



Public Funds For Climate Change and Disaster Risk in the Philippines

November 9th, 2018

- Overview
- List of Stakeholders
- Connections with other RFPI activities

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TABLE OF CONTENT

Table of Content.....	3
1. Introduction	4
2. Overview of existing funds in the Philippines.....	5
2.1. Calamity Fund	5
2.2. Quick Response Fund	6
2.3. People’s Survival Fund	7
2.4. General Appropriations Act of 2018 (GAA 2018)	8
2.5. Parametric Insurance for 25 provinces in the Philippines	9
3. List of Stakeholders	11
3.1. Calamity Fund	11
3.2. Quick Response Fund	11
3.3. People’s Survival Fund	11
3.4. General Appropriations Act of 2018 (GAA 2018)	11
3.5. Parametric Insurance for 25 provinces in the Philippines	11
4. Linkages with RFPI.....	12
4.1. MEFIN	12
4.2. DPP MicroComm.....	12
4.3. DPP MicroDRI.....	12
4.4. Other RFPI activities.....	13

1. INTRODUCTION

About this document

“An average of about 20 storms and typhoons enter the Philippine Area of Responsibility every year. In addition, the country also sits within the so-called ‘Pacific Ring of Fire’, hence is exposed to earthquakes and volcanic eruptions. All of these make the Philippines one of the riskiest countries in the world in terms of disaster vulnerability and natural calamities exposure.”¹

The GIZ program RFPI Asia program (Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia) currently prepares new directions for activities in the upcoming months and years.

A general direction of international co-operation in the Philippines follows disaster risk and climate change. Both subjects are closely connected to insurance development.

Additionally, to classical insurance models, there are several public funds that are somehow connected to at least one of these issues. In this document, such funds are investigated and presented.

About the content

The next chapter will list some of the existing funds and will analyze the concepts and frameworks behind it.

The following one will give a short overview about the stakeholders from all sides of these funds.

Finally, there will be some orientation on how to connect them to the existing work of the GIZ RFPI Asia program.

¹ <https://divinalaw.com/right-calamity-fund/>

2. OVERVIEW OF EXISTING FUNDS IN THE PHILIPPINES

The government of the Philippines provides several options for businessmen, farmers and other stakeholders to get some funding after a natural disaster.

Some of them are covering similar issues or can be applied during the same authorities. Others are only created for specific issues and others again can more be understood as some regional or state budget which is reserved for climate change prevention or follow-up activities.

Here you can read more about these funds.

2.1. Calamity Fund

The Calamity Fund, as well as the Quick Response Fund (see next chapter), are provided by the Department of Budget and Management.

According to their website, “the Calamity Fund is a lump sum fund appropriated under the General Appropriations Act (GAA) to cover aid, relief, and rehabilitation services to communities/areas affected by man-made and natural calamities, repair and reconstruction of permanent structures, including capital expenditures for pre-disaster operations, rehabilitation and other related activities.”²

“The law makes the local government units (“LGU”) primarily responsible as the first disaster responders in their locality with the national

² This is the official website of the fund:

<https://www.dbm.gov.ph/index.php/programs-projects/calamity-and-quick-response-funds#1-what-is-calamity-fund>

³ <https://divinalaw.com/right-calamity-fund/>

government merely acting in support of the LGU.”³

Requests for both funds assistance can be submitted on two different ways:

- Via National Government Agencies (NGAs)/Government-owned and Controlled Corporations (GOCCs)
- Via Local Governments Units (LGUs)

The whole processes are described on the governmental dbm website⁴, where you can read that for submission at LGUs require at least following:

- A Letter of intent
- Accomplished Project Proposal Template
- Adaption reference which may include any of the following: (a) Climate Risk and Vulnerability assessments, (b) CCA-DRR-enhanced Comprehensive Land Use / Development plans (CDPs), (c) Locale Climate Change Action Plan (AIP)
- Annual Investment Plain (AIP)

