

REPUBLIC OF INDONESIA

Ministry of Finance

Indonesia Disaster Risk Finance Pooling Fund Project  
(IndoRISK Project)

Stakeholder Engagement Plan

**November 2020**

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## Abbreviations and Acronyms

<b>APBN</b>	<i>Anggaran Pendapatan dan Belanja Negara/ National State Budget</i>
<b>APBD</b>	<i>Anggaran Pendapatan dan Belanja Daerah/Sub-national State Budget</i>
<b>Bappenas</b>	<i>Badan Perencanaan Pembangunan Nasional/The National Planning Agency/ Ministry of National Development Planning</i>
<b>Basarnas</b>	<i>Badan SAR Nasional/Indonesia Search and Rescue</i>
<b>BKF</b>	<i>Badan Kebijakan Fiskal/ Fiscal Policy Agency</i>
<b>BLU</b>	<i>Badan Layanan Umum/ Public Service Agency</i>
<b>BPK</b>	<i>Badan Pemeriksa Keuangan/ Supreme Audit Agency</i>
<b>BPKP</b>	<i>Badan Keuangan Pengawasan dan Pembangunan/ National Government Internal Auditor</i>
<b>BNPB</b>	<i>Badan Nasional Penanggulangan Bencana/ The National Authority for Disaster Management</i>
<b>BMKG</b>	<i>Badan Meteorologi dan Geofisika/ The National Agency for Meteorology and Climatology</i>
<b>DRFI Strategy</b>	refer to Disaster Risk Finance and Insurance National Strategy 2018 by the Government of Indonesia
<b>DRFI Project</b>	refer to Disaster Risk Finance and Insurance project (P173249)
<b>DG</b>	Directorate General
<b>Dit. PPK BLU</b>	<i>Direktorat Pembinaan Pengelolaan Keuangan Badan Layanan Umum/ Directorate of Financial Management of Public Service Agency</i>
<b>DJA</b>	<i>Direktorat Jenderal Anggaran/ Directorate General of Budget</i>
<b>DJKN</b>	<i>Direktorat Jenderal Kekayaan Negara/ Directorate General of State Assets</i>
<b>DJPK</b>	<i>Direktorat Jenderal Perimbangan Keuangan/ Directorate General of Fiscal Balance</i>
<b>DJPPR</b>	<i>Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko/ Directorate General of Budget Financing and Risk Management</i>
<b>DJPb</b>	<i>Direktur Jenderal Perbendaharaan/ Directorate General of Treasury</i>
<b>ESF</b>	Environment and Social Framework
<b>ESMS</b>	Environmental and Social Management System
<b>E&amp;S</b>	Environmental and Social
<b>GRiF</b>	Global Risk Financing Facility
<b>IG</b>	Inspectorate General
<b>IndoRISK</b>	Indonesia Disaster Risk Finance Pooling Fund
<b>IPF</b>	Investment Project Financing
<b>MABR</b>	Ministry of Administrative and Bureaucratic Reforms

<b>MEMR</b>	Ministry of Energy, and Mineral Resources
<b>MoA</b>	Ministry of Agriculture
<b>MoABR</b>	Ministry of Administrative and Bureaucratic Reform
<b>MoEC</b>	Ministry of Education and Culture
<b>MoEF</b>	Ministry of Environment and Forestry
<b>MoF</b>	Ministry of Finance
<b>MoH</b>	Ministry of Health
<b>MoHA</b>	Ministry of Home Affairs
<b>MoLHR</b>	Ministry of Law and Human Rights
<b>MoSA</b>	Ministry of Social Affairs
<b>MoV</b>	Ministry of Villages, Development of Disadvantaged Regions and Transmigration
<b>MoPWH</b>	Ministry of Public Works and Housing
<b>OJK</b>	<i>Otoritas Jasa Keuangan</i> / Financial Services Authority
<b>PBCs</b>	Performance-based Conditions
<b>PFB</b>	Pooling Fund <i>Bencana</i> / Disaster Pooling Fund
<b>SEP</b>	Stakeholder Engagement Plan
<b>SNG</b>	Sub-national Governments
<b>ToR</b>	Terms of Reference

## 1. Introduction

Located in the Pacific Ring of Fire with 127 active volcanoes, Indonesia experiences frequent earthquakes and tsunamis, as well as floods. Between 2007 and 2018, recorded disaster events caused the loss of 7,375 lives and displaced 55,000,000 people,<sup>1</sup> with annual economic losses of approximately US\$2.2 to US\$3 billion<sup>2</sup> (equivalent to 0.2-0.3% of 2018 GDP). Subnational impacts can be much more severe, with damages from past events reaching up to 50% of provincial GDP. Earthquake risk is particularly high, with around 80 percent of the country located in earthquake-prone areas.<sup>3</sup> It is expected that by 2055, approximately 64 percent of Indonesia's population will be living in earthquake hazard zones, up from 53 percent in 2016, with the largest increase in exposure across Java island.<sup>4</sup> The poor and vulnerable often bear the brunt of disaster impacts as they tend to live in hazard areas, lack access to basic services, and have limited access to financial resources and assets to cope with the aftermath.<sup>5</sup>

