

# Managing a National Disaster Trust Fund in the Philippines

*Act Now or Pay Later: Enhancing Disaster Risk Governance for a Resilient Philippines*

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[cpbrd.congress.gov.ph](http://cpbrd.congress.gov.ph)



# Impact of Disaster Shocks in PH

## By the Numbers:

Catastrophe risk modeling shows magnitude of impact of disasters in the country

60%

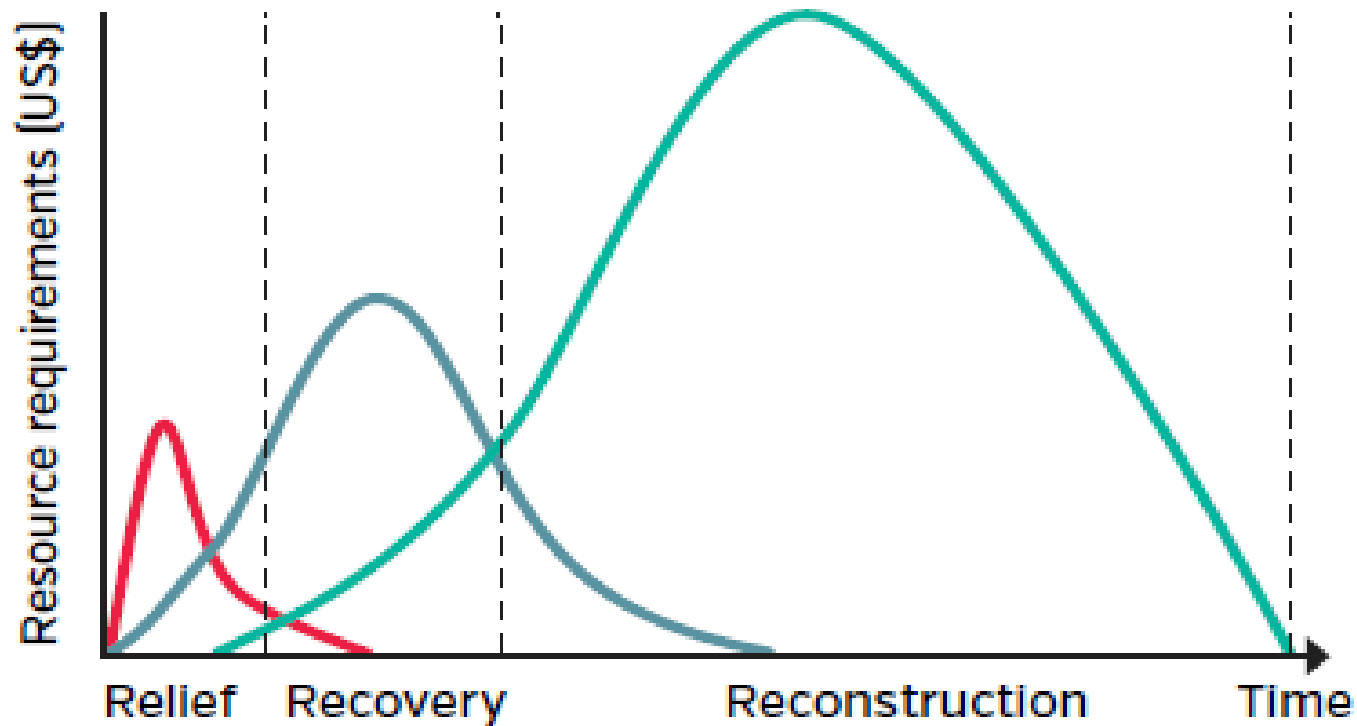
The percentage of total land area and population exposed to multiple natural hazards

74%

P176.6 B

The annual average loss to public & private assets caused by earthquakes & typhoons

