



**FINANCIAL FLOW
& GAP ANALYSIS**

**Financing Disaster Risk Management
in the Philippines: A Three-Year
Snapshot, 2018-2020**

START
NETWORK



The need for disaster risk reduction (DRR) measures rises with more frequent and stronger disasters. Thus, disaster risk financing (DRF) systems should be prompt, adequate, and responsive to cater to the needs of the vulnerable sector, especially in the Philippines, being the ninth most vulnerable country in the world (Bündnis Entwicklung Hilft, 2020). However, disaster risk management (DRM) funding in the country is insufficient and unpredictable (Villacin, 2017), indicating deficiencies in the national DRF architecture. Development of a robust risk financing mechanism has been hampered by lack of information on the nature, volume, and flows of funds from various sources.

MONITORING SYSTEM FOR DRM FUNDING IN THE PHILIPPINES

Currently, the country lacks a centralized system for monitoring DRM funding making it difficult to grasp how much the country needs to inform anticipatory DRM planning and programming. To meet these information needs, this study sought to map the DRM funding in the Philippines while identifying gaps to be addressed by a central DRF system; present impacts of the COVID-19 pandemic on the DRM funding and implementation;

contribute to policy-making and institutional designing; and aid donors in their DRM programming. Mixed methodology was used, specifically desk review of public online databases and documents, online survey with 55 respondents from civil societies and private sector, and online interviews with 11 key informants from identified DRR-related national government agencies (NGAs) and civil society organizations (CSOs).

SOURCES OF DRM FUNDING IN THE PHILIPPINES

The country's DRM can be funded with local, national, and international sources. **Local funding** comes from the Local Disaster Risk Reduction Management Fund (LDRRMF) composed of at least 5% of the estimated revenue of the local government unit (LGU) from regular sources. LDRRMF is composed of the Quick Response Fund (QRF), which is 30% allotted for expenses during the onset of a disaster, while the remaining 70% is the Mitigation Fund for DRR initiatives. Aside from the LDRRMF, the LGU can also use the General Development Fund and Gender and Development (GAD) Fund for programs, projects and activities (PPAs) with DRR components. The National Disaster Risk Reduction Management Fund (NDRRMF) which serves as the **national funding** source in the country is accessible to NGAs and LGUs in addition to their local DRM sources. Other NGAs also have their own QRF which, similar to LGUs, can only be released upon the Declaration of a State of Calamity. Budget realignment is also possible if the current DRR fund is deemed insufficient. Lastly, **international funding** comes from multilateral and bilateral financing institutions and INGOs usually as grants, loans, and/or development programs or projects.

Meanwhile, local sources constituted 11.46%, 16.7%, 9.18% and 26.63% of the DRM Fund in 2018, 2019, and 2020, respectively.

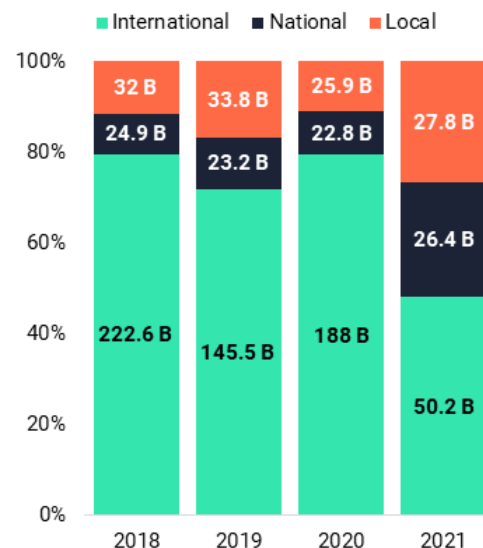


Figure 1. Public Sector Sources of DRM Funding
Note: 2021 values are based only on partial LDRRMF

Majority of DRM funding in the Philippines for 2018 to 2020 came from international sources (Figure 1). Funding from international sources rose to 81.19% (~Php 188 billion) in 2020 from 71.84% in 2019 and 79.61% in 2018. Funding from national sources accounted for only 8.93%, 11.46%, and 9.63% in 2018, 2019, and 2020, respectively. Flows from the national government, however, increased during 2021 which may be due to COVID-19 response.

