

# FINANCIAL STRATEGIES IN MANAGING THE ECONOMIC IMPACT OF DISASTERS

## **Funding Disaster Management in the Philippines**

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What are the LEGAL INSTRUMENTS in  
funding disaster management  
programs/projects/activities?

**CALAMITY FUND**

**LOCAL CALAMITY FUND**

# LOCAL CALAMITY FUND

## REPUBLIC ACT NO. 7160

### Local Government Code of 1991

Excerpt from **REPUBLIC ACT 7160**: Local Government Code of the Philippines

**SECTION 324:** *Budgetary Requirements.* – The budgets of local government units for any fiscal year shall comply with the following requirements: (a) The aggregate amount appropriated shall not exceed the estimates of income;

(b) Full provision shall be made for all statutory and contractual obligations of the local government unit concerned: Provided, however, that the amount of appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the local government unit concerned;

(c) In the case of provinces, cities, and municipalities, aid to component barangays shall be provided in amounts of not less than One Thousand Pesos (P1,000.00) per barangay; and

(d) *Five percent (5%) of the estimated revenue from regular sources shall be set aside as an annual lump sum appropriation for unforeseen expenditures arising from the occurrence of calamities: Provided, however, that such appropriation shall be used only in the area, or a portion thereof, of the local government unit or other areas declared by the President in a state of calamity.*

## REPUBLIC ACT NO. 8185

- “An Act Amending Section 324 (d) of Republic Act No. 7160, otherwise known as the Local Government Code of 1991”

- SIGNED & APPROVED BY FORMER PRES. RAMOS ON 11 JUNE 1996

**Section 1.** Section 324 (d) of RA 7160 is hereby amended to read as follows:

“(d) Five Percent (5%) of the estimated revenue from regular sources shall be set aside as annual lump sum appropriations for relief, rehabilitation, reconstruction and other works or services in connection with calamities which may occur during the budget year. PROVIDED, HOWEVER, That such fund shall be used only in the area or a portion thereof, of the local government unit or other areas affected by a disaster or calamity, as determined and declared by the local Sanggunian concerned.

“In case of FIRE or CONFLAGRATION, the calamity fund shall be utilized only for relief operations.”

“The local development council shall monitor the use and disbursement of the local calamity fund.”

Section 2. The Oversight Committee on the Local Government Code, in coordination with concerned agencies, shall prepare and issue the implementing rules and regulations...”

## IMPLEMENTING RULES AND REGULATIONS OF RA 8185

### SECTION 4. DUTIES/RESPONSIBILITIES

#### A) Local Chief Executive

- a.1 Formulate and submit a Local Calamity and Disaster Preparedness Plan to the Local Disaster Coordinating Council for approval;
- a.2 Carry out emergency measures as maybe necessary before, during and after the occurrence of calamity;
- a.3 Ensure that the 5% Calamity appropriation shall be included in the annual budget of the LGU;
- a.4 Recommend to the Local Sanggunian the declaration of State of Calamity in the area;
- a.5 As concurrent chairman of the LDC, monitor the use and disbursement of the LCF.

Continuation : SECTION 4. DUTIES/RESPONSIBILITIES

- B) Local Sanggunian (Sanggunian Bayan, Sangguniang Panlungsod, Sangguniang Panlalawigan)
- b.1 Appropriate the 5% CF for local calamities and disaster preparedness plan in the annual budget of the LGU;
  - b.2 Adopt measures to protect the citizens from harmful effects of calamities;
  - b.3 Declare the area affected by calamity as Calamity Area;
  - b.4 Authorize the LCE through a resolution to assist in emergency operation in another locality.

RA 7160, Book 3, Chapter 4. The **SANGGUNIANG BARANGAY** read as follows:

**Section 390. Composition:** The Sangguniang Barangay, the legislative body of the Barangay, shall be composed of the Punong Barangay as presiding officer, and the 7 regular Sangguniang Barangay Members elected at large and Sangguniang Kabataan chairman, as members.

## SECTION 5. ALLOCATION AND UTILIZATION OF FIVE PERCENT (5%) LUMP SUM APPROPRIATION FOR CALAMITY FUND

### A) Allocation

The 5% Calamity Fund shall be set aside as annual lump sum appropriations every calendar year in the annual budget of LGUs to be allocated in the area affected by a disaster or calamity, as determined and declared by the Local Sanggunian concerned as calamity area.

LGUs may also allocate/use a portion of the 5% Calamity Fund to other affected areas on condition that the said areas are declared as under state of calamity by the Sanggunian concerned.