# Phases of Post-Disaster Funding Needs



Source: Ghesquiere & Mahul, 2010

# Cost of Financial Instruments

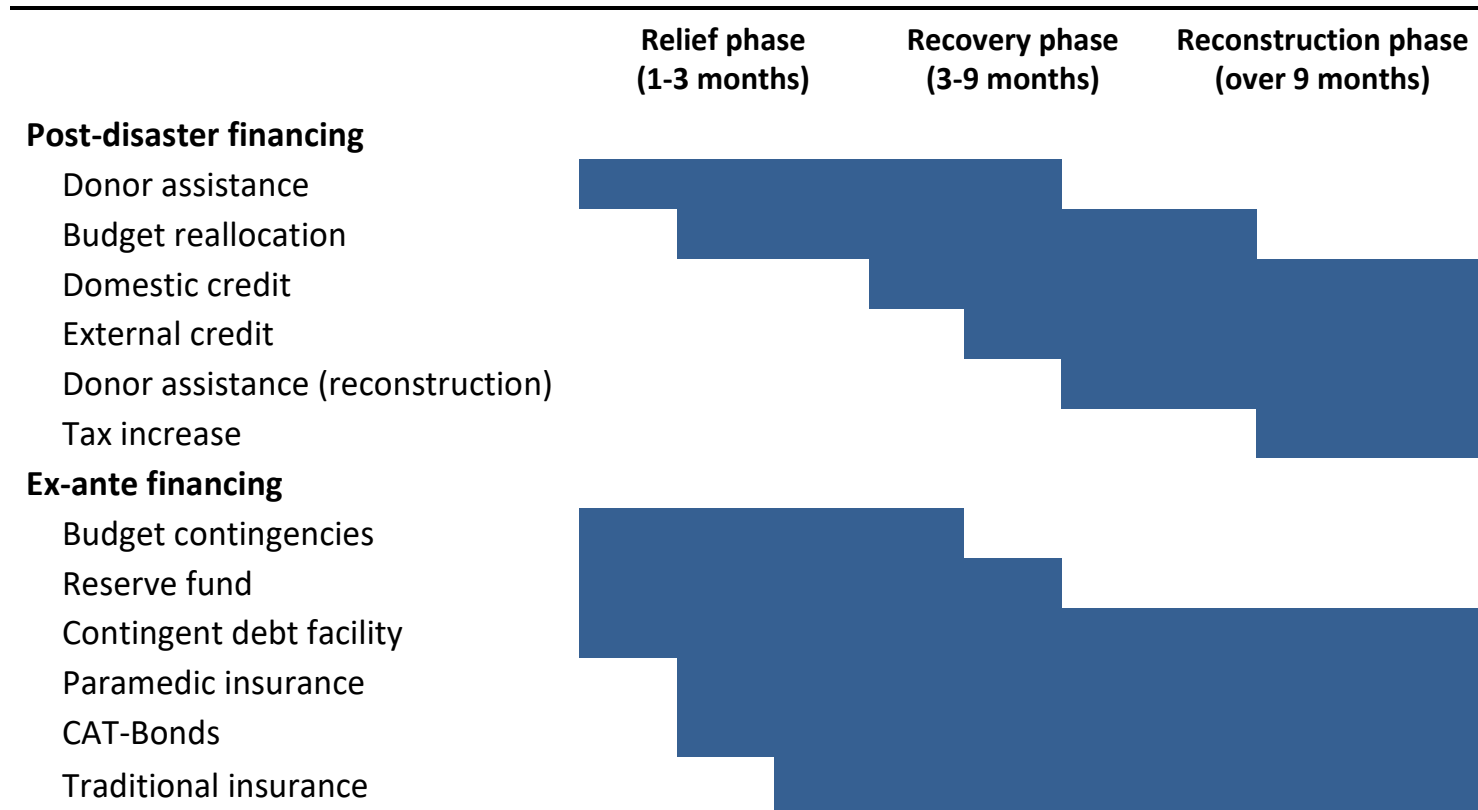
Instruments	Indicative Cost (multiplier)*	Disbursement (months)	Amt of funds available
Donor support (relief)	0-1	1-6	uncertain
Donor support (recovery & reconstruction)	0-2	4-9	uncertain
Budget contingencies	1-2	0-9	small
Reserves	1-2	0-1	small
Budget reallocations	1-2	0-1	small
Contingent debt facility	1-2	0-1	medium
External/domestic credit	1-2	3-9	med/large
Parametric insurance*	2 & up	1-2	large
ART (e.g., CAT bonds)	2 & up	1-2	large
Traditional insurance	2 & up	2-6	large

Note: Cost multiplier is the ratio of cost of financial product and the expected payout of the financial product

