



**The World Bank**

Third Disaster Risk Management Development Policy Loan with a Catastrophe Deferred-Drawdown Option (P171440)

# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 24-Jun-2019 | Report No: PIDC27415



**BASIC INFORMATION**

**A. Basic Project Data**

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|--------------------------------------|--|--|--|
| Country<br>Philippines               | Project ID<br>P171440                        | Project Name<br>Third Disaster Risk Management Development Policy Loan with a Catastrophe Deferred-Drawdown Option (P171440) | Parent Project ID (if any)                           |
| Region<br>EAST ASIA AND PACIFIC      | Estimated Board Date<br>Mar 31, 2020         | Practice Area (Lead)<br>Social, Urban, Rural and Resilience Global Practice  | Financing Instrument<br>Development Policy Financing |
| Borrower(s)<br>Department of Finance | Implementing Agency<br>Department of Finance |  |  |

**Proposed Development Objective(s)**

The development objective is to strengthen the policy and institutional capacity of the Government of the Philippines to reduce disaster risk, respond to and recover from natural disasters. This will be achieved by supporting policy actions aimed at (i) further strengthening the policy, regulations and institutional framework for disaster risk reduction and (ii) further enhancing the capacity to respond and recover from disasters.

**Financing (in US\$, Millions)**

**SUMMARY**

|                        |        |
|------------------------|--------|
| <b>Total Financing</b> | 500.00 |
|------------------------|--------|

**DETAILS**

|   |        |
|---|--------|
| <b>Total World Bank Group Financing</b> | 500.00 |
| World Bank Lending                      | 500.00 |

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

- 1. This proposed Third Disaster Risk Management (DRM) Development Policy Loan with a Catastrophe Deferred-Drawdown Option (CAT-DDO) aims to support government of the Philippines' overall disaster resilience program.** The proposed operation, in the amount of US\$500 million is a single tranche operation designed to support the government's objective to strengthen resilience to natural disasters and climate change. This proposed operation is a response to government's request to support them in strengthening its policies and institutional capacity to reduce disaster risks, respond to and recover from stronger typhoons, earthquakes, floods and other natural hazards. Government's objective in requesting for this Third DRM DPL with CAT-DDO is not only access to immediate liquidity in the aftermath of severe disasters but more importantly access to technical support from the World Bank in strengthening their overall DRM policy reforms and developing institutional capacity to implement the reforms at the national and local levels. This operation also builds on the previous two DRM Development Policy Loans with CAT-DDOs.
- 2. The Philippines is highly vulnerable to adverse natural events, which creates risk to achievements in poverty reduction and long-term growth.** 74% of the population is vulnerable to natural disasters and 60% of total land area is exposed to multiple hazards (GFDRR). The most frequent and widespread of natural hazard events from 2005 to 2015 were climate-related. Around 90% of damage in recent years was from typhoons (PSA), and Typhoon Yolanda alone killed 6,300 and caused USD 12.87 billion in damage in 2013, hampering economic growth by about 0.9%. As a result of the disaster an additional 2.3 million people were estimated to have fallen below the poverty line. The frequency and severity of typhoons and flooding are expected to increase with climate change and will be most felt in coastal and urban areas.<sup>1</sup> In addition to this, a projected M7.2 earthquake on the West Valley Fault (in Metro Manila) could cause 48,000 fatalities, US\$48 billion in economic losses, and catastrophic impact on government and business continuity<sup>2</sup>.
- 3. In 2010 the Government of the Philippines passed the Philippine Disaster Risk Reduction and Management (DRRM) Act, which mandated a shift from disaster response to disaster risk reduction and preparedness.** The law similarly emphasizes the development of risk transfer instruments to enable the government to leverage financial resources beyond budgetary and lending envelopes. Building on the gains from this strong reform agenda for the past decade, the government has integrated lessons learned from previous disasters in their implementation of various disaster risk management programs at the national and local levels.
- 4. The impacts of three major disasters (Zamboanga Siege in 9 September, M.7.2 Earthquake in Bohol and Cebu in 15 October, and the Super Typhoon Haiyan "Yolanda" in 8 November) that successively struck the country in the last quarter of 2013 has changed the Government's outlook in preparing for, responding to, and recovering from natural disasters.** These events highlighted the weak institutional structure of the National Disaster Risk Reduction and Management Council (NDRRMC) and the limited capacity of national government agencies and Local Government Units (LGUs) to respond and recover from the natural disasters. It also emphasized the coordination, planning, financing, and implementation issues and bottlenecks that caused delays in the delivery of recovery and reconstruction projects in the affected communities. This prompted the Government to push for policy reforms that will also address the issues of strengthening institutions and developing the physical and financial capacity of national and local governments to implement policies and programs on disaster risk reduction, preparedness, resilient recovery and reconstruction.

