

**CONFERENCE ON CATASTROPHIC RISKS
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**DISASTER RISK MANAGEMENT POLICY
IN THE PHILIPPINES**

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Background note

This document is circulated for Session 3 of the Conference on Catastrophic Risks and Insurance, to be held on 22-23 November 2004 at the OECD Headquarters, 2 rue André Pascal, 75016 Paris, starting at 9:00 a.m.

For further information on this conference, please contact Cécile Vignial, Financial Markets Division (Cecile.Vignial@oecd.org), or Yosuke Kawakami or Morven Alexander, Outreach Unit for Financial Sector Reform (Yosuke.Kawakami@oecd.org or Morven.Alexander@oecd.org)

I. Introduction

Ladies and Gentlemen, good afternoon. I am deeply honored to join you today in this meaningful event. My presentation today on disaster risk management policy in the Philippines will cover the following topics: geographical location of the Philippines and the disasters/calamities; overview of the Philippine Disaster Management System-Presidential Decree (PD) 1566; comprehensive emergency management framework; funding of disaster management programs/projects/activities; and risk transfer scheme: a proposal.

II. Geographical location of the Philippines and the disasters /calamities

The republic of the Philippines is in East Asia, comprising over 7,100 islands in the West Pacific Ocean. It occupies the western ring of the Pacific Ocean, a most active part of the Earth that is characterized by an ocean encircling belt of active volcanoes and earthquake generators. The geographical location of the Philippines makes it prone to natural disasters like typhoons or tropical cyclones, (wherein an average of 22 tropical cyclones a year out of which 5 are destructive), floods, earthquakes (of which about 5 quakes a day or 1,825 quakes a year), volcanic eruption (as the Philippines is a host for 22 active volcanoes), tsunamis, and extreme climate events, i.e., el Niño and la Niña.

Over the years, natural and man-made calamities have brought miseries to our people and devastated public and private infrastructures. Rehabilitation of affected areas has considerably depleted the government treasury and prevented government from making yearly investments in development projects like farm-to-market roads, highways, bridges, ports, and other projects, as well as investments in human capital - like education, health care, and safe drinking water. Resources that could otherwise be spent for these are funneled to affected areas and displaced population to enable them to lead normal lives soonest.

III. An overview of the Philippine Disaster Management System (PDMS) - Presidential Decree (PD) 1566

Given this backdrop of a harsh environment, the Philippine government has set in place a Disaster Management System which encompasses a comprehensive disaster risk management framework, all hazards, multi-sectoral and community-based approach.

The Philippine Disaster Management System (PDMS) is governed by set of decrees, orders and laws that enunciates the policies, doctrines, organizations and procedures in addressing disaster management concerns in the country. Under Presidential Decree (PD) 1566, S-1978, the following policies are affirmed:

- ❖ self-reliance shall be developed by promoting and encouraging the spirit of self-help and mutual assistance among the local officials and their constituents;
- ❖ responsibility for leadership rests on the provincial governor, city/municipal mayor, and Barangay chairman, each according to his area of responsibility;
- ❖ each political and administrative subdivision of the country shall utilize all available resources in the area before asking assistance from neighboring entities or higher authority;
- ❖ the primary responsibility rests on the government agencies in the affected areas in coordination with the people themselves;
- ❖ it is the responsibility of all government Departments, Bureaus, Agencies and instrumentalities to have documented plans of their emergency functions and activities; and
- ❖ the national government exists to support the local governments. In times of emergencies and according to their level of assignment, all national government offices in the field shall support the operations of the local government.

IV. Comprehensive Emergency Management Framework

Pursuant to PD 1566, the National Disaster Coordinating Council (NDCC) , the highest policy making, coordinating, and supervising body at the national level for disaster management in the country is tasked to oversee the implementation of the following:

- ❖ Mitigation - refers to the measures aimed at minimizing the impact of a natural or a man-made disaster on a nation or a community in terms of casualties and damages. Further refers to measures designed to prevent natural phenomena from causing or resulting to disasters or other similar emergency situations.
- ❖ Preparedness - refers to pre-disaster actions and measures being undertaken to avert or minimize loss of life and property, such as but not limited to community organizing, training, planning, equipping, stockpiling, hazard mapping, and public information and education initiative

❖ Rehabilitation – refers to the process by which the affected communities/areas or damaged public infrastructures are restored to their proper or normal level of functioning or their actual condition prior to the occurrence of the disaster or calamity.

❖ Response – refers to any concerted effort by two or more agencies, public or private, to provide emergency assistance or relief to persons who are victims of disasters or calamities, and in the restoration of essential public activities and facilities.

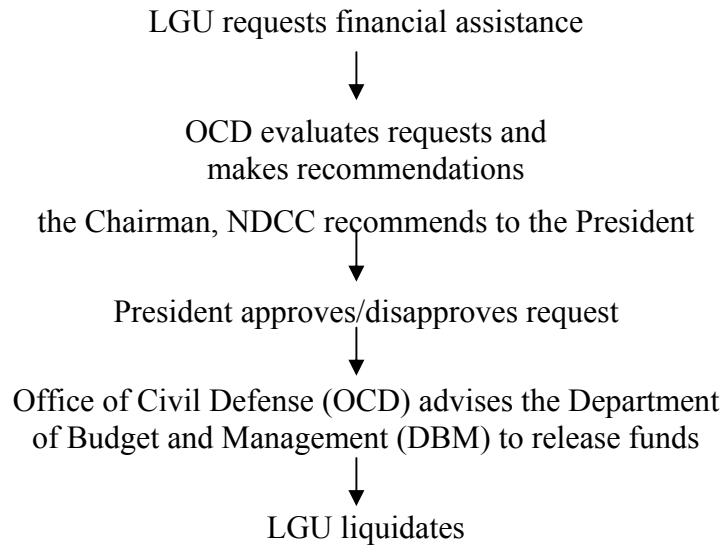
V. Funding of disaster management programs/projects/activities

The ever-increasing threat of disasters on the lives and properties of the Filipinos has prompted the government to allocate funds at the national and local government levels, called the **National Calamity Fund (NCF)** and **the Local Calamity Fund (LCF)**. These **funds** shall be made available exclusively for disaster-related activities or services such *as* relief, rehabilitation, reconstruction, and other works or services in connection with calamities which may occur during the budget year or those that occurred in prior years including pre-disaster activities such as acquisition of supplies, rescue equipment, and training of personnel engaged in direct disaster management, including disaster risk reduction activities.