Source: Ghesquiere & Mahul, 2010

# Sources of Disaster Financing

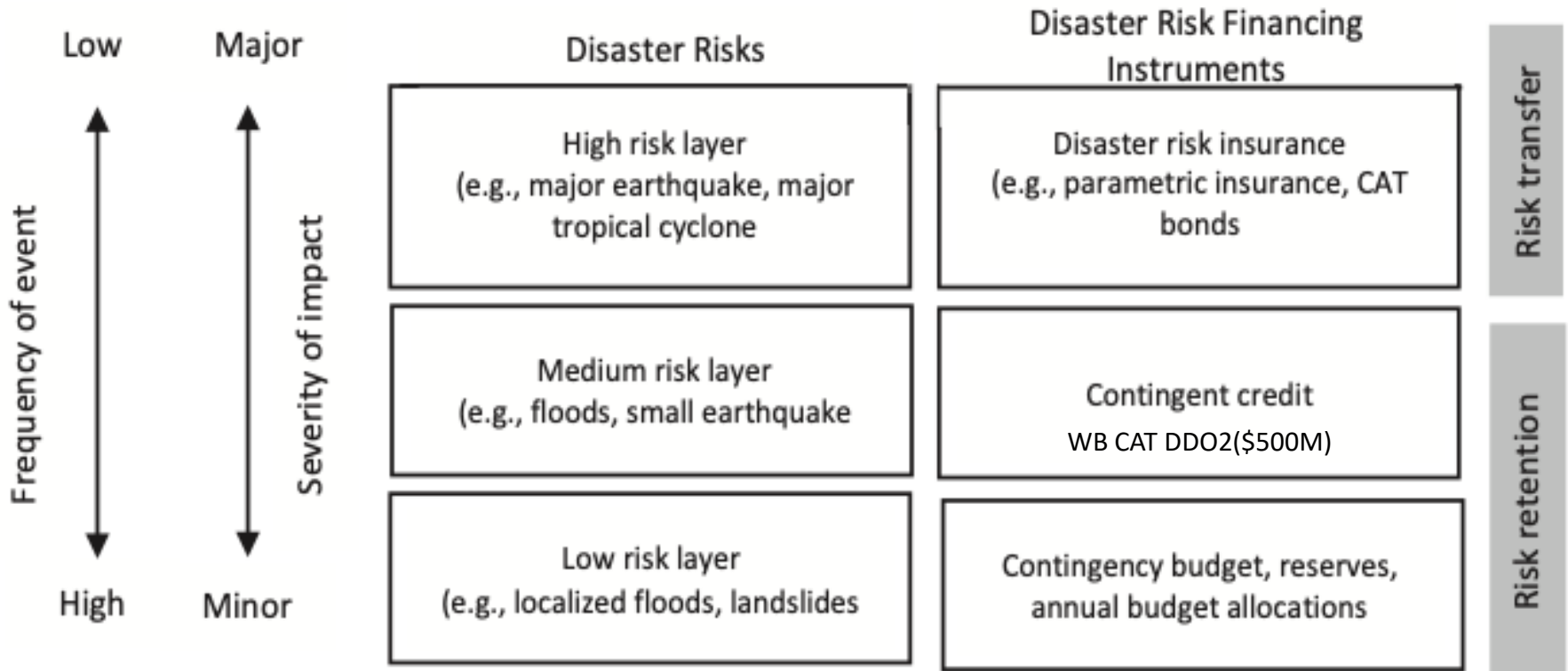
Moving from ex-post emergency borrower to ex-ante risk manager



Helps proactively manage residual risk by planning ahead and setting resources aside to finance response activities before disasters happen