<sup>1</sup> WBG, 2013 (GETTING A GRIP ON CLIMATE CHANGE IN THE PHILIPPINES)

<sup>2</sup> The Greater Metro Manila Area Risk Assessment Program (PHIVOLCS, 2013)



#### Relationship to CPF

5. **The proposed operation is fully aligned with the ongoing Systematic Country Diagnosis (SCD), the upcoming Country Partnership Framework (CPF), and the Bank’s commitment to address impacts of climate change. This also complements the reforms supported by the proposed DPL Series on Promoting Competitiveness and Enhancing Resilience to Natural Disasters.** The new CPF under preparation is tentatively structured around three development objectives: (i) Job creation, (ii) Improving human capital, and (iii) Building resilience to conflict and natural disasters. The CATDDO3 supports the government efforts to strengthen policy, institutional frameworks, and implementation strategies for disaster risk management and physical and financial resilience to natural shocks. The reforms supported by this CATDDO3 also aligns with the Bank’s commitment to support the Sendai Framework for Disaster Risk Reduction and the Paris Climate Agreement. Finally, the operation also complements the reforms supported by the DPL series on promoting competitiveness and enhancing resilience to natural disasters specifically on strengthening financial resilience to natural disasters and climate change.

#### C. Proposed Development Objective(s)

The development objective is to strengthen the policy and institutional capacity of the Government of the Philippines to reduce disaster risk, respond to and recover from natural disasters. This will be achieved by supporting policy actions aimed at (i) further strengthening the policy, regulations and institutional framework for disaster risk reduction and (ii) further enhancing the capacity to respond and recover from disasters.

#### Key Results

6. **The proposed CATDDO3 will build on the gains of the government’s DRM program and previous WBG support.** This will enhance the government’s overall disaster resilience program and strengthen the policies, institutional, and financial capacity of the government as it prepares to respond and recover from stronger typhoons, earthquakes, floods, and other natural hazards. This builds on the disaster risk assessment tools, risk reduction methodologies, risk finance strategies, and policy frameworks developed from CATDDOs 1 and 2. It will also continue to implement the government’s strategy to implement the risk layering framework and secure access to immediate post-disaster liquidity to finance response and relief, ensuring that budget resources are not diverted from ongoing development programs<sup>3</sup>. The proposed CATDDO3 will continue to strengthen the Government’s DRM policy reforms, provide a platform for implementation of the country’s disaster risk management and resilience program, improve the seismic risk and resilience of Greater Metro Manila, and strengthen DRM-related institutions at the national and local level. This also supports the government’s disaster risk finance and insurance (DRFI) strategy and complement the DPL series on promoting competitiveness and enhancing resilience to natural disasters.

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<sup>3</sup> The first DPL with CATDDO (US\$500 million) was fully drawn down after the Presidential declaration of a State of Calamity in the Philippines in December 2011, following Typhoon Sendong (Washi). The second DPL with CATDDO (US\$500 million) was fully drawn down after the Presidential declaration of a State of Calamity in the Philippines in September 2018, following Typhoon Ompong (Mangkhut). The government extended the CATDDO2 facility for another 3 years until September 2021.



