occupancy, operation, and maintenance.
Step M2.2: Is the prior action likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways?	**Answer** No. **Explanation**: PA 1 only focuses on using a risk-informed and evidence-based platform to inform the development of a School Infrastructure Investment Program. The latter may cause a significant increase in GHG emissions as it seeks to strengthen school infrastructure through physical interventions including repair, rehabilitation, rebuilding and new construction. However, all school infrastructure constructed under this program are required to comply with the existing Philippine Green Building Code. PA1, therefore, is not likely to introduce or reinforce significant and persistent barriers to transition to the Philippines' low-GHG development pathways.
Step M3: Is the risk of the prior action introducing or reinforcing significant and persistent barriers being reduced to low after mitigation measures have been implemented?	**Answer** Not applicable. **Explanation**:
Conclusion: Prior Action 1 is aligned with the mitigation goals of the Paris Agreement.	
Prior Action #2. To protect students and DepEd personnel from natural hazards, the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and evidence-based platform through the issuance of DepEd Order.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The preparation of school-based risk-informed contingency plans will not cause any significant increase in GHG emissions. These plans will generally involve processes, procedures, and protocols in preparation for or in response to a disaster. Moreover, immediate response and relief activities will only be temporary in nature.
Step M2.2: Is the prior action likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways?	**Answer:** Not applicable. **Explanation**:

Step M3: Is the risk of the prior action introducing or reinforcing significant and persistent barriers being reduced to low after mitigation measures have been implemented?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Action 2 is aligned with the mitigation goals of the Paris Agreement.	
Prior Action #3. To establish livable communities, the Borrower, through the Department of Human Settlements and Urban Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order. **Prior Action #4**. To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order.	
Pillar Objective: Strengthening the Resilience of the Human Settlements System	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation**: The development of a platform that integrates climate and disaster risk assessments and results in the formulation of CLUPs will not directly cause a significant increase in GHG emissions. However, the formulation of risk-informed CLUPs may lead to a significant increase in GHG emissions. CLUPs can influence the urban form and increase in urban footprint. CLUPs can also shape the placement of human settlements, commercial and industrial areas, green spaces, and infrastructure and facilities. When CLUPs are prepared without adequate regard for resource efficiency (i.e., optimal land allocation for different uses-residential, commercial, industrial, green, and open space), jobs-housing balance, mobility, and connectivity, etc., these can result in urban sprawl and can result in (i) increased energy use and transport-related GHG emissions by promoting the use of vehicles, and/or (ii) reduced land cover that limits the capacity of the urban system to absorb GHG emissions. These can be difficult to reverse and can lock in a city or municipality in terms of carbon-intensive urban form. The GOP, through the DHSUD, has recently adopted the Urban Planning and Design Reference Tool for Climate Resilience of Local Governments. It is actively promoting green and resilience-driven development strategies (Results Indicator B2), including densification, mixed-use development, compact development, transit-oriented development, use of nature-based solutions, adoption of low-carbon transport modes, pedestrianization, and increase in multi-functional open and green spaces (Results Indicator B3). These strategies, incorporated into the CLUPs, will provide opportunities for LGUs to mitigate GHG emissions and contribute to the transition to less carbon-intensive urban forms.

Step M2.2: Is the prior action likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways?	**Answer:** Not applicable. **Explanation**:
Step M3: Is the risk of the prior action introducing or reinforcing significant and persistent barriers being reduced to low after mitigation measures have been implemented?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Actions 3 and 4 are aligned with the mitigation goals of the Paris Agreement.	
Prior Action #5. To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of DOH Department Memorandum.	
Pillar Objective: Strengthening the Resilience of the Health System	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation**: Integrating climate and disaster resilience measures in the construction of all DOH-funded health infrastructure projects will not in itself, increase GHG emissions. However, the Prior Action will facilitate increased physical investments in health infrastructure through construction, and therefore could lead to an increase in materials and energy use and associated GHG emissions during construction and operation. This downstream risk can be mitigated. The DOH requires that all DOH-funded new construction of health facilities comply with the Philippine Green Building Code and the Green and Safe Health Facilities Manual 2022, which sets the minimum green and safe standards for all hospitals and other health facilities. DOH further mandates the greening of all DOH-funded hospitals and health facilities, including the improvement of energy and water efficiency and conservation, sustainable cooling systems, and sustainable healthcare waste management.
Step M2.2: Is the prior action likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways?	**Answer:** Not applicable. **Explanation**:
Step M3: Is the risk of the prior action introducing or reinforcing significant and persistent barriers being reduced to low after mitigation	**Answer:** Not applicable. **Explanation**:

