



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 11-Sep-2023 | Report No: PIDA36431



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Philippines	P180585	Philippines Disaster Risk Management and Climate Development Policy Loan with a Catastrophe Deferred-Drawdown Option (P180585)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
EAST ASIA AND PACIFIC	16-Nov-2023	Urban, Resilience and Land	Development Policy Financing
Borrower(s)	Implementing Agency		
Republic of the Philippines	Department of Finance		

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.

Financing (in US\$, Millions)

SUMMARY

Total Financing	500.00
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DETAILS

Total World Bank Group Financing	500.00
World Bank Lending	500.00

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

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.

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 2010 to 2019, disasters killed around 11,000 persons, affected 103 million people, and resulted in economic losses amounting to Php 409 billion (US\$ 7.4 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

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,³ and health. These sectors are highly exposed and vulnerable to disasters and climate risks. The frequent onslaught of disasters damages schools and health facilities and disrupts the delivery of education and health services. Disasters likewise destroy houses and households' assets, increase household vulnerability, and push 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, programming, and design; (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 climate and disaster resilience measures in health infrastructure to facilitate continuity of health services even during disasters and emergencies.

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 Bangko Sentral ng Pilipinas (BSP) has responded to the 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.

Relationship to CPF

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 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 Nationally Determined Contribution priorities, including DRM and CCA.

C. Proposed Development Objective(s)

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Key Results

The main results expected from this operation are, by 2026: (i) 80 percent of DepEd schools integrate disaster and climate resilience measures,⁴ and 300 schools strengthened against disaster and climate hazards; and sex-disaggregated data is collected and used in developing policies, regulations and informs overall planning and investment programming; (ii) 80 percent of schools in GMMA implemented risk-informed disaster and climate preparedness and response plans; (iii) 200 LGUs implement zoning regulations based on disaster and climate risk-informed CLUPs; (iv) 30 pilot LGUs have integrated resilient urban design strategies in their CLUPs. Likewise, (iv) 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; and (v) 95 percent of health facilities funded under the DOH Health Facilities Enhancement Program integrate disaster and climate resilience measures.

D. Project Description

This DRM and Climate Cat DDO is designed to support the GOP's continued efforts to build the country's resilience, particularly in human development —education, human settlements, and health— as these are vital to long-term economic growth, poverty, and inequality reduction. The proposed operation builds on the achievements and

¹ Philippine Statistics Authority. 2021. Compendium of Philippine Environment Statistics 2012 – 2021 Component 4: Extreme Events and Disasters.

² World Bank Group. 2022. Philippines Country Climate and Development Report.

³ 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)

⁴ Private schools are encouraged to upload their data and information in the risk-informed platform.



lessons from the implementation of previous Cat DDOs and on the policy recommendations of the 2022 Philippines CCDR. It includes the following pillars:

Pillar A: Strengthening the Resilience of the Education System by supporting reforms that: (i) enhance the resilience of school infrastructure by integrating disaster and climate resilience measures in the school infrastructure investment program through a risk-informed and evidence-based platform, and (ii) protect students and Department of Education (DepEd) personnel from natural hazards through risk-informed emergency preparedness and response plans.

Pillar B: Strengthening the Resilience of the Human Settlements System by supporting reforms that establish livable communities and enhance the resilience of communities through (i) a risk-informed and evidence-based platform that integrates disaster and climate resilience measures in land use planning; (ii) development of resilient urban design strategies, and (iii) establishment of green and open spaces.

Pillar C: Strengthening the Resilience of the Health System by supporting reforms that would allow the health sector to better withstand the impact of hazards, minimize disruption of health services, and enhance its resilience to public health emergencies through the integration of disaster and climate resilience measures in the construction of health facilities funded under the DOH Health Facilities Enhancement Program.

The proposed operation has the following key features:

- *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 *State of Calamity* in the Borrower's territory due to a natural disaster or public health emergency, which has been declared by the President through a Proclamation of Calamity duly published in the Official Gazette, in accordance with the Disaster Risk Reduction and Management 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.

E. Implementation

Institutional and Implementation Arrangements

The Department of Finance (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— Office of Civil Defense, DOF, National Economic and Development Authority, Office of Civil Defense, Department of Budget and Management, Department of Science and Technology (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. 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.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The reforms supported by the proposed operation 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 climate and disaster 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 the most vulnerable sectors (e.g., learners) and the poorest communities. 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. 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 disasters, which will be beneficial to the poor.

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.⁵ 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. 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 child, disability, and gender-responsive infrastructure are critical elements in ensuring inclusive education, human settlements, and health systems.

Environmental, Forests, and Other Natural Resource Aspects

The DRM and Climate Cat DDO supports reforms with an overall positive impact on the environment and contributions to 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, and health facilities cover technical standards, green building designs, and climate-smart measures. Climate and DRM guidelines will be used by National Government Agencies and LGUs in planning urban infrastructure investments.

G. Risks and Mitigation

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

⁵World Bank Group. 2022. [Good Practice Note: Gender-Based Violence \(GBV\) Mitigation in Post-Disaster Contexts – Lessons Learned from Central Sulawesi](#).



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 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 by developing a stakeholder engagement plan and communications strategy using the existing stakeholder consultation platforms in participating agencies. Moreover, a technical assistance program and capacity-building support will be provided to DOST, DepEd, DHSUD, and DOH and their subnational counterparts. Lessons from previous Cat DDOs highlighted 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.

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 a 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 Technical Working Group (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.

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The World Bank

Philippines Disaster Risk Management and Climate Development Policy Loan with a Catastrophe Deferred Drawdown Option (P180585)

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APPROVAL

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