Before 2019, the Government relied only on the national state budget and international assistance to cover disaster losses. According to the National Disaster Risk Financing and Insurance Strategy, from 2005-2017 the government on average each year set aside IDR 3.1 trillion (US\$219 million) in a contingent budget lines for disasters. This has proven insufficient for the estimated average annual economic cost of IDR 22.8 trillion (US\$1.6 billion), leading to an estimated post-disaster funding gap of IDR 19.75 trillion (US\$1.4 billion). Major events can significantly exceed this, as the catastrophic earthquakes in 2018 in West Nusa Tenggara (July to August), earthquake and tsunami in Central Sulawesi (September) and tsunami along Sunda Strait (December) show. Budget reallocations responding to unforeseen disasters can impede the achievement of development targets and slow down rehabilitation.

From 2015 to 2018 the central government spent every year between US\$400 and US\$900 million (0.03-0.09 percent of GDP) on disaster response and reconstruction.<sup>6</sup> This includes spending on emergency response, social support, housing reconstruction, and rehabilitating or reconstructing public infrastructure. This cost is likely to increase further with climate change and more frequent disasters, placing an increasing burden on public expenditure. Therefore, financial preparedness for disasters, climate shocks, and other crises such as health shocks is increasingly important to protect Indonesia's development gains and economy.

Responding to this challenge, the Government of Indonesia launched its National Disaster Risk Financing and Insurance (DRFI) strategy during the WB-IMF Annual Meetings in October 2018 under the leadership of the Minister of Finance and the Vice President. The overarching mission of the strategy is to protect state finances and the population through sustainable and efficient risk financing mechanisms that meet disaster-related expenditures in a planned and timely manner, and that deliver well-targeted and transparent assistance following shocks. The strategy brings together key government priorities including protecting the state budget through establishing a dedicated budgetary mechanism.

The Pooling Fund for Disasters (*Pooling Fund untuk Bencana*, PFB) is the most critical component of the implementation of the Government's DRFI strategy. To protect the state budget, the Government decided to develop a dedicated disaster reserve fund (a 'pooling fund') to improve overall coordination and governance of disaster expenditures (including international assistance). The pooling fund is expected to help improve disaster financing by (i) enabling the Government to accrue unspent budget allocations for disaster response for future years and build reserves; (ii) improving efficiency in the use of funds from the state budget for all phases of disaster expenditures through improved up front planning

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<sup>1</sup> Based on EM-DAT 2018 and BNPB data.

<sup>2</sup> National Disaster Management Authority, Head of Data and Information, 2018; and World Bank/GFDRR 2012. ASEAN.

<sup>3</sup> National Disaster Management Authority, Director of Disaster Risk Reduction on Safe School Program, 2016

<sup>4</sup> World Bank. 2018. Review and Analysis of Indonesian Cities' Exposure to Disaster Risk

<sup>5</sup> World Bank. 2017. Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters.

<sup>6</sup> Analysis carried out by the team of government expenditure 2015-2018. Forthcoming.

and budgeting; (iii) leveraging additional financial instruments by linking them directly to the pooling fund with clear and pre-agreed operating procedures; (iv) connecting the pooling fund to clear pre-arranged disbursement channels and rules, thereby increasing speed and transparency of post-disaster spending and providing predictability to implementing agencies on the availability of funds; and (v) increasing the ability to link risk financing to incentives and investment for all phases of disaster risk management, including preparedness and prevention.

The Indonesia Disaster Risk Finance Pooling Fund (or hereafter IndoRISK ) seeks to support Indonesia in establishing a disaster pooling fund unit within the Ministry of Finance.<sup>7</sup>

## 2. Project Description

Indonesia Disaster Risk Finance Pooling Fund (IndoRISK ) is to strengthen the financial and fiscal resilience of the Government of Indonesia to natural disasters and health-related shocks. This will be achieved by supporting the establishing a pooling fund and assisting the government of Indonesia to improve its capacity for an effective implementation of the National DRFI Strategy.

A unit operating as a public service agency (*Badan Layanan Umum* or BLU) under the supervision of the Ministry of Finance will be assigned to manage the pooling fund. BLU model is expected to enable some flexibility in financial and non-financial management. Such flexibility would allow the PFB'S BLU to: i) accumulate budget surpluses across multiple fiscal years; ii) design and implement its own governance structure to ensure the fund is managed appropriately and according to international standards; iii) recruit staff and consultants with the required expertise to meet the varying and complex needs of the PFB; and iv) procure goods and services appropriate to its needs, including the purchase of insurance / reinsurance protection for the fund as part of a broader risk financing strategy as well as receive payout directly from the insurance companies.