measures have been implemented?	
Conclusion: Prior Action 5 is aligned with the mitigation goals of the Paris Agreement.	
Mitigation goals: Conclusion of the Paris Alignment Assessment for the Program All Prior Actions supported by the Climate Cat DDO are aligned with the mitigation goals of the Paris Agreement.	
Adaptation and resilience goals: assessing and managing the risks	
Prior Action #1. To enhance the resilience of school infrastructure, the Borrower: (i) through its President, required all national government agencies to integrate disaster and climate resilience measures in planning, programming, and infrastructure design through an Executive Order and (ii) through its Department of Education (DepEd), mandated its bureaus to develop a School Infrastructure Investment Program using a risk-informed and evidence-based platform, as evidenced through a DepEd Department Order.	
Pillar Objective: Strengthening the Resilience of the Education System	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation**: DepEd will closely work with the Department of Science and Technology (DOST) and science agencies to develop a risk-informed and evidence-based platform that will allow the collection, dissemination, and use of integrated information on hazards, exposure, and vulnerability in school infrastructure planning and investment programming. DOST and science agencies are using and regularly updating the best available scientific information and risk assessment models in the country. The availability and use of multi-hazard information will help understand and identify actions that reduce climate and disaster risks. This platform will facilitate mainstreaming of climate and disaster resilience elements in the planning, design, construction, and operation of school infrastructure. It will also contribute to increased institutional capacities for climate-proofing and reducing environmental footprints in school infrastructure.
Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Action 1 is aligned with the adaptation goals of the Paris Agreement.	
Prior Action #2. To protect students and DepEd personnel from natural hazards, the Borrower, through the DepEd, mandated schools to develop Emergency Preparedness and Response (contingency) Plans using a risk-informed and evidence-based platform through the issuance of a DepEd Order.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation**: The preparation of emergency preparedness and response (contingency) plans will be based on geological and climate-related hazards to ensure that the identified emergency preparedness and response actions are appropriate for the hazards and risks present in the area.

Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Action 2 is aligned with the adaptation goals of the Paris Agreement.	
Prior Action #3. To establish livable communities, the Borrower, through the Department of Human Settlements and Urban Development (DHSUD), mandated its bureaus to prescribe to Local Government Units (LGUs) the integration of climate and disaster resilience measures in the formulation of Comprehensive Land Use Plans (CLUPs) using a risk-informed and evidence-based platform through the issuance of DHSUD Department Order. **Prior Action #4**. To enhance the resilience of communities, the Borrower, through the DHSUD, mandated its bureaus to develop guidelines for LGUs in planning resilient urban design strategies, including the establishment and maintenance of green and open spaces through the issuance of DHSUD Department Order.	
Pillar Objective: Strengthening the Resilience of the Human Settlements System	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation**: Prior Action 3 is designed to integrate climate and disaster risk assessment in land use planning (Results Indicator 1). This will mitigate the risks from climate hazards, as it can prevent locating buildings and critical infrastructure and services in highly exposed areas. DHSUD will work closely with DOST in developing a risk-informed and evidence-based platform that will allow the integration and use of climate and disaster risk assessment into the CLUPs with the aid of digital technology. Participating LGUs will be capacitated in the processing of hazard data into land use plans. Efforts to make hazard and risk information more granular at the LGU level are ongoing. Moreover, Prior Action 4 supports LGUs in climate and disaster-resilient urban planning and design measures for protecting assets against climate hazards, e.g., climate-resilient drainage and flood control, green roofs, nature-based solutions, multi-functional green, and open spaces, etc.
Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Actions 3 and 4 are aligned with the adaptation goals of the Paris Agreement.	
Prior Action #5: To better withstand the impact of hazards and minimize disruption of health services, the Borrower, through the Department of Health (DOH), mandated its bureaus to integrate disaster and climate resilience measures in the construction, renovation and retrofitting of all health infrastructure projects funded under the DOH Health Facilities Enhancement Program through the issuance of Department Memorandum.	