### B) Usage of the 5% Calamity Fund

- b.1 The Calamity Fund shall be utilized for the relief, reconstruction, rehabilitation, and other works or services in connection with the calamities which may occur during the budget year. Provided, that such fund shall be used/utilized only in the area of the LGU affected by the disaster or calamity as determined and declared under the state of calamity by the Sangguniang concerned by way of a resolution;
- b.2 A portion of the Calamity Fund may also be authorized to be used by the LGU concerned to provide financial assistance to other LGUs whose area or portion thereof had been declared under the state of calamity by its Sanggunian;
- b.3 In case of fire or conflagration, the Calamity Fund or portion thereof, shall be utilized only for relief operation/s.

- b. 4 Any unexpended balance of the Calamity Fund at the end of the current year shall revert to the unappropriated Surplus for the reappropriation during the succeeding budget year: PROVIDED, that appropriation for capital outlays shall remain valid until fully spent or reverted: PROVIDED, FURTHER, that in cases as may be determined by the Sangguniang concerned, the unexpended balance of the maintenance and other operating expenses portion of the aforesaid fund in support for the relief, rehabilitation, reconstruction and other works or services undertaken during the year in connection with the occurrence of the calamities, the effective implementation of which may extend beyond the Calendar Year, may be used and made available during the succeeding year subject to accounting and auditing rules/regulations being observed for the purpose.
- b. 5 The Local Treasurer shall prepare and submit a report on the utilization/disbursement of the calamity fund, duly approved by the Local Chief Executive to the Sanggunian concerned, Commission on Audit and Local Development Council, copy furnished the Local Disaster Coordinating Council.

## SECTION 6. PROCEDURAL GUIDELINES

- a) In case of calamity and upon recommendation of the Local Chief Executive, the Sanggunian concerned shall immediately convene within hours from the occurrence of the calamity and pass a Resolution declaring the area under state of calamity... and also to adopt measures to protect the lives and properties in the area and implement disaster mitigation measures.
- b) The Sangguniang Bayan Resolution embodying the declaration need not be reviewed and approved by the Sangguniang Panlalawigan. However, when the total province is being affected by calamity, the Sangguniang Panlalawigan, upon recommendation of the Provincial Governor, declares the whole province as under the state of calamity and the Sangguniang Bayan of the respective municipalities need not declare their areas as calamity areas.

Cont. Section 6.

- c) The allotment from the 5% Calamity Fund shall be released by the Local Budget Officer within 24 hours from the occurrence of the calamity upon presentation of the disbursement vouchers duly approved by the authorities concerned and supported by Sanggunian Resolution and LDCC estimates based on surveys of the extent of damages.
- d) In case of actual calamity and pending actual declaration of such thru a resolution by the Sanggunian concerned that the area is under the state of calamity, the Local Chief Executive may draw cash advances from the general fund subject to replenishment after receipt of the Resolution of the Sanggunian concerned declaring the area under the state of calamity, subject to existing auditing and accounting rules and regulations. However, such cash advances should not exceed 50% of the local calamity fund.

**JOINT DBM-DILG MEMORANDUM CIRCULAR  
NO. 2003-1 dtd 20 March 2003**

**For:** All Provincial Governors; City & Municipal Mayors; Barangay Chairmen; National/Provincial/City/Municipal Presidents, League of Provinces/Cities/Municipalities and Barangays; and other Officials Concerned

**Subject:** Use of Local Calamity Fund Appropriation for Man-Made Disaster Relief and Mitigation



1. This Joint Circular is issued to clarify the utilization of the annual lump sum appropriations of local government units for relief, rehabilitation, reconstruction and other works or services in connection with calamities which may occur during the budget year, mandated under Section 324 (d) of RA 7160... Said appropriation may be validly used for relief, rehabilitation, reconstruction and other works or services in connection with man-made disasters resulting from unlawful acts of insurgents, terrorists and other criminals as well as for disaster preparedness and other pre-disaster activities.

