

Japanese ODA Loan

Ex-Ante Evaluation (for Japanese ODA Loan)

Southeast Asia Division 5,
Southeast Asia and Pacific Department
Japan International Cooperation Agency

1. Name of the Program

Country: The Republic of the Philippines

Program: Post Disaster Stand-by Loan (Phase 3)

Loan Agreement: August 28, 2023

2. Background and Necessity of the Program

(1) Current State and Issues of the Disaster Risk Reduction Sector in the Republic of the Philippines

The Republic of the Philippines (hereinafter referred to as “the Philippines”) is regarded as one of the most disaster-prone countries in the world (Institut für Friedenssicherungsrecht und Humanitäres Völkerrecht 2022). Over the past 30 years, various disasters have claimed the lives of 33,000 people and a total of 120 million people have been affected. The damage caused by typhoons and earthquakes to both public and private assets averages approximately 3.5 billion USD per year (approximately 484.6 billion yen (USD 1 = 138.48 yen [Based on JICA’s currency exchange rate in December 2022])) (World Bank 2021). Much of the disaster damage resulted from floods caused by large-scale typhoons, notably Typhoon Yolanda in 2013, which led to the deaths of more than 6,000 people and economic losses of 12.9 billion USD, equivalent to 4.6% of GDP (approximately 1.29 trillion yen) at that time. A series of typhoons from October to November 2020, Quinta, Rolly, and Ulysses, struck more than 8 million people and caused a total loss of 840 million USD (approximately 116.3 billion yen) in both infrastructure and agriculture (World Bank 2021). The Philippines, is also an earthquake-prone region, and some estimates suggest that a 7.2 magnitude earthquake in the Manila metropolitan area would cause about 40,000 deaths and result in an economic loss of 44 billion USD (approximately 6.1 trillion yen) from direct damage to buildings alone (PHIVOLCS and Geoscience Australia 2014). According to the Philippine Statistics Authority, the agriculture sector accounted for 62.7% of total damages caused by natural disasters between 2010 and 2019.

Under such threats of natural disasters, the Government of the Philippines enacted the Disaster Risk Reduction and Management Act (Republic Act (RA) No.10121) (hereinafter referred to as the “DRRM Act”) in 2010 to introduce a comprehensive approach that covers

not only post-disaster measures but also disaster prevention and disaster risk reduction measures. The DRRM Act defines a disaster as “a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources” and the “State of Calamity” as a condition involving mass casualty and/or major damages as a result of the occurrence of natural or human-induced hazard. In recent years, the Government of the Philippines declared the State of Calamity under the DRRM Act (hereinafter referred to as “Declaration of National State of Calamity”¹) in response to the damages caused by Typhoon Paeng in October 2022.

Based on the DRRM Act, the Government of the Philippines also formulated the “National Disaster Risk Reduction and Management Plan” in 2012 to enhance national and local resilience to disasters by clarifying respective roles of stakeholders in reducing and managing disaster risks. In addition, the Department of Finance of the Philippines (hereinafter referred to as “DOF”) established the “National Disaster Risk Financing and Insurance Strategy (hereinafter referred to as “DRFI Strategy”)” in 2015 to avoid the financial demands that arise suddenly after a natural disaster adversely affecting the government's financial planning, and is striving to build a means of financing (including through insurance) disaster risk that is accessible by the central and local governments as well as individual households.

The DRFI Strategy stipulates the use of disaster funds and contingent credit lines in combination to prepare for the temporal increase in public sector funds after a large-scale disaster. The Government of the Philippines has secured funds required for recoveries from damages caused by such as Typhoon Yolanda and Ulysses via contingent credit lines from the World Bank’s Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (hereinafter referred to as “CAT-DDO”) (First to Fourth), Asian Development Bank’s (hereinafter referred to as “ADB”) Disaster Resilience Improvement Program (hereinafter referred to as “DRIP”), and JICA’s Post Disaster Stand-by Loan (Phases 1 and 2). Furthermore, the Government has strengthened its policy and institutional framework through the implementation of policy actions related to disaster risk reduction and improvement of management capacity as stipulated in these programs.