Pillar Objective: Strengthening the Resilience of the Health System	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation**: This Prior Action intends to reduce climate and disaster risks and increase the capacity of the health system to adapt to the adverse impacts of climate change. DOH intends to integrate disaster and climate resilience measures into health facility development through the implementation of the Green and Safe Health Facilities Manual. DOH also developed the Hospital Safety Index Tool to help DOH and administrators diagnose the hospital's safety capacity to provide services in the event of a disaster or emergency by (i) identifying hazards affecting the safety of the hospital and the role of the hospital in emergency and disaster management; (ii) assessing structural and non-structural safety of hospitals; and (iii) evaluating the level of preparedness of a hospital's organization, personnel and essential operations to provide patient services in response to an emergency or disaster. The results of the assessment will become the basis for identifying the climate and resilience measures that will be integrated into the health investment plan. DOH also requires all investments in health facilities to integrate climate and geological risk assessments through the GeoRiskPH platform of the GOP, led by DOST.
Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer:** Not applicable. **Explanation**:
Conclusion: Prior Action 5 is aligned with the adaptation goals of the Paris Agreement.	
Adaptation and Resilience: Conclusion of the Assessment for the Program All Prior Actions supported by the Climate Cat DDO are aligned with the adaptation goals of the Paris Agreement.	

ANNEX 5: WORLD BANK DRM ENGAGEMENT IN THE PHILIPPINES

1. The Philippines has reformed the way the country deals with disasters. It has shifted its approach from reactive to proactive risk management with a significant focus on preparedness and resilience. The GOP has put in place policies and interventions because of its rich experience and lessons learned from previous disasters, in part through the support of the first and second DRM- Development Policy Loan with Catastrophe Deferred Drawdown (Cat DDO 1 and 2), DRM-DPL3 and the Cat DDO 4.

2. The evolution of the Cat DDOs shows the progress of the World Bank's engagement in strengthening the DRM system in the Philippines. From providing basic support to GOP in implementing the Philippines DRM Law, the Bank's assistance has progressed to addressing more complex DRM challenges over the years. These include specific challenges that significantly affect the country's capacity to prepare for, respond to, and recover from disaster and climate risks. In partnership with the GOP, the World Bank adopted a comprehensive approach in strengthening the country's physical, social, and financial resilience.

3. The **Cat DDO 1** (P125943, US$500 million, 2011 to 2014) aimed to enhance the capacity of the GOP to manage the impacts of natural disasters. It helped establish key national policies that form the foundation for the current DRM system. Under Policy Area 1, the GOP: (i) established local DRRM offices with budget and personnel in all provinces, and majority of cities and municipalities; (ii) issued Guidelines on the use of Local DRRM funds; (iii) developed monitoring system to track disaster-related financing; and (iv) rolled-out training on post-disaster needs assessment and emergency response. Under Policy Areas 2 and 3, the GOP: (i) mainstreamed CCA and DRRM measures in Provincial Development and Physical Framework Plans and in key sectors (transport, health, and social protection); and (iii) prepared its National DRF Strategy for the Philippines to manage the country's financial exposure to natural hazards.

4. The Cat DDO 1 was fully drawn in December 2011 following Tropical Storm *Washi* that hit the southern Philippines. President Benigno S. Aquino III declared a State of National Calamity on December 20, 2011, through Presidential Proclamation No. 303. The loan proceeds (US$497,500,000) were disbursed to the GOP on December 29, 2011, two days after the request to withdraw funds was received from the DOF.