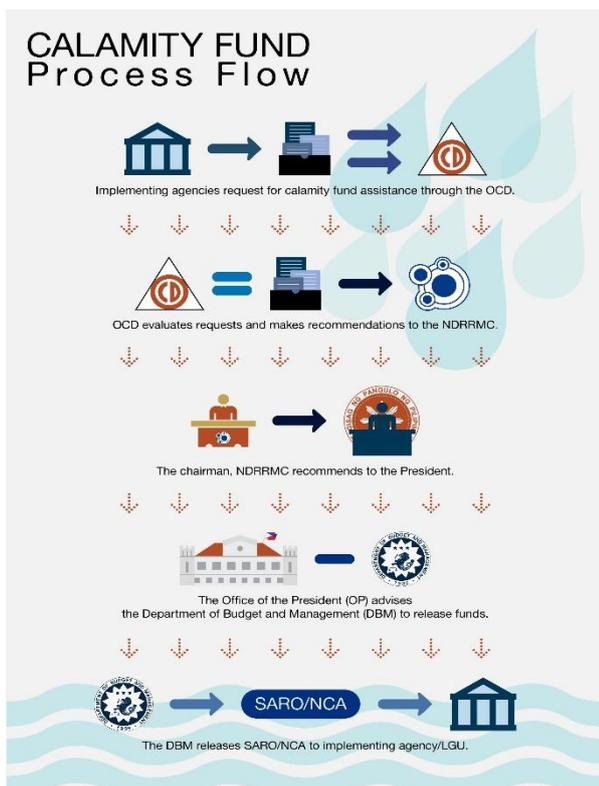
For submission at Local or Community Organizations, following documents are required:

- Letter of intent
- Accomplished Project Proposal Template
- Adaption reference which may include any of the following: (a) Climate Risk and Vulnerability assessments, (b) CCA-DRR-

⁴ <https://www.dbm.gov.ph/index.php/programs-projects/calamity-and-quick-response-funds#4-how-to-request-cf-and-qrf-assistance>

enhanced Comprehensive Land Use / Development plans (CDPs), (c) Locale Climate Change Action Plan (AIP)

- Organizational / Board Resolution affirming interest to access to Fund Proof of Communication with the LGU covering their proposed beneficiaries.



Process flow of Calamity Fund (source: dbm website⁵)

⁵ <https://www.dbm.gov.ph/index.php/programs-projects/calamity-and-quick-response-funds#5-is-there-a-process-flow-to-follow-to-release-the-fund>

⁶ <https://divinalaw.com/right-calamity-fund/>

⁷ GSIS is the Government Service Insurance System, find out more on <http://www.gsis.gov.ph/>

⁸ Find out more on this website: <https://www.dbm.gov.ph/index.php/programs-projects/calamity-and-quick-response-funds#2-what-is-quick-response-fund>

These administrative requirements are seen critically sometimes, as well as issues for the LGU budget.

“The law mandates LGUs to set aside no less than 5% of all its revenues from regular sources to create its local disaster fund or calamity fund.

Another requirement is for LGUs to spend 70% of this fund for pre-disaster, prevention and mitigation activities while the remaining 30% of the fund is allocated for Quick Response Fund, mainly used for immediate relief to disaster victims.”⁶ (see next chapter).

A very good example for the use of this fund can be found in Tacloban, where the City Disaster Reduction Office and the City Government decided to use this budget for insuring replacements costs of public buildings with GSIS⁷ in case of a disaster.

2.2. Quick Response Fund

Many procedures how to get funding from this source is similar to the Calamity Fund.⁸

The main difference between both is that the Quick Response Fund “... does not require the recommendation of the NDRRMC⁹ or the approval of [Office of the President] to trigger the use and release of funds. When the [Quick

⁹ National Disaster Risk Reduction and Management Council (NDRRMC), formerly known as the National Disaster Coordinating Council (NDCC), is a working group of various government, non-government, civil sector and private sector organizations of the Government of the Republic of the Philippines established by Republic Act 10121 of 2010.

https://en.wikipedia.org/wiki/National_Disaster_Risk_Reduction_and_Management_Council

Response Fund] gets depleted, the agency may request for replenishment with a request to the [Department for Budget and Management]¹⁰ and to be approved by the Office of the President.”¹¹

There are currently five governmental departments that have built-in Quick Response Funds to ensure immediate action during calamities:

- Department of Public Works and Highways (DPWH)
- Department of National Defense (DND) – Office of the Secretary (OSEC)/ Office of the Civil Defense (OCD)
- Department of Education (DepEd)
- Department of Social Welfare and Development (DSWD)
- Department of Agriculture (DA)

For the Department of Social Welfare and Development (DSWD) the Quick Response Fund was just replenished by the Department of Budget and Management (DBM) in September 2018 to PHP 662.5 million from PHP 103.6 million. “According to the DBM, it is standard practice to replenish the fund in anticipation of forthcoming disasters or calamities.”¹²

