



SEC. CESAR PURISIMA

WASHINGTON — The World Bank's Board of Executive Directors approved a contingent line of credit for the Philippines to support the country's efforts to improve preparedness against natural disasters and reduce the vulnerability of Filipinos to the impact of these calamities.

Called the Disaster Risk Management Development Policy Loan with Catastrophe Drawdown Option (CAT-DDO), this new U.S.\$500 million financing support provides the Philippines with immediate access to funding for emergency relief, recovery, and reconstruction efforts following a major natural disaster.

The Philippines is among the most vulnerable countries in the world to natural disasters.

On average, more than 1,000 lives are lost every year, with typhoons accounting for 74 percent of the fatalities, 62 percent of the total damages, and 70 percent of agricultural damages, reflecting their high annual frequency.

The CAT-DDO's approval is in support of the country's integrated framework for disaster risk reduction and management enshrined in Republic Act No. 10121 (Disaster Risk Reduction and Management Act) and the Strategic National Action Plan for Disaster Risk Reduction (SNAP) crafted in 2010.

Finance Secretary Cesar Purisima said that when disaster strikes, the country is often confronted with the urgent need to provide emergency assistance to victims and to rebuild roads, hospitals, schools, irrigation systems, electric power and water supply, and other important social infrastructure.

"This financing support will help ensure that affected population, especially the poor who are the most vulnerable, receive adequate assistance as soon as possible after a disaster, and that important infrastructure facilities are restored a lot quicker, thus minimizing social and economic dislocation in affected communities," said Purisima.

Drawdown from this new financing support will be triggered by a presidential declaration of a "state of calamity."

(Republic Act No. 10121 defines a "state of calamity" as "a condition involving mass casualty and/or major damages to property, disruption of means of livelihoods, roads and normal way of life of people in the affected areas as a result of the occurrence of natural or human-induced hazard.")

This operation gives the country flexibility to use the funds only if needed.

The drawdown period is three years and renewable up to four times for a total of 15 years.

Purísima said that as a quick source of financing, CAT-DDO is particularly well-placed to provide bridge financing while other sources like bilateral aid and concessional funding are being mobilized following a major natural disaster.

“The CAT-DDO will help reduce the government’s fiscal vulnerability in the event of a catastrophic adverse natural event,” Purísima added.

In 2009, Tropical Storm Ondoy (Ketsana) and Typhoon Pepeng (Parma) hit Luzon, including Metro Manila, costing the Philippines’ economy around 2.7 percent of its Gross Domestic Product (GDP) and increased the number of poor people by about 500,000.

In response, the Philippines enacted the DRRM Act on May 27, 2010 and adopted a Strategic National Action Plan for Disaster Risk Reduction (SNAP) shortly after, thus effectively institutionalizing a comprehensive and integrated approach to disaster risk reduction and management in the country.