The Project is being supported by the World Bank and structured around three activities: (1) the first activity will strengthen fiscal resilience by establishing and capitalizing a PFB to ensure efficient access to resources following shocks through a combination of financial instruments; (2) the second activity will improve disaster expenditure by building the systems linking this new PFB to key ministries; and (3) the third activity will enhance the capacity and systems of the PFB a Trust Fund grant.

## 3. Objective of Stakeholder Engagement

Stakeholder engagement is an important part of the project design and implementation which contributes to the project's risk management and supports MOF's efforts to achieve the project's objectives. This SEP identifies relevant stakeholders for the purpose of the operation and describes the timing and methods of engagement between MoF and other stakeholders (both affected and interested) throughout the life cycle of the project. The SEP has been prepared in view of enabling relevant engagement measures to be in place to allow inclusive and effective participation of relevant stakeholders.

The SEP sets out how engagement and communication with stakeholders will be handled throughout project preparation and implementation. This includes disclosure of information, engagement approaches/modalities, frequency and outreach, and use of a Feedback and Grievance Mechanism

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<sup>7</sup> The Pooling Fund will serve as a self-insurance mechanism for the Government of Indonesia. It will receive budget funding, develop a risk financing strategy to ensure it can meet all expenditures even in years with catastrophic disaster events, and then work with implementing agencies to establish different post-disaster compensation through which its funding will be disbursed (building on the model of self-insurance funds in Australia and Mexico). This is a fundamentally different operating model from existing regional risk pools which operate as insurance companies offering specific parametric insurance products, such as the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), the Caribbean Catastrophe Risk Insurance Facility (CCRIF) or the Pacific Catastrophe Risk Insurance Company (PCRIC).

(FGRM) to elicit public feedback. This SEP is a living document and will continue to be updated during project implementation, to reflect any adjustments made and/or new information.

#### 4. Scope of the SEP

The scope of the SEP covers requisite engagement and consultations for the preparation and implementation of the Indonesia Disaster Risk Finance Pooling Fund (IndoRISK) project. A future stakeholder engagement and public communication strategy for the PFB’S BLU will be prepared as part of the PFB’S BLU establishment and has been included as one of the deliverables in the Terms of Reference for the Environmental and Social Management System (ESMS).

#### 5. Brief Summary of Previous Stakeholder Engagement Activities

The establishment of the DRFI Strategy in 2018 was carried out through various meetings and multi-stakeholder consultations involving the central government agencies (Ministry of Finance/MoF, the National Disaster Management Authority/BNPB, the National Planning Agency/Bappenas, Ministry of Home Affairs/MoHA, and other relevant Ministries/Institutions), sub-national governments (such as Padang City and Yogyakarta Special Region), universities (Bandung Institute of Technology and Syiah Kuala University), the Financial Services Authority, insurance companies (PT. Maipark), and development partners, such as the World Bank Group and the Asian Development Bank.<sup>8</sup>

Based on the DRFI Strategy, MoF has initiated government consultations at the national level to prepare the establishment of a Pooling Fund for Disasters (*Pooling Fund Bencana* or hereafter PFB). A Presidential Regulation (Perpres), which lays out the legal framework for PFB establishment is currently being drafted, through various consultations with relevant ministries/agencies as well as other stakeholders (refer **Table 1**). MoF’s Fiscal Policy Agency (BKF) has been acting on behalf of MoF to coordinate preparation of the project and establishment of PFB.

Outside of the scope of the project, MOF regularly engages with BNPB, MoHA, and subnational governments related to the overall disaster funding and aid management; and with Bappenas related to planning and monitoring the state budget (APBN) for disaster prevention and management.

**Table 1. Previous and Ongoing Stakeholder Engagement Activities**

Engagement Activities	Time-frame	Stakeholder	Output	Summary of key inputs
PFB Legal Framework:  Discussions and stakeholder deliberation on the drafting of a Presidential Regulation on PFB (RPerpres PFB)	mid 2019 – ongoing	MoF, BNPB, Bappenas, MoHA, Ministry of Administrative and Bureaucratic Reform (MoABR), State Secretariat, Ministry of Law and Human Rights (MoLHR), Financial Services Authority (OJK),	RPerpres PFB Draft which is still being reviewed by MoLHR	The highlights of the RPerpres deliberation:  1. Source of Funds 2. Investment Modalities of the Funds 3. Subnational government (SNG) support to to the Fund 4. Insurance

<sup>8</sup> DFRI Strategy, 2018. Acknowledgement page from Chairman of the Fiscal Policy Agency, page ix