Source: Ghesquiere & Mahul, 2010

# Three-tiered Risk Layering Strategy



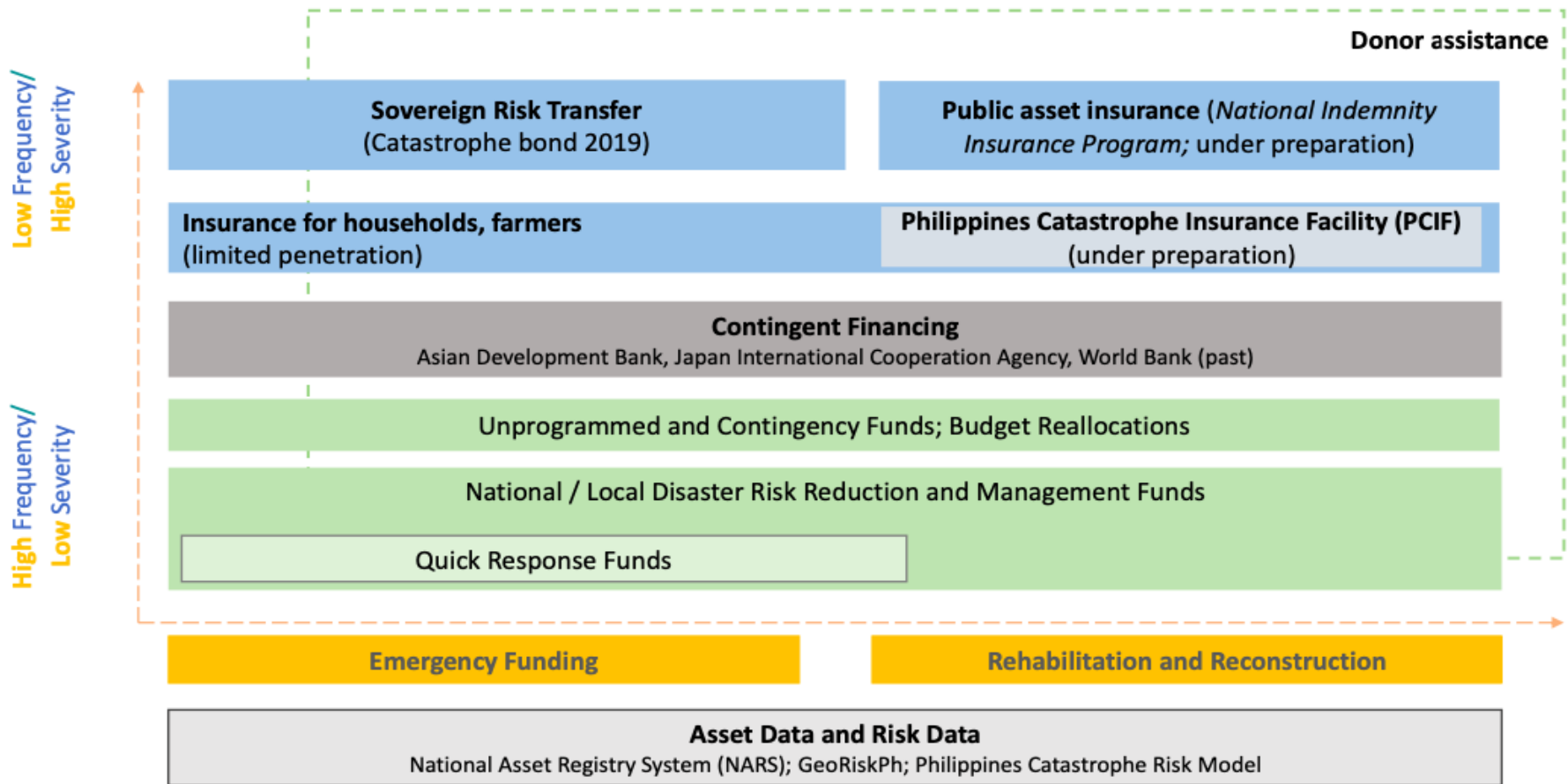
Source: Ghesquiere & Mahul, 2010

# DFRI Practice in PH

Existing DRFI instruments that cover various risk layers:

Instruments	Risk layer
1. NDRRMF & LDRRMF	Low
2. Contingent credit lines -e.g., World Bank's DPL with CAT DDO	Medium
3. GSIS indemnity-based insurance (RA -e.g., Property Insurance Law	High