## **D. Concept Description**

### ***Pillar A: Strengthening the policy and institutional framework for Disaster Risk Reduction***

Prior action #1: The National Disaster Risk Reduction and Management Council has adopted the Updated the National Disaster Risk Reduction and Management Plan 2011-2028, providing for updated strategic action plans, policies, and priorities in DRRM thematic areas (i.e. prevention and mitigation, preparedness, response, and rehabilitation and recovery).

**7. The Updated National Disaster Risk Management Plan 2011-2028 provides action plans and key activities informed by the Philippine DRRM experience. These are geared towards attaining the desired outputs and outcomes in the updated National DRRM Plan under each of the four DRRM thematic areas. The implementation of the plan and strategy underpinning the Updated National DRRM Plan will be supported by this operation through Pillars A and B.**

In line with this prior action, the result indicator A1 is overall framework for a more effective DRRM agency is developed incorporating international and local good practices to be integrated in the creation of a new Department/Agency [Department of Disaster Resilience] by the NDRRMC; result indicator A2 is disaster risk reduction measures are integrated in the Implementing Rules and Regulations of the Proposed Philippine Building Act and approved by the Department of Public Works and Highways; and result indicator A3 is the National Economic and Development Authority Socio-Economic Resilience Methodology (developed under CAT-DDO2) is updated and applied by NEDA and Local Government Units (LGUs) in planning and investment programming will be responsive to the Government's needs and priorities. These three indicators are also underpinned by the policy outputs and reforms from the first and second DRM DPLs with a CAT-DDO.

Prior action #2: The Borrower has adopted the *“Two-Pronged Strategy towards an Earthquake Resilient GMMA”* and created the Program Management Office for Earthquake Resiliency of Greater Metro Manila Area (PMO-ERG) to integrate all government efforts to enhance the resiliency of Greater Metro Manila Area and undertake all actions to fast-track the implementation of urgently needed interventions in collaboration with other relevant stakeholders.

**8. Result indicator A4 is a Department Order issued by DPWH creating a Project Implementing Unit for Seismic Resilience, defining the mandate, functions, and basic guidelines.**

Prior Action #3: The Borrower has adopted the Risk Resiliency Program as the national planning framework for public sector investments in reducing risk and enhancing resilience and agreed to use the RRP Operational Manual and RRP Results Framework as official planning tools for resilience.

**9. Result indicator A5 is the development of Provincial Investment Programs for Risk Resilience (IPRRs) by the 9 provinces using the RRP Operational Manual and Results Framework and endorsed by their respective regional development councils.**

### ***Pillar B. Strengthening the policy and institutional framework for Disaster Recovery***

Prior action #4: The National Disaster Risk Reduction and Management Council has approved and adopted the Philippine Disaster Rehabilitation and Recovery Planning Guide, to establish the framework, templates, coordination mechanisms, implementation arrangements, financing options, and systems for timely and effective disaster recovery and reconstruction for implementation at the national and local levels.



- 10. The recent approval and adoption of the Philippine Disaster Rehabilitation and Recovery Guide by the NDRRMC, a council with 42-member agencies including private sector and CSO representatives signals the commitment of Government to build the capacity of LGUs in DRM and effective post-disaster recovery. Prior action #4 sets the Government's priority to build a culture of preparedness towards resilient recovery. This was a result of the lessons learned from previous disasters that the country has experienced.** Typhoon Yolanda in 2013 has highlighted the urgent need to strengthen the capacity of LGUs to develop local post-disaster rehabilitation and recovery program to quickly respond to disasters, finance and implement recovery and reconstruction projects in the affected areas.
- 11. This operation will support the result indicators as underpinned by this prior action. This also builds on almost all the result indicator outcomes under CAT-DDO2.** In the development of pre-disaster local rehabilitation and recovery plans, result indicator B1 is the Pre-Disaster Local Rehabilitation and Recovery Plans developed by Local Government Units (LGUs) using the Philippine Disaster Rehabilitation and Recovery Planning Guide adopted by the NDRRMC; result indicator B2. Is the development of the Implementing Guidelines for the Post-Disaster Shelter Recovery Policy Framework and applied by the Department of Human Settlements and Urban Development (DHSUD); result indicator B3 is the development and use of Implementing Guidelines for the Framework for Emergency Cash Transfer Programs by the Department of Social Welfare and Development; result indicator B4 is the adoption of the revised guidelines for the National Community Driven-Development Program (NCDDP) Disaster Response Operations Modality (DROM) by DSWD to implement post-disaster recovery projects in affected communities; and result indicator B5 is the development of Disaster Risk Finance strategies by LGUs to finance post-disaster recovery supported by the proposed operation. This will be complemented by a technical assistance program to support the Government in these reforms at the national, regional and local levels.
- 12. Result indicator B5, Disaster Risk Finance strategies developed by LGUs to finance post-disaster recovery is an important indicator that will help LGUs manage their fiscal space and ensure that they have strategies to finance post-disaster recovery and reconstruction.** This will allow LGUs to anticipate the recovery needs and map out the financing sources and requirements to access these. This will help build the capacity of LGUs in implementing resilient and speedy recovery post disaster. The Bank support will complement the GoP's program of providing assistance to LGUs as they prepare their Local Rehabilitation and Recovery Plans that includes their respective local DRFI strategies.