DRM funding sources for local CSOs and private sector were not included in Figure 1. However, survey results showed that majority of the CSOs and private sector (65.5%) in 2018 to 2020 received external funding. Majority (67%) of the respondents also stated that more than 75% of their DRM funds came from external sources provided as project-based agreements, grants, and direct donations.

DRM FUND FLOWS IN THE PHILIPPINES

With the lack of a centralized mechanism and entity to oversee DRF in the country, the fund flow for DRM in the Philippines is complex (Figure 2). Funds from **general public** and private may reach the affected population in a less complicated manner than those from other sources. The general public may provide fund through direct donations or remittances direct to the communities, whereas the **private sector** can also directly donate, engage in public-private partnerships, and provide loan or insurance to the government or communities. DRM fund from the **government** may be allocations from the (1) General Appropriation Act (GAA) coursed through NGAs or LGUs before reaching the affected population; (2)

supplementary budget/reprogramming of savings for the use of NGAs; (3) LGU budget that may reach communities through NGAs or their respective LGUs, (4) insurance and (5) loans. Additionally, funds from **bilateral and multilateral financial institutions** are coursed through NGAs as loans, grants, market instruments, contingent credit, or pooled funds, then downloaded to the LGUs and/or the affected population. **International humanitarian organizations** such as INGOs, UN agencies, and International Federation of Red Cross (IFRC) provide DRR assistance to the Philippines by tapping NGAs, LGUs, local CSO, or directly to the affected communities.