2. Such relief, rehabilitation, reconstruction and other works or services including pre-disaster activities in connection with such man-made disasters may, at the discretion of the local government unit concerned, include the following:

*2.1 Medical assistance, death and funeral benefits to the victims, their dependents and immediate families, including victims who are Overseas Filipino Workers (OFWs)*

*2.2 Financial assistance and other services for medical, rescue and relief workers who have been tasked to attend to the victims.*

*2.3 Preparation of relocation sites/facilities, disaster preparedness training and other pre-disaster activities.*

**JOINT DBM-DILG MEMORANDUM CIRCULAR  
NO. 2003-2 dtd 24 July 2003**

**For: All Local Chief Executives and Members  
of all Local Sanggunians**

**Subject: Clarificatory Guidelines on the use  
of the 5% Local Calamity Fund**

1.0 Pursuant to the provisions of RA 8185, otherwise known as “An Act Amending Section 324 (d) of RA 7160, otherwise known as the Local Government Code of 1991,” its Implementing Rules and Regulations, and Executive Order No. 201 dated 26 April 2003, it is hereby **clarified that the 5% Local Calamity Fund** of every local government unit (LGU) shall be utilized only for the relief, reconstruction, rehabilitation and other works and services, **in connection with a calamity which occurred during the budget year.** Under the aforesaid Act, calamity has been defined as a state of extreme distress or great misfortune caused by adverse event or natural force, causing widespread loss or extensive damage to livestocks, lives, crops and properties. Accordingly, **any adverse event such as but not limited to acts of terrorism and spread of Severe Acute Respiratory Syndrome (SARS) or other endemics, that could fall within the ambit of the definition of calamity defined by law can be a legal basis for LGUs concerned to declare their own state of calamity.**

2.0 The calamity fund may also be utilized for undertaking disaster preparedness activities and measures provided that the Sanggunian concerned shall declare an imminent danger of calamity in extreme cases and under extraordinary circumstances such as but not limited to acts of terrorism and outbreak of dangerous and highly communicable diseases, such as SARS, the calamity fund may also be utilized for disaster preparedness without need of a Sanggunian declaration of calamity provided that there is a Presidential proclamation of the existence of an adverse event that would warrant the declaration of the entire country to be under the state of national calamity, which needs to be prevented and suppressed.

## COA CIRCULAR LETTER NO. 2003-003

- “Accounting Guidelines on the Utilization of 5% Local Calamity Fund Appropriation under RA No. 8185” dated November 13, 2003
- All authorized expenditures chargeable to the LCF shall be recorded in the General Fund books of accounts. The following expense and/or Property, Plant and Equipment/Public Infrastructures accounts prescribed in the Revised NGAS Chart of Accounts under COA Circular 2003-001 dated June 17, 2003 shall be used.

TRANSACTION	ACCT. CODE	ACCOUNT TITLE
(a) Medical, assistance, death and funeral benefits to the victims, dependents and immediate families, including Overseas Filipino Workers (OFWs).	760	<u>For Supplies Used:</u> Medical, Dental and Laboratory Supplies Expenses
	878	<u>For Cash Assistance:</u> Donations
(b) Financial assistance, and other services for medical, rescue and relief workers who have been tasked to attend to the victims	758	<u>For Food Items Issued:</u> Food Supplies Expenses
	759	<u>For Drugs &amp; Medicines Issued:</u> Drugs & Medicines Expenses
	878	<u>For Cash Assistance:</u> Donations

TRANSACTION	ACCT. CODE	ACCOUNT TITLE
(c) Rehabilitation and Reconstruction of Infrastructures	202 to 250	Appropriate Plant, Property and Equipment Accounts
	251 to 260	Appropriate Public Infrastructures Accounts
	802 to 860	Appropriate Repairs & Maintenance Accounts
(d) Disaster Preparedness Training and Other Activities	753	Training Expenses, Other Maintenance and Operating Expenses

The disbursement procedures, recording and reporting of the aforementioned expenditures shall be in accordance with existing accounting and auditing rules and regulations.

## **CALAMITY FUND**

**REPUBLIC ACT NO. 9498**

**General Appropriations Act**

**FY 2008**

# GENERAL APPROPRIATIONS ACT FY 2008

## XXXIX. CALAMITY FUND

For aid, relief and rehabilitation services to communities/areas affected by man-made and natural calamities, repair and reconstruction of permanent structures, including other capital expenditures for disaster operation and rehabilitation activities, as indicated hereunder

**P2,000,000,000.00**

### New Appropriations, by Purpose

#### Current Operating Expenditures

	<u>Maintenance &amp; other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
Aid, Relief and Rehabilitation Services to Communities/Areas Affected by Calamities, Including Training of Personnel, and other Pre-disaster Activities	<u>P1,150,000,000</u>		<u>P1,150,000,000</u>
Repair and Reconstruction of Permanent Structures, Including Capital Expenditures for Pre-disaster Operations, Rehabilitation and Other Related Activities	<u>P 50,000,000</u>	<u>P800,000,000</u>	<u>P850,000,000</u>
<b>TOTAL NEW APPROPRIATIONS</b>	<b><u>P1,200,000,000</u></b>	<b><u>P800,000,000</u></b>	<b><u>P2,000,000,000</u></b>