The Commission of Audit (COA), that is usually responsible to approve if a project is fundable or not, might be a bottleneck for decisions because one COA auditor can decide if a project qualifies or not. In 2016, there was a discussion, if this fund is always used in the right way. For example, the Commission of Audit raised an issue that time where budget from the Quick Response Fund was

¹⁰ <https://www.dbm.gov.ph/>

¹¹ <https://www.dbm.gov.ph/index.php/programs-projects/calamity-and-quick-response-funds#2-what-is-quick-response-fund>

¹² <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/1201-dbm-replenishes-dswd-quick-response-fund>

used to repair military camps damaged by typhoons ‘Santi’, ‘Glenda’ and Yolanda.¹³

2.3. People’s Survival Fund

The People’s Survival Fund is one of the most famous governmental funds that can be ordered by Local Government Units or by local or community organizations that fulfill specific requirements.¹⁴



Logo of People’s Survival Fund

It is provided by the Philippines Climate Change Commission and was established three years ago with an initial allocation of 1 billion PHP, “... sourced from the 2015 national budget, the [People’s Survival Fund] board said that the fund might be used for projects that prevent or mitigate the effects of climate change and natural disasters.”¹⁵

¹³ <https://newsinfo.inquirer.net/864763/dnd-tells-coa-quick-response-fund-used-properly>

¹⁴ See People’s Survival Fund’s brochure in English, page 1, available on <http://climate.gov.ph/knowledge-bank/knowledge-products/psf-brochures>

¹⁵ <http://cnnphilippines.com/news/2015/10/28/P1-billion-peoples-survival-fund-climate-change.html>

approved because they lacked basic documents required to fund their projects”¹⁹.

However, some successful projects from this fund were already implemented. For example, the LGUs of Lanuza, Surigao Del Sur and Del Carmen, Surigao del Norte on Mindanao developed projects with key approaches including “integrating natural resource protection and climate-resilient livelihood; providing technical assistance to vulnerable farmers and fisherfolk, and mechanisms to reduce vector-borne diseases affecting agricultural dependent households; promoting community education on weather forecasting and climate variability to support decision making for agro-fishery practices; and building a regional center for research and extension.”²⁰

2.4. General Appropriations Act of 2018 (GAA 2018)

“The General Appropriations Act (GAA) is one of the most important legislations that Congress [in the Philippines] annually passes.

It defines the annual expenditure program of the national government and all of its instrumentalities. The expenditure program includes all programs and projects that are supposed to be funded out of government funds for the year.

The process does not start with Congress but as provided in the Constitution, the national

¹⁹ <https://www.rappler.com/move-ph/135785-climate-change-local-governments-survival-fund>

²⁰ <https://www.sunstar.com.ph/article/111951>

²¹

<https://www.coursehero.com/file/31956702/Vicerra-papdf/>

²² See “Strategy Paper on Mainstreaming Insurance in Climate Change Adaptation Planning

expenditure program must emanate from the Office of the President.”²¹

Year by year, this also “includes funding for rehabilitation of infrastructure and other related activities, flood control, drainage systems maintenance and rehabilitation of public buildings.”²²

The budget also includes the funds mentioned before, but also many other measures, activities and projects related to climate change. Some of them are not available on a local but on national level.²³

This budget is distributed amongst many authorities, departments and offices, for example the Climate Change Commission under chapter XXVII. B²⁴, so there are no clear and commonly identical processes and conditions for this kind of funding. Additionally, it changes year by year when the next General Appropriations Act (GAA) is discussed, agreed and published.

2.5 Parametric Insurance for 25 provinces in the Philippines

In August 2017, a parametric insurance program “was launched by the Government of the Philippines, supported by the World Bank (IBRD, International Bank for Reconstruction and Development) and the U.K. Department for International Development.

and Local Financing” by Jimmy Loro, GIZ RFPI Asia and MEFIN Network.

²³ See “Strategy Paper on Mainstreaming Insurance in Climate Change Adaptation Planning and Local Financing” by Jimmy Loro, GIZ RFPI Asia and MEFIN Network.

²⁴ <https://www.dbm.gov.ph/index.php/budget-documents/2018/general-appropriations-act-fy-2018/gaa-volume-ii>

The program is the first of its kind in the Philippines and builds on six years of intensive partnership with the World Bank, including the preparation of the first catastrophe risk model for the country and the adoption of a Disaster Risk Finance Strategy by the Department of Finance. This is the first time that the World Bank has entered into a reinsurance agreement with a governmental agency, and the first time it is executing a catastrophe risk transaction in local currency.