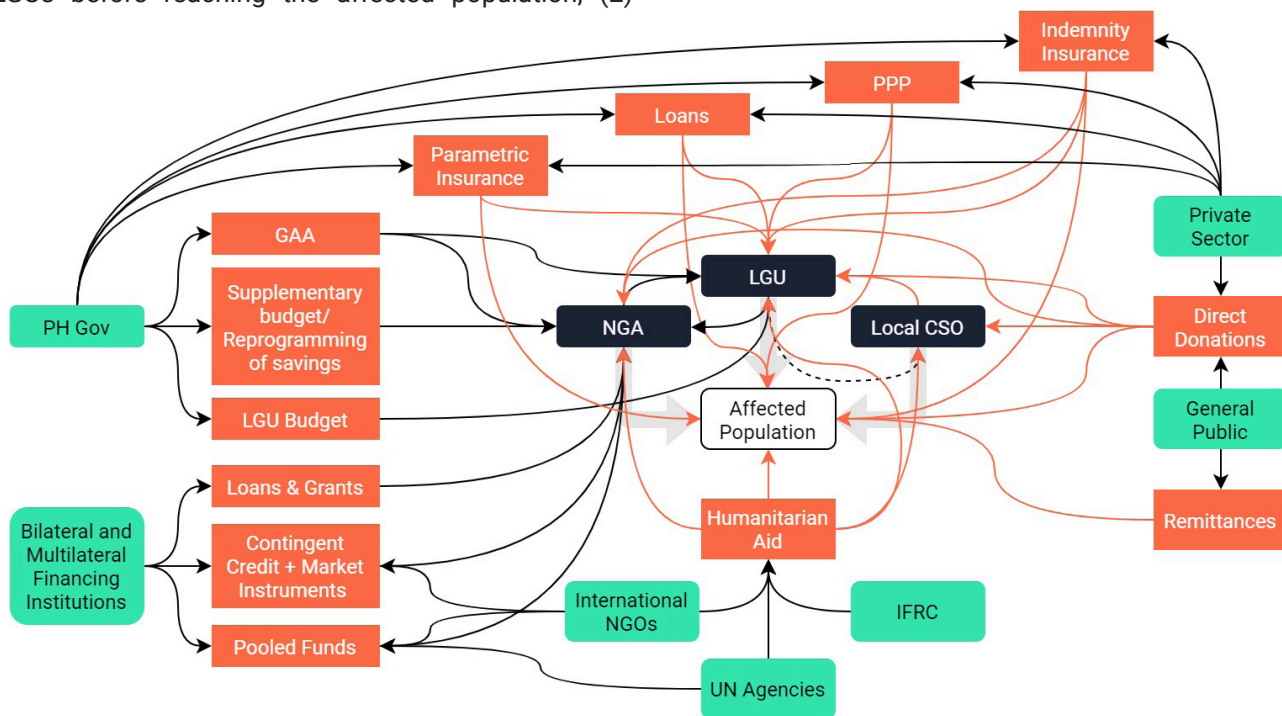


Figure 2. Map of DRM Fund Flow

• By Cluster and Sector

Majority of the fund was for the clusters of **water, sanitation and hygiene (WASH)**, **health**, and **education** in 2018 to 2020. However, due to the pandemic, majority of funds went to the health cluster and fund for WASH decreased in 2020. The least percentage of funds was for clusters of early recovery, nutrition, and shelter.

In terms of flow per sector, the majority of the international funds were for **prevention and mitigation**, ranging from 70% to 80% in 2018 to 2020. Only around 5% of the international funds were allocated for recovery and rehabilitation though allocation for disaster preparedness increased in 2020.



• By Hazard or Disaster Event

The top allocations for the Php 9.43 billion DRR fund from international sources in 2018 to 2021 are:



hydrometeorological hazards
(ex. typhoons, flooding)
PHP 927 million



Mindanao conflict
PHP 69.15 million



earthquakes
PHP 5.8 million

DRM FUNDING GAPS IN THE PHILIPPINES

The country recorded a total of PHP 113.04 billion in losses and damages from disasters in 2018 to 2021. The highest was recorded in Cagayan Valley and Ilocos Region with PHP 11.1 billion and PHP 17.31 billion, respectively, in 2018. In 2019, highest cost of damage was seen in Bicol Region with PHP 4.8 billion and in Cagayan Valley with PHP 3.8 billion. Bicol also had the highest damage and losses in 2020 with PHP 19.5 billion followed by CALABARZON with PHP 10 billion due to the Taal Volcano Eruption.

Mostly, regions in Luzon showed the highest losses in 2018 to 2020, but there was a shift in the first quarter of 2021 as Eastern Visayas recorded the highest damage at PHP 415.05 million followed by Bicol at PHP 281.94 million and PHP 206.91 million for Western Visayas.

Funding gaps exist when the budget is insufficient to cover for all the damages while fund surplus occurs when the budget exceeds the reported cost of damage. To identify gaps or surplus, each region's cost of damage and losses was subtracted from the LGU's QRF. For 2018 to 2020, **gaps on DRM funding are usually in Luzon, where the highest damage and losses were also reported, particularly in Cagayan Valley and Bicol Region. Regions in Visayas and Mindanao generally have sufficient funding to cover for the damage and losses due to disasters.**

Table 2. DRM Financing Gap in 2018–2021 (in Million PHP)

Region	2018	2019	2020	2021
Region I	-10,651.28	183.67	-390.70	435.38
Region II	-16,921.42	-3,386.71	-7,388.85	441.73
Region III	-5,423.83	487.63	-2,935.67	796.83
Region IV A	809.88	99.17	-9,221.01	935.96
Region IV B	-1,697.73	-1,099.95	-2,339.61	386.63
Region V	-3,972.50	-4,377.75	-19,078.65	213.22
Region VI	83.35	587.46	328.73	449.89
Region VII	749.20	808.16	537.83	581.79
Region VIII	102.28	-184.11	246.11	79.29
Region IX	297.75	22.15	470.06	328.35
Region X	507.89	209.60	402.61	461.10
Region XI	431.38	465.16	395.91	400.98
Region XII	343.92	320.53	591.24	375.79
Region XIII	179.00	317.06	323.89	217.42
BARMM	311.34	-294.46	0.00	435.66
CAR	-5,990.05	-1,415.06	-1,339.94	271.17
NCR	1,600.73	1,750.91	-294.61	459.82

ESTIMATED HUMANITARIAN NEEDS IN THE PHILIPPINES

Humanitarian needs on food, cash for work, and shelter were estimated for 2018 to 2020 as the basis for the total cost of needs during disasters. Consistently, hydrometeorological disasters accounted for the highest estimates of humanitarian needs.