# Disaster Risk Financing Strategy



Source: World Bank-DRFI Program, 2017



# Drawbacks to Ex-Post DRF

## 1. Uncertainty & insufficiency in NDRRMF

Status of NDRRMF, as of 31 December 2018-2022					
Amounts in Million pesos					
Particulars	As of 31 December				
	2018	2019	2020	2021	2022
Appropriations	19,600.0	20,000.0	16,000.0	20,000.0	20,000.0
Per OP Approval dated 23 Aug 2018 (BMB-A)	2,897.1	-	-	-	-
RA 11494 (Bayanihan 2)	-	-	6,794.8	-	-
Continuing Appropriations	-	<b>5,141.9</b>	<b>6,225.9</b>	<b>5,135.4</b>	<b>699.7</b>
Adjusted Appropriations	22,497.1	25,141.9	29,020.7	25,135.4	20,699.7
Less: Releases	17,355.2	18,194.6	23,673.9	22,635.5	17,893.1
NGAs	15,886.6	17,374.3	16,758.8	18,117.9	15,980.0
GOCCs	1,468.6	820.3	6,915.1	4,517.6	1,913.1
Available Balance	5,141.9	6,947.3	5,346.8	2,499.9	2,806.6
<b>Utilization Rate (%)</b>	<b>77.1</b>	<b>72.4</b>	<b>81.6</b>	<b>90.1</b>	<b>86.4</b>