In the agricultural sector, which will suffer to a greater extent from natural disasters and climate change, the Department of Agriculture of the Philippines (hereinafter referred to as “DA”), with support from the World Bank and others, launched the Philippines Rural Development Project (hereinafter referred to as “PRDP”) in 2014 to strengthen the market-oriented agricultural and fishery industry and to increase its resilience against natural disasters and climate change. The PRDP requires the formulation of a 3-year investment

¹ The “Declaration of National State of Calamity” is based on the Disaster Risk Reduction and Management Act, and is declared by the President of the Philippines having received advice from the National Disaster Risk Reduction and Management Council when a natural disaster or human-induced disaster has caused many casualties or enormous damage, etc.

plan, the Provincial Commodity Investment Plan (hereinafter referred to as “PCIP”), which calls for the urgent need to identify areas vulnerable to natural disasters and climate change, as well as agricultural and fishery products, and to implement measures. In response to the above, the DA has required the use of the Climate Risk Vulnerability Assessment Tool (hereinafter referred to as “CRVA”) in the PCIP to carry out measures against natural disasters and climate change related to agricultural and fishery products.

In the above-mentioned background, the Post Disaster Stand-by Loan (Phase 3) (hereinafter referred to as the “Program”) is positioned to be instrumental in realizing the above-mentioned policies and plans.

(2) Japan's and JICA's Cooperation Policy and Operations in the Disaster Risk Reduction Sector

In the Country Development Cooperation Policy for the Republic of the Philippines (April 2018), “Ensuing Human Security for Inclusive Growth” is set as a priority area. Accordingly, Japan has determined to help the country overcome vulnerabilities to various risks impacting especially the poor and to stabilize and fortify the basis for livelihood activities.

In the "Assistance Package by the Government of Japan for Averting, Minimizing and Addressing Loss and Damage" announced by the Government of Japan at COP27, the Post Disaster Stand-by Loan is mentioned as a measure for disaster assistance. Also, the JICA Country Analysis Paper for the Republic of the Philippines (July 2020) analyzes “considering that measures for disaster risk reduction are still in progress and natural disasters are increasing due to climate change, it is also important to improve the disaster risk finance and insurance system” as a sectoral challenge, thereby this Program aligns with these analyses and policies.

In addition, this Program will boost the Philippines' quality growth in terms of inclusiveness, sustainability, and resilience, and contribute to Commitment for peace and stability (humanitarian assistance and disaster relief), which is one of the objectives of the FOIP.

This Program is considered to be consistent with the following SDGs: Goal 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture), Goal 9 (Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation), Goal 11 (Make cities and human settlements inclusive, safe, resilient and sustainable), and Goal 13 (Take urgent action to combat climate change and its impacts). Hence, there is a need to provide support for the implementation of this Program.

(3) Other Donors' Activities

The World Bank is in the process of developing its Fifth CAT-DDO (500 million USD), seeking an agreement with the Government of the Philippines around November 2023. The ADB is developing its Second DRIP (amounts are under adjustment).

3. Program Description

(1) Program Objective

The objective of the Program is to support quick recovery after natural disasters by promoting policy actions on disaster risk reduction and management and strengthening disaster preparedness by providing quick-disbursing budget support, thereby contributing to build a resilient society.

(2) Program Site / Target Area

The entirety of the Philippines

(3) Program Beneficiaries (Target Groups)

All the citizens of the Philippines

(4) Program Components

The Government of Philippines' policy actions regarding disaster risk reduction and management, and agriculture shown in the table below are verified during the monitoring sessions carried out every 6 months. Upon the mobilization of the Declaration of National State of Calamity under the DRRM Act, constituting the official trigger for the loan, JICA will immediately make a loan to the Government of the Philippines with a request for disbursement from the implementing agency.