This new insurance program [supports] the country in responding to impacts of severe natural disasters. It acts as the last line of defense, complementing other funding sources such as the national and local disaster risk reduction management funds and contingent credit that protect against less severe natural disasters.”²⁵



World Bank / IBRD logo

Stakeholders are not only World Bank and governmental departments from the Philippines. Additionally, “Nephila Capital, Swiss Re, Munich Re via its subsidiary NewRe, Axa, and Hannover Re are the panel of international reinsurance capital providers that have backed the Philippine parametric catastrophe swap and insurance.

(...) The arrangement provides the Philippine peso equivalent of US \$206 million in parametric protection against losses from major typhoons and earthquakes to Philippine national

government assets, as well as coverage for the 25 participating provinces against losses from major typhoons.”²⁶

For this pilot project 25 Local Government Units (LGUs) were selected from following provinces:

- Aurora
- Cagayan
- Camarines Norte
- Camarines Sur
- Catanduanes, Cebu
- Davao del Sur
- Davao Oriental
- Dinagat Islands
- Eastern Samar
- Ilocos Norte
- Ilocos Sur
- Isabela
- Laguna
- Northern Samar
- Pampanga, Quezon
- Rizal
- Sorsogon
- Surigao del Norte
- Surigao del Sur
- Zambales

“The province local government units will be covered in the event of a major earthquake or typhoon that breaches the parametric triggers of their insurance contract, and the Philippines government said that the coverage is fully ceded to the international reinsurance market (possibly via the aforementioned cat swap), reducing the economic risk to its finances.”²⁷

²⁵ <http://www.worldbank.org/en/news/press-release/2017/08/15/philippines-launches-innovative-insurance-program-to-boost-natural-disaster-risk-management>

²⁶ <http://www.artemis.bm/blog/2017/08/15/nephil>

[a-supports-206m-world-bank-philippine-cat-swap-transaction/](http://www.artemis.bm/blog/2017/08/15/philippines-parametric-insurance-pilot-launched-with-world-bank-support/)

²⁷ <http://www.artemis.bm/blog/2017/08/15/philippines-parametric-insurance-pilot-launched-with-world-bank-support/>

3. LIST OF STAKEHOLDERS

All these funds are granted by somebody and offered to a specific target group. This chapter gives a short overview about stakeholders and beneficiaries of the different funds:

Defense (OCD), Department of Education (DepEd), Department of Social Welfare and Development (DSWD) and Department of Agriculture (DA).²⁹

3.1. Calamity Fund

This fund is provided by the Department of Budget and Management with administrative contribution from National Disaster Coordinating Council (NDCC), Local Government Units (LGU), National Government Agencies (NGAs) and Government-owned and Controlled Corporations (GOCCs).

Main interest groups for receiving this support are communities and areas affected by man-made and natural calamities, repair and reconstruction of permanent structures, including capital expenditures for pre-disaster operations, rehabilitation and other related activities.²⁸

3.2. Quick Response Fund

Stakeholders are nearly the same like for the Calamity Fund.

Differences:

- National Disaster Coordinating Council (NDCC) is not involved automatically.
- As middlemen for the demand side there are five institutions that will get the funding: Department of Public Works and Highways (DPWH), Department of National Defense (DND) – Office of the Secretary (OSEC)/ Office of the Civil

3.3. People's Survival Fund

This fund can be requested by Local Government Units (LGU) or by local or community organizations that fulfill specific requirements.

It is provided by the Philippines Climate Change Commission and only Local Government Units (LGUs) and Local Government Offices (LGOs) can apply for it.³⁰

3.4. General Appropriations Act of 2018 (GAA 2018)

The list of stakeholders and beneficiaries covers nearly uncountable parties for all these different kinds of funding and is changing year by year.³¹

3.5. Parametric Insurance for 25 provinces in the Philippines

Providers are the World Bank, governmental departments from the Philippines and a panel of international reinsurance capital providers that have backed the Philippine parametric catastrophe swap and insurance.

Local Government Units (LGUs) in 25 selected provinces can apply for these funds.³²

²⁸ More details see chapter 2.1

²⁹ More details see chapter 2.2

³⁰ More details see chapter 2.3

³¹ More details see chapter 2.4

³² More details see chapter 2.5

4. LINKAGES WITH RFPI

This final chapter can be understood as an outlook for upcoming activities of the RFPI program and how to link them to all these public funds for disaster risk and climate change that are mentioned in this document.