Estimates of humanitarian needs for food:

Highest: due to **typhoons and storms**, particularly the cost of family food pack for 30 days (using maximum price), at PHP 16.49 billion, PHP 10.42 billion, and PHP 16.92 billion in 2018, 2019, and 2020, respectively

Lowest: during **flash floods and landslides** specifically during 2019 amounting to PHP 1.81 million

Estimates of humanitarian needs for cash for work:

Highest: due to **typhoons and storms** amounting to PHP 10.65 billion, PHP 6.73 billion, and PHP 10.92 billion in 2018, 2019, and 2020, respectively (using the highest minimum wage for 15 days)

Lowest: due to **flash floods and landslides** amounting to PHP 1.17 million in 2019

Estimates of humanitarian needs for shelter:

Highest: relocation through core shelter assistance due to **typhoons and storms** PHP 3.7 billion, PHP 20.71 billion, and PHP 12.93 billion during 2018, 2019, and 2020, respectively

Lowest: for reconstruction of totally damaged homes due to the **earthquake** in 2020 at PHP 4.14 million

ANTICIPATORY HUMANITARIAN ACTION IN THE PHILIPPINES

Anticipatory Humanitarian Action (AHA) aims to provide early action to disaster-affected populations even prior to the crisis. However, AHA is yet to be widely accepted and implemented in the country. Only 36% of the surveyed CSOs and private sector conducted AHA activities with most of them having 25% or less funding allocated for AHA initiatives.

• Funding source

For fund allocation at the national and local level, QRF can be utilized for AHA though it's prerequisite of the Declaration of a State of Calamity will mean that it would be too late to conduct AHA upon budget release. AHA initiatives are likely among local CSOs due to their flexibility. However, most of the surveyed organizations do not implement AHA and comparatively small budget is allocated for those with AHA initiatives.

• Strengths, Weaknesses, Opportunities, and Threats

S: strong adherence of informants to incorporate AHA in their agencies despite it being new

W: lack of readily available funds in introducing and implementing AHA initiatives

O: the pandemic has presented opportunities for AHA including increased use of technology in disaster response

T: DRM funds need to be managed to support possible disasters while providing for COVID-19 response

• Issues and Challenges

1. Availability of standby funds - NGAs having individual legal mandates on DRR fund utilization, varying Early Action Proposals based on geographical nature, and unsupportive adjacent LGUs/communities

2. Adequacy of funds to meet needs - differences in the priorities of LGUs in budget allocation and difficulty in investing in AHA

3. Timing of release - difficulty in operationalizing trigger mechanisms and the need for at least 72 hours for an effective fund mobilization

4. Predictability of mechanisms to trigger action - the need to properly communicate the revised implementing guidelines on the Declaration of a State of Calamity and trigger mechanisms

RECOMMENDATIONS FOR DRM FUNDING AND AHA



1. Advocate for an open and standardized reporting mechanism to effectively map out all the fund flows for DRM. A focal agency should be appointed to manage the mechanism while investment on advanced technology should be done to ensure more informed appropriations for DRM and AHA efforts.

2. Conduct a more comprehensive review of disaster damage and losses. A broad analysis of the Post-Disaster Needs Assessment and a standardized funding allocation recording would provide more robust data on historical damage and losses helpful in DRM planning.



3. Review the local and national DRM planning and budgeting process to account for unforeseen and complex disasters such as the COVID-19 pandemic while considering the overall disaster readiness of the country.

4. Gather and promote evidence that AHA works. Implement efforts that would increase awareness on AHA and conduct studies on its cost-effectiveness. Revisit and reform legal and operational mandates that hinder the conduct of AHA.



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Bündnis Entwicklung Hilft. (2020). WorldRiskReport 2020. <https://reliefweb.int/sites/reliefweb.int/files/resources/WorldRiskReport-2020.pdf>
Villacin, D. (2017). A Review of Philippine Government Disaster Financing for Recovery and Reconstruction. In Philippine Institute for Development Studies Discussion Paper (No. 21). <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1721.pdf>

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