

World Bank’s Disaster Risk Management Development Policy Loan

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The Washington, D.C.-based World Bank (WB) has extended to the Philippines a \$500-million Disaster Risk Management Development Policy Loan with a Catastrophe-Deferred Drawdown Option (CAT-DDO2) as part of a larger disaster

risk financing and Insurance (DRFI) strategy for the Philippines. The CAT-DDO is a contingent credit line aimed at providing immediate liquidity in the aftermath of a natural disaster. This is the second of its kind. This project started in December 2015, when it was approved by the World Bank Group’s board of executive directors, and will end in September 2018. The first CAT-DDO was implemented in September 2011 and closed in October 2014. The implementing agency continues to be the Department of Finance (DOF).

A natural calamity can cause significant damage to the economy. The World Bank noted that the onslaught of Super typhoon Yolanda (international code name Haiyan) in 2013 slashed 0.9 percent from the gross domestic product growth that year, on top of another 0.3 percent cut the following year.

The first CAT-DDO produced significant initiatives, such as the establishment of 80 fully functional DRRM offices in the provinces, substantially exceeding the target of 14 provinces. Similarly, over 1,487 cities and municipalities have established local DRRM offices. Also, guidelines on the use of Local Disaster Risk Reduction and Management Fund (LDRRMF) were issued. The DILG issued Memorandum Circular 2012-73 on April 17, 2012, to provide guidance on the eligible expenditures to be supported by the LDRRMF. Between 2011 and 2014, the Department of Public Works and Highways (DPWH) completed the retrofitting and reconstruction of 10 bridges in Metro Manila.

The objective of the loan is “to enhance the technical and financial capacity of the government of the Philippines to reduce disaster risk and manage the socioeconomic and fiscal impacts of natural disasters.”

The trigger for the drawdown or access is the declaration of a state of calamity as a result of a natural disaster in accordance with the Disaster Risk Reduction and Management (DRRM) Act of 2010. A declaration of a state of calamity can be national or part of the territory, in clusters of barangays, municipality, cities, provinces or regions. After Typhoon Ondoy (Ketsana) and Typhoon Pepeng (Parma) in 2009, Congress passed Republic Act 10121, or the Philippine Disaster Risk Reduction and Management Act mandating a shift from disaster response to disaster-risk reduction and preparedness.

In line with this loan, the World Bank has supported the DPWH in revising the National Building Code of the Philippines to integrate disaster risk reduction as a key feature. This is seen to be integrated in a new Philippine Building Act. The DOF and the Insurance Commission are also reviewing the design proposed by the Philippine Insurers and Reinsurers Association on the establishment of a Philippine Catastrophe Insurance Pool for homeowners and small, medium enterprises. Another area for technical support is the development of database templates of insurance exposure and losses.

Features

The full loan amount is available for disbursement at any time within three years from loan signing. The amounts repaid during the drawdown period are available for subsequent withdrawal, known as a revolving feature. The three-year drawdown period may be renewed up to four times, for a total maximum period of 15 years. The government has the option to renew the CAT-DDO2.

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