4.1. MEFIN

“The Mutual Exchange Forum on Inclusive Insurance (MEFIN) is a peer network of insurance regulatory authorities in Asia established as a platform for an effective and efficient exchange of relevant knowledge and best practices on inclusive insurance. It was formed in May 16, 2013 through the assistance of the GIZ program on Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia) with regulators from six Asian countries who pledged to support inclusive insurance as a strategy for poverty reduction in the region. Currently, there are now seven (7) member countries of the MEFIN Network - Indonesia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam.”³³

Though not investigated until now it is assumed that in most of the partner countries funds or budget allocations exist for natural disasters and climate risk. The network can be a good option for exchanging this knowledge and to make recommendations for the national governments for improvement.

A long-term vision could go into a direction where the MEFIN network could provide coordination between the participating countries, especially if they are neighboring to each other and might suffer from the same natural disasters,

like Vietnam, the Philippines and Indonesia for example.

4.2. DPP MicroComm

The MicroComm program is a partnership of GIZ, PRU Life UK and CommLinked Inc. about the website www.empoweringfilipinos.com and online communities for improving access to microinsurance products and to improve financial literacy for poor people.

Since this program is not exclusively connected to health and life products but also to microinsurance for other issues, climate change and disaster risk for example, access to beneficiaries of these funds via online communities might be a good way to make them more public to people from the demand side.

Online communities cannot be controlled in a way that users must be interested in one subject or another while others should not participate, but at least if more information about public funds is spread through it in a way that makes sense with view to community design, an additional channel to inform people about it could be established.

4.3. DPP MicroDRI

The program is a partnership of GIZ and the private insurance company AXA “to develop a disaster microinsurance product which will be offered to small businesses.”³⁴, so disaster risk and climate change issues are a natural part of this program, which is maybe one of the best opportunities for linkages between current RFPI

³³ <http://mefin.org/about.html>

³⁴ <https://www.bworldonline.com/giz-axa-developing-microinsurance-product-disasters/>

work and the public funds available in the Philippines.

The insurance is “made available to the public through Cebuana Lhuillier’s wide branch network”³⁵, which is a well-established connection to farmers and the small and medium enterprises sector of the county. It might be worth a thought if there would be possibilities to spread information about these funds together with the microinsurance product.

In best case, after a natural disaster, beneficiaries would have more options for funding than only the insurance itself.

Conflicts might arise if farmers and entrepreneurs would decide not to be covered by a microinsurance product anymore because they believe that coverage from the public funds is already high enough for them.

The fact that AXA is a partner of MicroDRI as well as a member of the private insurance panel from the World Bank program “Parametric Insurance for 25 provinces in the Philippines”³⁶ can be a big chance if synergies between both want to be pointed out. It can, on the other hand, be a source for new conflicts too, so more and deeper investigations about this partner in both of these areas should be kept in mind.

4.4. Other RFPI activities

By understanding climate change and disaster risk as well as any kind of public funding for prevention or support about it as cross cutting issues of the insurance market in general, there are several other options how to make use of

35

<https://www.philstar.com/business/2018/01/26/1781348/disaster-risk-insurance-msme-under-development>

public funds in the Philippines in other project activities as well.

For example, there is a part of the program thinking about the “Landscape for Agriculture Insurance in the Philippines”³⁷ for further public private partnerships. Since agriculture is a sector that highly suffers from natural disasters and climate change, it might make sense to connect the public funds in such a roadmap too.

The so-called “Yolanda Study Revisited”³⁸, which is about changes and improvements after a big natural disaster, can also be a valuable source of information for upcoming projects and partnerships whenever it is about public funds and climate change.

Another option to be checked for the future is how to combine use of such funds with other, private insurances. Of course, it cannot be mixed too much since private companies have different objectives when they provide insurance policies than governmental authorities who are mainly responsible for these funds. However, one way how both sides could be connected would be that insurances are cheaper or offer premium conditions for a client if any measures to prevent disasters financed by one of these funds were already established in a specific area before.

The use of fund budget for micro insurances as a premium could be helpful but must be discussed on governmental level. It does not seem as such cases are already part of any of these funds.

³⁶ For more information about that public fund see chapter 2.5

³⁷ RFPI Individual Working Plan for Q4-2018, page 2, item 8

³⁸ RFPI Individual Working Plan for Q4-2018, page 2+3, item 13

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