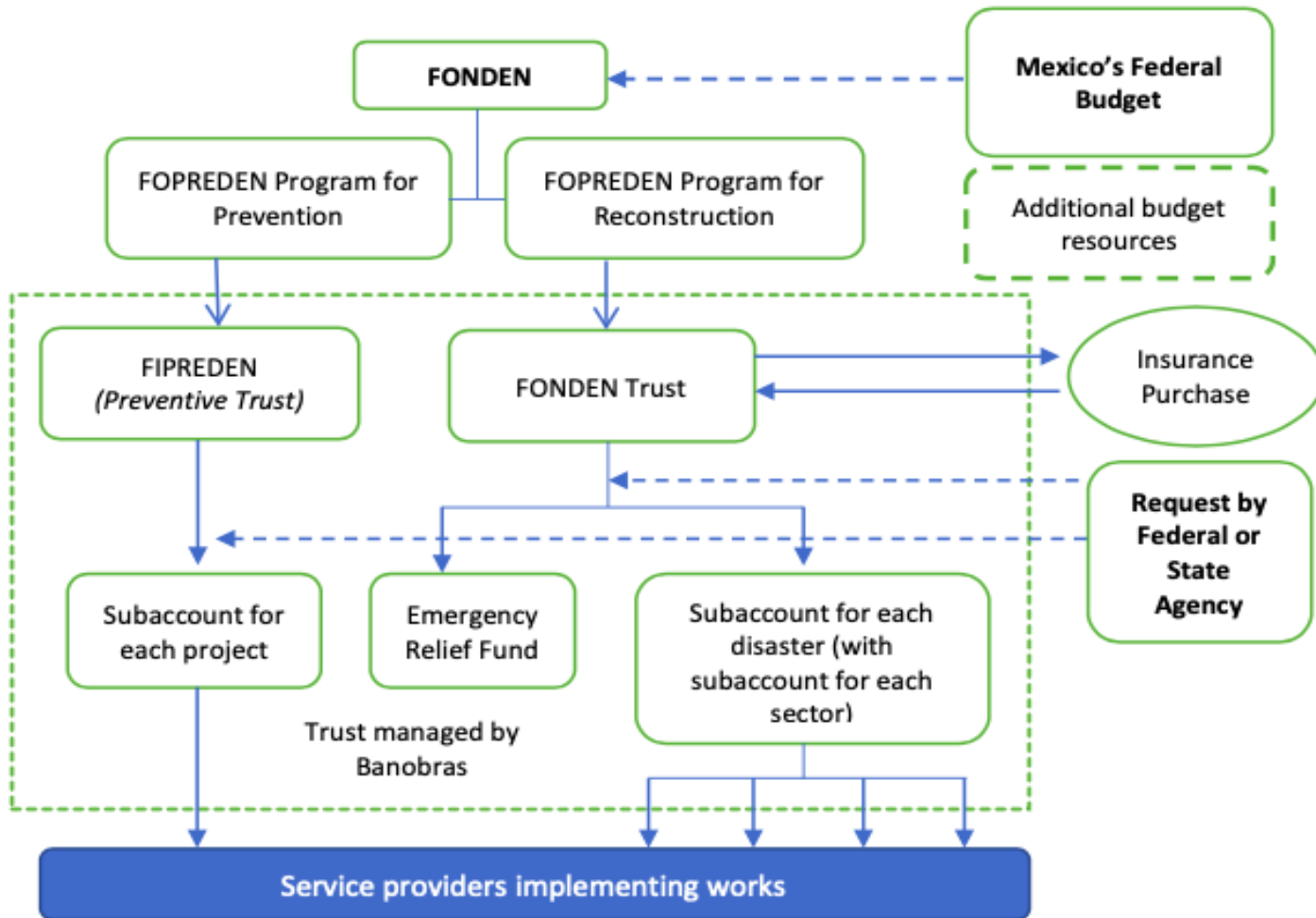
Source of basic data: DBM, 2023

# Drawbacks to Ex-Post DRF

## 2. Inefficiency in fund access

- ❑ Funding sources require specific requests and approvals by different levels of government.
- ❑ For instance, requests for funding from the NDRRM Fund need to be evaluated by the Office of Civil Defense (OCD) and the National Disaster Risk Reduction and Management Council (NDRRMC), approved by the Office of the President (OP) for every request, and finally the Department of Budget and Management (DBM) releases the budget authorization.
- ❑ This process can be lengthy, with delays of up to one year or more reported against the prescribed timeline for national government agencies (NGAs) of 15 to 30 days.

# Fonden's Resource Allocation (Mexico)



# National Disaster Trust Fund: Possible Scenarios

## 1. Sources of Funding

Appropriations for NDRRMF, Contingent Fund & Overall Savings (in billion)									
Particulars	NDRRMF				Contingent Fund				Overall Savings
	2019	2020	2021	2022	2019	2020	2021	2022	2021
New Appropriations	20.0	16.0	20.0	20.0	13.0	13.0	13.0	7.0	-
Continuing Appropriations	5.1	6.2	5.1	0.7	3.6	-	5.7	1.6	3.4
Budgetary adjustment	(18.2)	(23.7)	(22.6)	(17.9)	16.2	(7.2)	(17.1)	-	(3.2)
Total Available Appropriations	6.9	5.3	2.5	2.8	0.4	5.7	1.6	8.6	0.2

Source: NEP 2020-2022

# National Disaster Trust Fund: Possible Scenarios

## 2. Size of fiscal buffer

Country	Size/Limit		Purpose of contingencies
Armenia	Maximum 5% of total expenditures		General, mainly natural disasters; support for budget guarantees
Indonesia	Rp 2-3 trillion for natural disasters (around 0.3% - 0.5% of total expenditures); Rp 2-4 trillion for infrastructure in 2007		Natural disasters; government support/guarantees related to infrastructure spending
Japan	350 billion JPY (0.36% of national government expenditure of original 2017 budget)	The reserve allows for unforeseen and unavoidable expenditures, including those incurred by natural disasters	Depending on the size of the natural disaster; the supplementary budget is also used.
South Africa	0.5 -2.5% of central budget expenditure	General expenses; the reserve allows for unforeseen and unavoidable expenditures (e.g. natural disasters)	Within the main budget, a contingency reserve is set aside for each of the next three years. In the outer years, the reserve is partly drawn down to fund new priorities.

Source: Bangsal, 2020

# National Disaster Trust Fund: Possible Scenarios

## 3. Other features of the Trust Fund---

- Budget & financial accounts**
  - ✓ Role of the Bureau of Treasury
- Cost-sharing arrangements**
  - ✓ Participation of LGUs
  - ✓ Eligibility of public assets
- Institutional structure**
  - ✓ Role of specialized coordination unit

# DRFI Features of House Bill No.5989

## Article XIV

### DISASTER RISK TRANSFER AND INSURANCE

**SEC. 65. *Mandated Insurance Coverage.*** - To attain disaster resilience and achieve the purposes of this Act, the Department shall have the discretion and authority to require government agencies, government-owned and controlled corporations (GOCCs), or LGUs to insure their assets and/or properties such as, among others, vessels, vehicles, equipment, machineries, permanent buildings, properties stored therein, or properties in transit against insurable risks and pay the premiums therefor, to compensate the Government, GOCC or LGU, as applicable, for any damage to, or loss of, properties due to a natural disaster.

# Thank you!