5. The **Cat DDO 2** (P155656, US$500 million, 2015 to 2020) development objective was to enhance the technical and financial capacity of the GOP to reduce disaster risk and manage the socio-economic and fiscal impacts of natural disasters. Specifically, the Cat DDO 2 supported policy actions on (a) strengthening risk reduction investment planning and regulations; and (b) enhancing the financial capacity to manage natural disaster risks. The key policy reforms under Cat DDO 2 were as follows:

    - **Policy Area 1:** The GOP (i) formulated the Socio-Economic Resilience Methodology for national-level climate and disaster risk-informed planning and investment programming and mainstreamed in the Midterm update of the Philippine Development Plan; (ii) integrated disaster risk reduction measures into the revised National Building Code proposed in Congress; (iii) developed and approved the Provincial Commodity Investment Plans using the expanded Vulnerability and Suitability Assessment tool; (iv) developed the policy framework for post-disaster shelter

assistance and endorsed to the Social Development Committee; and (v) developed multi-hazard vulnerability assessments of priority cultural heritage sites and integrated assessment methodology into the Philippine Standards for Conservation

- **Policy Area 2**: The GOP (i) developed a joint catastrophe risk insurance program for local government units (LGUs); (ii) established a baseline number of line agencies that developed and piloted their disaster risk financing and insurance strategies; (iii) established a roadmap for property catastrophe risk insurance pool for homeowners; (iv) developed a program for post-disaster emergency income support; and (v) updated and adopted a catastrophe risk insurance supervision database template.

6. The Cat DDO 2 was fully drawn in 2018 following Category 5 Typhoon Ompong (Mangkhut). Although fully disbursed, the GOP opted to renew the Cat DDO 2 through 2020 to continue benefitting from the technical assistance program linked to the operation.

7. The **DRM-DPL 3** (P171440, US$500 million, 2020 to 2022) development objective was to strengthen the policy and institutional capacity of the GOP to reduce disaster risk, respond to, and recover from natural disasters. Under the DRM-DPL 3, the GOP (i) used the GeoRiskPH, an integrated database system with related analytical interfaces, for the prioritization of public infrastructure projects; (ii) integrated CCA-DRR measures in the Environmental Impact Assessment process; (iii) integrated climate resilience and disaster risk reduction in the Local DRRM Plans of LGUs; (iv) developed a multi-year investment for seismic risk reduction and retrofitting with specific budget allocation; (v) built the capacity of LGUs to recover better from future disasters through the formulation of local disaster rehabilitation and recovery plan and the development of local disaster risk financing strategies to finance post-disaster recovery; and (ii) improved post-disaster fund disbursement through the implementation of Emergency Cash Transfer Program and community-driven response mechanisms.

8. The loan was fully drawn on 30 April 2020 to provide for the urgent financing needs of the GOP to respond to the COVID-19 pandemic. Supported by a technical assistance program linked to this operation, assistance was also provided to the GOP in the development of LGU COVID-19 Recovery Guide.

9. The **Cat DDO 4** (P177125, US$500 million, 2021 to 2023) development objective is to strengthen the GOP's institutional and financial capacity to manage risks from climate change, natural disasters, and disease outbreaks. The operation focuses on two policy areas: (a) strengthening disaster response and recovery policies and planning and (b) strengthening the resilience of Government programs. Cat DDO 4 specifically supports the following policy reforms:

   - **Policy Area 1**: The GOP (i) fast tracks the disaster recovery of affected vulnerable LGUs through the submission of Disaster Recovery Plans; (ii) includes the climate, disaster, and health-related data of LGUs in the Government's central risk data system (GeoRiskPH); and (iii) increases community participation in vulnerable provinces in technical vocational education and training courses related to DRM and disease outbreaks.

- **Policy Area 2**: The GOP (i) adopts the disaster and climate budget tagging of NGAs and LGUs; (ii) integrates CCA and DRM measures in the local investment programs of highly urbanized cities and independent component cities, and the priority vulnerable provinces; and (iii) integrates climate risk and resilience in Provincial Commodity Investment Plans.