**SPECIAL PROVISIONS IN THE GAA  
FOR THE USE OF THE  
CALAMITY FUND**

**1. USE AND RELEASE OF FUND.** The amount appropriated herein may be made available for relief, rehabilitation, reconstruction, and other works or services in connection with natural calamities, epidemics as declared by the DOH, and crises resulting from armed conflicts, insurgency, terrorism, and other catastrophe, which may occur during the budget year or those that occurred in prior years, including pre-disaster activities such as preparation of relocation sites/facilities, and training of personnel engaged in direct disaster management:

**PROVIDED**, That the beneficiaries of relief, rehabilitation, reconstruction and other works or services in connection with specific calamities, epidemics, crises and catastrophe already covered by special laws shall not be entitled to support or assistance from this fund until the appropriation that have been originally availed of shall have been fully expended. Releases from this fund shall be made directly by DBM to the appropriate implementing agencies and/or LGUs upon approval of the President of the Philippines in accordance with the favorable recommendation of the NDCC for local disasters or the appropriate agency for international crises.

**2. QUICK RESPONSE FUND.** Of the amount appropriated under Purpose 1,

Twenty five (25%) percent shall be immediately released to the DSWD and

Twenty percent (20%) to the OCD as QRFs.

Likewise, of the amount appropriated under purpose 2,

Twenty percent (20%) shall be immediately released to the DPWH and

Fifteen percent (15%) to the DND as QRFs:

**PROVIDED**, That the other government agencies concerned may be allocated their own QRFs on a need basis upon the favorable recommendation of the NDCC or the appropriate agency:



PROVIDED, FURTHER, That the QRF shall be released immediately by the DBM and shall serve as a stand-by fund to be used for relief and rehabilitation programs in order that the situation and living conditions of people living in communities or areas stricken by calamities, epidemics and crises occurring during the year may be normalized as quickly as possible:

AND PROVIDED, FINALLY, That the agencies availing of their QRFs shall not pre-allocate the same to their subordinate agencies and shall report to the NDCC or the concerned government agency the status of the utilization of such fund on a quarterly basis, copy furnished the DBM.

#### Departments/Agencies with QRFs under the 2008 GAA

AGENCY/DEPT	CY 2008
Department of Social Welfare and Development (DSWD)	P287,500,000.00
Office of Civil Defense (OCD)	P230,000,000.00
Department of Public Works and Highways (DPWH)	P160,000,000.00
Department of National Defense (DND)	P120,000,000.00
TOTAL	P797,500,000.00

## General Summary of Calamity Fund

### Current Operating Expenditures

	Maintenance & other Operating Expenses	Capital Outlays	Total
CALAMITY FUND	P 1,200, 000,000	P 800,000,000	P2,000,000,000

## GENERAL APPROPRIATIONS ACT, FY 2008

- **SEC. 37. Disaster Prevention, Mitigation, & Preparedness Projects.** “All departments, bureaus, offices and agencies are authorized to use their appropriations to implement projects designed to address disaster prevention, mitigation, and preparedness activities pursuant to PD 1566. Implementation of this section shall be in accordance with the guidelines issued by the NDCC in coordination with the DBM.”

# **OTHER LEGAL BASIS FOR THE USE OF THE NATIONAL CALAMITY FUND**

**MEMORANDUM OF THE PRESIDENT  
dated 10 February 1999**

**Subject: GUIDELINES ON THE PROGRAMMING  
AND USE OF THE CALAMITY FUND**

The Secretary of the Department of Budget and Management and the Chairman of the National Disaster Coordinating Council (NDCC) is directed to observe the following general guidelines for the programming and use of the Calamity Fund:

- It shall be programmed as an interventive fund to allow the President to respond to urgent needs during emergency situations.
- Repair and maintenance costs of government infrastructure shall be sourced, to the extent possible, from the regular budgetary outlay for repair and maintenance under the concerned agency's projects.
- Proposal for funding under the Calamity Fund shall include justifications with regard to the following: urgency of the project such as its delay will result to loss of lives and property; high impact to community; and non-availability of funding source other than the Calamity Fund.
- Post evaluation report to the Office of the President on the implementation of the project using Calamity Fund shall be required from the concerned agencies.