Table Policy actions for disaster risk reduction and strengthening resiliency

Target Area	Prior Actions (August 2023)* ¹	Expected Actions (August 2026) *December 2024 in part
<u>1. Strengthening the policy and institutional framework for Disaster Risk Reduction and Management (DRRM)</u> Agency: Office of Civil Defense (OCD)	Developing the guidebooks below based on DRRM Act (RA10121): 1. The Government has developed guidebook for regional/local hazard information use and risk assessment. 2. The Government has developed guidebook for formulation and revision of Regional and Local DRRM Plans. (RDRRMPs/LDRRMPs) based on disaster risk information, that incorporated gender mainstreaming and disability considerations. 3. Draft of monitoring and evaluation guidebook for RDRRMP/LDRRMP are developed and distributed to RDRRMCs/LDRRMCs* ² .	1. Information management, monitoring and evaluation system for planning, revision, implementation of RDRRMPs/LDRRMPs are established through approval by National Disaster Risk Reduction and Management Council (NDRRMC) and issue of memorandum by OCD. 2. Training structure for RDRRMC/LDRRMC is established through approval by NDRRMC and issue of memorandum by OCD.
<u>2. Strengthening financial resilience to natural disasters and climate change</u> Agency: Government Service Insurance System (GSIS)	Formulating the following roadmaps under the DRRM Act (RA 10121): 1. The Government has developed roadmap for application of risk-based premium calculation tool to public asset insurance. 2. The Government has developed a roadmap for application of	1. Proto-type of insurance premium rate calculation tool based on disaster risk is developed and approved by GSIS. 2. Proto-type evaluation system for replacement cost is developed and approved by GSIS.

	insurance valuation system compatible with the GSIS System.	
<u>3. Strengthening agricultural resilience to natural disasters and climate change</u> ^{*2} Agency: Department of Agriculture (DA)	Integrating CRVA ^{*3} under DA Memorandum: 1. 18 out of 60 PCIPs ^{*4} integrated climate risk and resilience in priority investments.	1. 60 out of 60 PCIPs integrated climate risk and resilience in priority investments. (December 2024) ^{*5} .

*1: Conditions required to be achieved by the time of the signing of the L/A of this loan

*2: Newly added target area and policy action that were not included at the time the Post Disaster Stand-by Loan (Phase 2)

*3: Climate Risk Vulnerability Assessment

*4: Provincial Commodity Investment Plan

*5: As the policy action is shared with the Fourth CAT-DDO of the World Bank, the period is until December 2024, together with the period of the Fourth CAT-DDO

(5) Estimated Program Cost

Loan amount: 30,000 million yen

(6) Schedule

The period targeted for policy actions by this Program runs to August 2026. The disbursement period, in which disbursement is available, would be within three (3) years after the effectuation of the Loan Agreement. The disbursement period may be extended for additional three (3) years, up to four (4) times (12 years in total).

(7) Program Implementation Structure

1) Borrower: The Government of the Philippines

2) Guarantor: None

3) Executing Agency: Department of Finance

4) Operation and Maintenance System: Progresses of each policy action will be monitored by asking stakeholder agencies to report as required at biannual monitoring meetings held by DOF and JICA, where milestones will be set for the next six months to check progresses of each policy action and changes or improvements required will be proposed.

The OCD is responsible for Target Area 1 of the policy actions described in 3. (4), GSIS for Target Area 2, and DA for Target Area 3.

(8) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activities

Support is being provided to the Government of the Philippines in implementing policy actions via "Disaster Risk Reduction and Management Capacity Enhancement Project Phase 2" (technical cooperation, ongoing) for the Target Area 1 and via the "Project for Strengthening Financial Resilience of Public Asset to Natural Disasters by Improvement of Public Insurance" (2024-2027 (technical cooperation, planned)) for the Target Area 2.