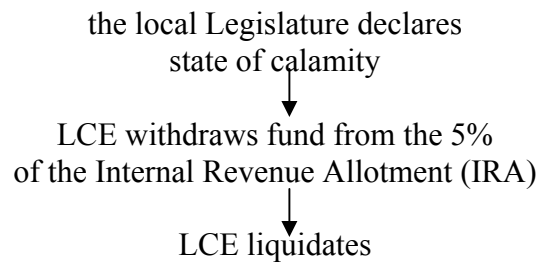
The NCF is proposed by the office of the president and is appropriated by the Philippine Congress. Currently and for next year, our NCF stands at us\$ 12.466 million.

When a disaster strikes and the resources of the Local Government Unit (LGU) are not enough to pay for the relief, rehabilitation, and reconstruction efforts that need to be done, the LGU makes a request to the national government for funding assistance from the National Calamity Funds-

National Calamity Fund



If the destruction and need for resources is minimal, the LGU uses its LCF to address the effects of disaster. The procedure for the utilization of the LCF is as follows:



The annual average cost of damage due to disasters from 2001 to 2003 alone, run to about **US\$301 Million or PHP17 Billion**. on the other hand, the National Calamity Fund appropriations for said years is **US\$12.466 Million or PHP700 Million** per annum, or roughly ten percent (10%) of the annual cost of damage. In spite of the government's desire to fully address the numerous requests from Local Government Units (LGUs) for financial assistance for the rehabilitation and restoration efforts, still a sizeable amount of the rehabilitation and reconstruction requirements remains unmet due to fund constraints.

Aside from the NCF and LCF funds, addressing the effects of disasters may also come from the following:

1. donations from local and international sources ;
2. insurance both from private and government financial institutions;

3. special appropriation from congress; and
4. realigned funds from the national coffers

v. Risk transfer scheme: a proposal

To date, the Philippine government through the OCD-NDCC is working for a **risk transfer scheme, like a calamity insurance**. A proposed resolution entitled “Mandatory property insurance, coverage of Local Government Units properties” is currently being evaluated by a technical committee of the NDCC. The proposed resolution once adopted shall be included in the bill to be filed by some members of the House of Representatives, entitled “an act streamlining and strengthening the Philippine disaster management capability, appropriating funds thereof and other programs.”

The following are the substantial/significant points to be included in the proposal:

1. funding of disaster management activities at the local level – five percent (5%) of the estimated revenues from regular sources shall be set aside as a Local Disaster Management Fund for preparedness, mitigation, and prevention activities for potential occurrence of disaster as well as for disaster response, rehabilitation, reconstruction, and other works or services in connection with disaster or calamities whether natural or man-made, occurring within the LGU or other areas, and for the *payment of premiums for property insurance*, provided, however, that such fund shall be used for the following:

❖ *for payment of GSIs premiums for insurance policy coverage against loss or damage due to fire, typhoon, flood, earthquake to insure rehabilitation and reconstruction of damaged public buildings, roads, and bridges.*

❖ provided that the appropriation and flexibility on the utilization of the Local Disaster Management Fund by the LGUs shall be based on the local Sanggunian in consultation with the respective Local Disaster Management Councils (LDMCs). Provided finally, that the unexpended calamity fund balances shall be treated as a

continuing appropriation to support disaster management activities, *including payment of insurance premiums.*

❖ the funds necessary to pay for the premiums shall be from the President's Calamity Fund and the LGU's authorized 5% expenditure for calamity-related situations.

2. Compensatory benefits – any Accredited Disaster Volunteer/s (ACDVs) who incurs death or injury while engaged in any of the civil defense/disaster management activities as defined under this act shall be entitled to the following compensatory benefits to be paid out of the initial amount of **US\$177,000,00** or **PHP10 million** to be appropriated to OCD for this purpose. *Portions of the said amount shall be used to pay for the insurance premiums for the individual personnel accident insurance of each Accredited Disaster Unit (ACDU).*

Any ACDV who is injured or become disabled in carrying out disaster response activities shall be entitled a free medical care in any government hospital or institution.

3. Rationale of the proposed project

❖ The scheme shall address the pressing concerns of non-rehabilitation and restoration of damaged properties. All government properties: infrastructure and buildings shall be covered by property insurance.

❖ Insurance coverage would include among others, protection of losses against fire, lightning, and earthquake. For additional insurance coverage it can be negotiated on a case to case basis.

The following are the agencies that will take part in the realization of the scheme:

❖ the Government Service Insurance System (GSIS), the government Agency mandated to cover all government properties against losses caused by natural and man-made calamities shall be requested to prepare a proposal with the premium rates most beneficial to the government.

❖ the NDCC shall take the lead role in negotiating with the GSIS for the rates and the guidelines and mechanics of the property insurance coverage.

The scheme if implemented will certainly reduce the burden of cost from the government.