## NDCC MEMO NO. 2, SERIES 1999

The Calamity Fund can be used for the following purposes:

- Aid, relief, rehabilitation services
- Pre-disaster activities
- Capital expenditures

Calamity Fund shall be used in the order of priority:

- Priority I - For urgent and emergency relief operations and emergency repair and rehabilitation of vital public infrastructures and lifelines damaged by calamities
- Priority II - For repair, rehabilitation and reconstruction of other damaged public infrastructures that are not emergency in nature
- Priority III - For pre-disaster activities outside the regular budget of NGAs/ LGUs.

Repair, rehabilitation or reconstruction of government buildings, public hospitals, public schools, municipal and city halls, capitol building, public markets, sports complex, multi-purpose buildings and the like damaged by fire shall not be funded by CF.

# Procedures/Guidelines in the Disbursement of Calamity Funds

## For Calamity Fund (CF) Releases

### Initiation of Request

Availment by LGU's of national government assistance from the Calamity Fund for the repair, rehabilitation or reconstruction of infrastructures damaged by calamities shall be governed by the "**Bibingka Doctrine**"

1st Class	-----	50% of the total project cost (tpc)
2nd Class	-----	40% of the tpc
3rd Class	-----	35% of the tpc
4th Class	-----	30% of the tpc
5th & 6th	-----	Exempted but request shall not exceed P3M

## Evaluation and Approval

- Processed CF requests shall be recommended by the NDCC Chairman to the Office of the President, indicating among others, *the program or schedule of fund release/s to support the project;*
- The President may either approve or disapprove the NDCC recommendations;
- Approved recommendations shall be sent directly to the Office of Civil Defense-National Disaster Coordinating Council (OCD-NDCC). The NDCC shall request the Department of Budget and Management (DBM) for the release and issuance of the Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA).

# DOCUMENTS TO PREPARE IN REQUESTING FINANCIAL ASSISTANCE FROM THE CALAMITY FUND

1. Cover Letter addressed to the President (Her Excellency President Gloria Macapagal-Arroyo) attention to the NDCC Chairman (Secretary of National Defense) and the OCD-Administrator/Executive Officer (MGen Glenn J. Rabonza)

- a) State the hazard
- b) What was the ensuing disaster?
- c) How much is the amount being requested?
- d) How much is the counter-part fund to be provided by the local government unit?
- e) Who will implement the project?

2. Declaration of State/Imminent danger of calamity by the appropriate local Sanggunian concerned.
3. Work and Financial Plan duly signed by the concerned local government Engineer.
4. Disaster Coordinating Council Reports on the Damages (including pictures)
5. Resolution/Certification that the project will be completed considering the amount to be provided by the National Calamity Fund
6. Endorsement of the RDCC Chairman

**CALAMITY FUND**  
**VS.**  
**LGUs REQUESTED AMOUNTS**  
**VS.**  
**ACTUAL RELEASES**

## CF APPROPRIATIONS VS. RELEASES VS. AMOUNT REQUESTED FOR CY 2001 – 2006

YEAR	APPROPRIATIONS (P)	RELEASES (P)	AMOUNT RQSTD (LGUs) (P)
2001	998,500,000.00	994,478,835.00	9.037 B # of requests rcvd 428
2002	800,000,000.00	720,053,500.00	7.621 B # of requests rcvd 495
2003	700,000,000.00	699,032,000.00	5.59 B # of requests rcvd 681
2004	700,000,000.00	700,000,000.00	7.25 B # of requests rcvd 474
2005	700,000,000.00	700,000,000.00	4.92 B # of requests rcvd 336
2006	1,150,000,000.00	1,173,834,752.00	16.821B # of requests rcvd 511

## CF APPROPRIATIONS VS. RELEASES FOR 1996 – 2006

Year	Appropriations (P)	Releases (P)
1996	2,800,000,000.00	2,520,351,192.00
1997	2,000,000,000.00	1,943,064,850.00
1998	2,000,000,000.00	1,990,076,369.00
1999	1,000,000,000.00	962,692,798.00
2000	998,500,000.00	997,759,040.00
2001	998,500,000.00	994,478,835.00
2002	800,000,000.00	720,053,500.00
2003	700,000,000.00	699,032,000.00
2004	700,000,000.00	700,000,000.00
2005	700,000,000.00	700,000,000.00
2006	1,150,000,000.00	1,173,834,752.00 (23,834,752.00)



# CF APPROPRIATIONS VS RELEASES COST OF DAMAGE VS. AMOUNT REQUESTED FOR CY 2001 - 2006