2) Other Donors' Activities

Regarding the Target Area 3 of the policy action, it includes the same policy action content as that of the World Bank's Fourth CAT-DDO, and the activities related to the

policy action are being supported through the PRDP, conducted by the DA with the support of the World Bank and others.

(9) Environmental and Social Consideration/Cross-Sectoral Issues/Gender Category

1) Environmental and Social Considerations

(1) Category: C

(2) Reason for Categorization: This Program is considered to have minimal adverse impact on the environment as per JICA Guidelines for Environmental and Social Considerations (released January 2022).

2) Cross-Sectoral Issues

This Program will contribute to adaptation to climate change by reducing the risk posed by natural disasters such as large-scale typhoons, which are often associated with climate change.

3) Gender Category: GI (S) (Gender Informed (Significant) Program)

<Details of Activities/Reason for Categorization>

Through discussions with the implementing agencies, it was agreed that this Program was to establish a monitoring and evaluation system, and a training structure system from the perspective of gender mainstreaming as a policy action.

(10) Other Important Issues

None.

4. Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator	Baseline (Actual value in August 2023)	Target (August 2026) *December 2024 in part
Area 1: Strengthening the policy and institutional framework for DRRM		
Establishing a system for disaster risk reduction and Management plans, and training structure	0	2 ((1) Establishment of information management, monitoring and evaluation system for planning, revision, implementation of RDRRMPs/ LDRRMPs through approval by National Disaster Risk Reduction and Management Council (NDRRMC) and issue of memorandum by OCD (2) Establishment of training structure for RDRRMC/LDRRMC through approval by NDRRMC and issue of memorandum by OCD)
Area 2: Strengthening financial resilience to natural disasters and climate change		
Developing a proto-type of an insurance premium rate	0	2 ((1) Development of a proto-type of an insurance premium rate calculation tool

calculation tool based on disaster risk and an evaluation system for replacement cost		based on disaster risk and approval by GSIS (2) Development of a proto-type of an evaluation system for replacement cost and approval by GSIS)
Area 3: Strengthening agricultural resilience to natural disasters and climate change		
Integrating CRVA in PCIPs	18	60 (December 2024)

2) Impact

(2) Qualitative Effects

Post-disaster stabilization of the economic basis of the Government of the Philippines, prompt implementation of rehabilitation projects, recovery and stabilization of livelihoods of affected people, and resilient society building.

(3) Internal Rate of Return

Not calculated as it is a program-type ODA loan.

5. External Factors and Risk Control

(1) Preconditions: None

(2) External Factors: None

6. Lessons Learned from Past Projects

The ex-post evaluation of the “Post Disaster Stand-by Loan” for the Philippines (Japanese fiscal year 2017) identified the importance of facilitating stakeholders’ commitment both at the planning and implementation phases in order to enable them to successfully implement respective policy actions and to monitor their actions. It also identified that designing the policy matrix by taking into account JICA’s projects related to each target area and policy action together with the efforts of the government agencies of the Philippines was the key component that led to the achievement of solid policy actions.

Based on this lesson learned, stakeholder organizations have been encouraged to be involved in the program formulation process to enable DOF to closely coordinate with them. JICA will also set and encourage proper implementation of policy actions, taking into account the JICA projects, etc. related to each target area and policy action.

7. Evaluation Results

This Program is considered to be consistent with the Philippines’ development policies as well as the cooperation policies and analyses of the Government of Japan and JICA, and contributes to SDGs Goal 2 (End hunger, achieve food security and improved nutrition and promote sustainable agriculture), Goal 9 (Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation), Goal 11 (Make cities and human settlements inclusive, safe, resilient and sustainable), and Goal 13 (Take urgent action to

combat climate change and its impacts). Hence, there is a need to provide support for the implementation of this Program.

8. Plan for Future Evaluation

(1) Indicators to be Used

As mentioned in 4.

(2) Future Evaluation Schedule

Ex-post evaluation: two years after the Program.

END