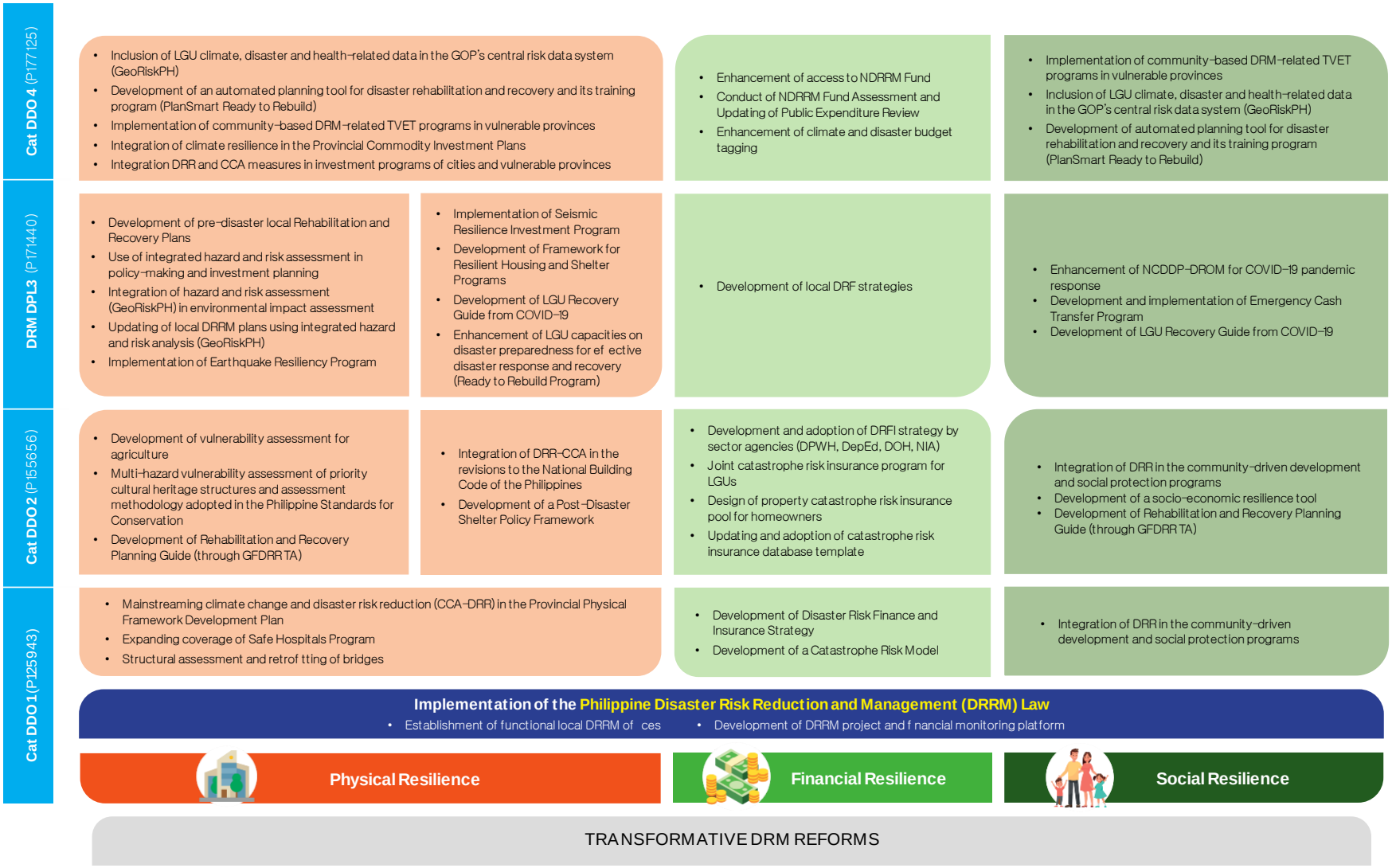
10. The loan was fully drawn in January 2023 to provide for the urgent financing needs of the GOP to respond to the Super Typhoon Odette in 2021 and Typhoon Paeng in 2022. Technical assistance was also provided to the GOP in the development of PlanSmart application, a web-based automated planning tool that systematically generates Disaster Rehabilitation and Recovery Plan using recovery planning pro-forma templates and science-based information.