### **E. Poverty and Social Impacts and Environmental Aspects**

#### Poverty and Social Impacts

- 13. The prior actions and policy reforms supported in this CATDDO3 are expected to have positive poverty and social impacts on the poor and vulnerable groups.** Actions under strengthening the policy and institutional framework for disaster risk reduction and disaster recovery are expected to improve welfare of the poor as they are less resilient to natural disasters, therefore faster physical and financial response and recovery post disasters are expected to benefit the poor more. Typhoon Yolanda affected some of the poorest regions of the Philippines and will have a long-term impact on households and communities. The social implications of Yolanda on food security, livelihoods, health, poverty, inequality and migration were experienced by all social classes and gender, however, overcoming these effects is most difficult for poor households, women and children. Poverty and vulnerability to natural hazards are strongly inter-related: poverty increases vulnerability to adverse natural events, and disasters cause capital and human losses, fostering poverty and leading to poverty traps. Coordinated efforts and efficient management of resources to ensure that interventions reach communities are likely to reduce the unmet needs of the poorest households and most vulnerable male and female population in the event of a disaster, and in this way contribute to poverty reduction and



shared prosperity.

Environmental Impacts

- 14. The GOP has adopted a comprehensive, multi-hazard approach that considers many types of geological and hydro-meteorological hazards to which the country is exposed.** The existing vulnerability of communities is being evaluated through impact and risk assessments, including the Pre-Disaster Risk Assessments conducted in order to inform preparedness measures. The Government’s approach is also informed by the implications of climate change, particularly since this has resulted in significant changes in baseline environmental conditions. These changes affect the underlying disaster risk factors, such as exposure to storms, floods, droughts and other weather-related hazards. The Socioeconomic Resilience tool developed by NEDA with the support of World Bank (under CAT-DDO2) will provide national and local governments (provinces) a tool to assess their vulnerability and prioritize their investments in resilience projects. The Government through the DOST has also embarked on a program called Geo-Risk Philippines, it is a platform that allows national and local government, communities, and other stakeholders access to multi-hazard maps that has incorporated various hazards and risks in the country.
- 15. Through this proposed operation, the Government is addressing technical and financial barriers to enable the adoption of a risk-informed approach to development.** Regarding environmental safeguard systems, the Government has initiated integration of disaster risk management and climate change adaptation issues with the Environmental Impact Assessment (EIA) System, together with local development, DRM and climate action plans. Guidelines have been developed by the DENR, outlining the basic policy and operating principles to strengthen the incorporation of climate risk in the EIA System. This is supported by a guidebook, a set of technical guidelines, and a training program. This initiative will require development projects to include mandatory consideration of climate extremes and variability in the baseline assessment, analysis/management of impacts on and of the project, and environmental risk assessment.

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### APPROVAL

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|----------------------|---|
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### Approved By

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|-------------------|-------------------|-------------|
| Country Director: | Georgia A. Wallen | 23-Jul-2019 |
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