11. Lessons from Previous Cat DDOs. Lessons from previous operations include: (i) a strong institutional champion is key to advancing complex reform programs; (ii) any effective reform program needs to be supported by a robust analytical foundation and technical assistance; (iii) continuing policy dialogue with stakeholders during preparation and implementation is essential in securing broader support for the DRM reform agenda; (iv) sustained engagement is necessary for helping countries build resilience to natural disasters and facilitating the reform process; and (v) being flexible and agile in adapting to unexpected challenges is crucial in ensuring the effectiveness of a program; (vi) strong collaboration among national government agencies (NGAs) and between NGAs is necessary as DRM reforms are typically multi-sectoral and go beyond the mandates of a single agency.

12. The reforms supported by previous Cat DDOs that provide the building blocks for the proposed operation include: (i) incorporating disaster and climate resilience in the assessment of hospitals (Cat DDO1); (ii) reviewing the National Building Code to incorporate disaster and climate resilience measures (Cat DDO2); (ii) investment planning for risk reduction and resilience in Greater Metro Manila Area (DRM-DPL3); (iv) use of risk information through GeoRiskPH in the physical planning and policy-making, environmental impact assessments, local DRM planning, rehabilitation and recovery planning (DRM-DPL3); and (v) establishment of climate and disaster risk assessment baseline data (Cat DDO4).

    Figure below is a thematic presentation of the DRM Reforms supported by the different Cat DDOs.

Transformative DRM Reforms supported by Different Cat DDOs



ANNEX 6: MACROECONOMIC FRAMEWORK

Annex Table 1: Supply and Demand-side Contributions to Growth

	2020	2021	2022	2023	2024	2025	2026
	Actual			Projected			
Real GDP growth, at constant market prices	**-9.5**	**5.7**	**7.6**	**5.6**	**5.8**	**5.8**	**5.7**
Private Consumption	-5.8	3.1	6.0	4.3	4.5	4.6	4.4
Government Consumption	1.3	1.1	0.7	0.3	0.8	0.9	0.8
Capital Formation	-9.1	3.9	3.0	1.4	1.6	2.2	2.4
Exports, Goods and Services	-4.7	2.2	3.0	1.1	2.1	2.2	2.6
Imports, Goods and Services	-8.7	4.5	5.2	1.5	3.3	4.0	4.6
Statistical Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real GDP growth, at constant factor prices	**-9.5**	**5.7**	**7.6**	**5.6**	**5.8**	**5.8**	**5.7**
Agriculture	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Industry	-4.0	2.5	2.0	1.2	1.7	1.8	1.5
Services	-5.5	3.3	5.6	4.3	3.9	4.0	4.0

Sources: Government of the Philippines for historical and World Bank for projections.
Note: Numbers may not add up due to rounding errors or statistical discrepancy.

Annex Table 2: Key Economic Indicators

	2020	2021	2022	2023	2024	2025	2026
	Actual			Projected			
	In percent of GDP, unless otherwise stated.						
Growth and inflation							
Gross domestic product (percent change)	-9.5	5.7	7.6	5.6	5.8	5.8	5.7
Inflation (period average)	2.4	3.9	5.8	5.9	3.6	3.0	3.0
Savings and investment							
Gross domestic savings	11.3	12.1	12.0	12.3	12.0	11.7	11.6
Gross domestic investment	21.4	22.3	22.7	22.8	23.1	23.9	24.9
Public sector							
National government balance	-7.6	-8.6	-7.3	-6.0	-5.1	-4.1	-3.9
Primary balance	-5.5	-6.4	-5.0	-3.3	-2.5	-1.3	-1.1
Total revenue (government definition) 1/	15.9	15.5	16.1	15.7	15.8	15.9	16.2
Tax revenue	14.0	14.1	14.6	14.2	14.3	14.3	14.6
Total spending (government definition) 1/	23.5	24.1	23.4	21.7	20.9	20.1	20.1
Current operating expenditures	18.5	18.0	17.4	16.7	15.9	15.0	15.0
Capital outlays	4.9	6.0	5.9	5.0	5.0	5.1	5.1
National government debt 2/	54.6	60.4	60.9	61.1	61.4	60.9	60.2
Balance of payments							
Total exports	33.1	33.0	35.4	34.3	33.7	33.9	34.0
Total imports	29.9	34.5	39.8	37.9	37.0	37.0	37.0
Remittances	9.2	8.9	8.9	9.2	9.3	9.4	9.3
Current account balance	3.2	-1.5	-4.4	-3.6	-3.3	-3.1	-2.9
Foreign direct investment	1.9	3.0	2.3	2.5	2.7	2.8	2.8
Portfolio investment	0.5	-2.6	0.3	0.5	0.6	0.6	0.7
International reserves							
Gross official reserves (billions of dollars) 3/	110.1	108.8	96.1				
Gross official reserves (months of imports) 4/	12.3	9.7	7.3				
Foreign Exchange							
US dollar (end-of-period)	48.0	50.8	56.1				
US dollar (average)	49.6	49.3	54.5				

Sources: Government of the Philippines for historical and World Bank for projections.

1/ Revenues defined as "all cash inflows of the national government treasury which are collected to support government expenditures but do not increase liabilities." Expenditures defined as "obligations that the government incurs that must be paid during or after the year when they were incurred."
2/ Including borrowing for the Bond Sinking Fund.
3/ Including gold.
4/ Defined as the total of goods and services imports and primary income that can be financed by reserves.

Annex Table 3: Key Fiscal Indicators

	2020	2021	2022	2023	2024	2025	2026
	Actual			Projected			
	In percent of GDP, unless otherwise stated.						
Overall Balance	**-7.6**	**-8.6**	**-7.3**	**-6.0**	**-5.1**	**-4.1**	**-3.9**
Primary Balance	-5.5	-6.4	-5.0	-3.3	-2.5	-1.3	-1.1
Total Revenues (and grants)	**15.9**	**15.5**	**16.1**	**15.7**	**15.8**	**15.9**	**16.2**
Tax Revenues	**14.0**	**14.1**	**14.6**	**14.2**	**14.3**	**14.3**	**14.6**
Taxes on net income and profits	5.8	5.5	5.3	5.4	5.4	5.7	5.8
Taxes on Domestic Goods and Services	4.3	4.4	4.3	4.4	4.6	4.5	4.7
General Sales, Turnover, or VAT	1.9	2.0	1.9	2.1	2.2	2.2	2.3
Selected Excises on Goods	1.6	1.6	1.6	1.5	1.6	1.5	1.6
Selected Taxes on Services	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other Domestic Taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on International Trade and Transactions	3.0	3.3	3.9	3.4	3.4	3.3	3.2
Other Taxes	0.8	1.0	1.1	1.0	0.9	0.8	0.8
Non-tax revenue	2.0	1.4	1.5	1.5	1.6	1.6	1.6
Total Expenditures	**23.5**	**24.1**	**23.4**	**21.7**	**20.9**	**20.1**	**20.1**
Current operating expenditures	18.5	18.0	17.4	16.7	15.9	15.0	15.0
Personnel Services	6.6	6.6	6.3	5.9	5.7	5.4	5.4
Maintenance and other operating expenditures	4.9	4.5	4.0	3.6	3.4	2.8	2.7
Subsidy	1.3	1.0	0.9	0.7	0.6	0.4	0.6
Allotment to Local Government Units	3.5	3.5	3.8	3.7	3.6	3.5	3.6
Interest Payments	2.1	2.2	2.3	2.7	2.6	2.8	2.9
Tax Expenditures	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Capital Outlays	4.9	6.0	5.9	5.0	5.0	5.1	5.1
Infrastructure & other capital outlay	3.8	4.6	4.6	4.0	4.0	4.2	4.2
Equity	0.1	0.2	0.1	0.2	0.2	0.0	0.0
Capital transfer to local government units	1.0	1.1	1.2	0.8	0.8	0.9	0.9
Net Lending	0.1	0.1	0.1	0.0	0.0	0.0	0.0
National Government Financing (gross)	**15.3**	**13.3**	**9.8**	**12.4**	**12.8**	**11.2**	**10.9**
External (gross)	4.1	2.9	2.4	10.2	10.5	8.6	8.3
Domestic (gross)	11.1	10.4	7.5	2.3	2.3	2.6	2.5
National Government Debt	**54.6**	**60.4**	**60.9**	**61.1**	**61.4**	**60.9**	**60.2**

Sources: Bureau of the Treasury, Department of Budget and Management, Philippine Statistics Authority, and World Bank projections.