		Coordinating Ministry for the Economy		
<p>MOF internal deliberation:</p> <ul style="list-style-type: none"> <li>• Discussion and finalization of BLU recommendations to the Minister of Finance</li> <li>• Follow-up meetings with the Minister of Finance</li> </ul>	<p>mid 2019 – April 2020</p> <p>ongoing</p>	<p>Internal MoF:</p> <p>Minister of Finance, BKF, DG of Budget (DJA), DG of State Assets (DJKN), DG of Fiscal Balance (DJPK), DG of Budget Financing and Risk Management (DJPPR), DG of Treasury (DJPb), Secretariat General</p>	<ul style="list-style-type: none"> <li>• Ministerial Guidance on BLU</li> <li>• Division of roles and disposition of roles from the Minister of Finance</li> </ul>	<ol style="list-style-type: none"> <li>1. Decision on assigning the existing BLU (further discussion is required)</li> <li>2. BLU to be able to pay for the insurance premiums for public assets and manage insurance payouts</li> </ol>
<p>Recommendations on options for PFB</p>	<p>April 2020</p>	<p>MoF and the World Bank</p>	<p>Recommendations were provided to the Minister of Finance</p>	<p>Key recommendations include:</p> <ol style="list-style-type: none"> <li>1. Establishment of a PFB as an UPT (Technical Implementation Unit) with a BLU scheme</li> <li>2. Possible long term transition to a Special Public Service Agency</li> </ol>
<p>Consultations with Insurance Companies</p>	<p>June 2020</p>	<p>MoF and Indonesian General Insurance Association (AAUI- <i>Asosiasi Asuransi Umum Indonesia</i>)</p>	<p>Technical inputs for PFB system</p>	<p>Public asset insurance and insurance payout schemes, managed by PFB</p>
<p>Public Presentation of Pooling Fund at OJK International Conference on Developing Sustainable Ecosystems for DRF in Indonesia</p>	<p>January 2020</p>	<p>OJK, national and international Academia, Private Sector, Civil Society, government ministries</p>	<p>Technical inputs for PFB system</p>	<p>International Practices on Insurance Scheme for Disaster Risk</p>



Public Presentation of Pooling Fund with Asosiasi Pengusaha Indonesia on Developing Sustainable Ecosystems for DRF in Indonesia	January 2020	Private companies, insurance companies, NGOs, SNGs	Technical inputs for PFB system	PPP on DRFI and PFB
Public Presentation and Consultation of Pooling Fund with Center for Strategic and Internasional Studies (CSIS)	Januari & February 2020	Academics, Insurance Companies, NGOs, Researchers, Government and Ministries	Technical inputs for PFB system	Central Government's collaboration with SNGs on DRFI
Public Dissemination and Consultation on the Establishment of <i>Pooling Fund Bencana</i> (PFB)	November 2020	Government Ministries and Agencies, Sub-national government, NGOs, Academia, Insurance Companies	Inputs for PFB's design, the development of Environmental and Social Management System	<ul style="list-style-type: none"> <li>- Scope of PFB activities related to disaster management</li> <li>- Fund sources of the PFB</li> <li>- Insurance Mechanism(s)/risk transfer</li> <li>- NGOs/ CSOs roles and engagement</li> </ul> (see. Annex I)

## 6. Stakeholder Identification and Analysis

Two broad categories of stakeholders were mapped, including those involved in the project implementation as well as potential stakeholders who will be involved in the PFB operationalization. Each of these groups is further elaborated in the following sections:

### a. Affected and interested parties in the project activities

The SEP maps out two groups of stakeholders related to the project:

(i) affected parties, who are impacted or likely to be impacted directly or indirectly, positively or adversely, by the Project

(ii) interested parties who may have an interest in the Project. They include individuals or groups whose interests may be affected by the Project and who have the potential to influence the Project outcomes in any way.

Table 2 outlines an initial stakeholder mapping subject to further assessments once the project activities and targets have been confirmed. The list of affected and other interested stakeholders will continue to be updated according to the development of the PFB.

**Table 2. List of affected and other interested stakeholders**

Potential Activities	Affected parties	Areas of Interest	Other Interested Parties
<b>Establishing and capitalizing the pooling fund</b>			
Complete establishment and set up of the PFB	<b>MoF</b> 1. BKF 2. DJA 3. DJPPR 4. DJPK 5. BLU  6. BNPB 7. Bappenas 8. MoHA 9. Line ministries 10. Subnational governments 11. Good and Service Providers 12. Community groups ( <i>Kelompok Masyarakat/ Pokmas</i> ) 13. Development Partners 14. Private sectors 15. Community (Philanthropy)	1-4: Supervise the PFB preparation and arrangement process, including BLU's design process. 5: Manage implementation of PFB; ESMS implementation  6-8: support MoF to verify, assess, and validate funding proposals from line ministries or sub-national governments  9-12: PFB's fund channeling entities <sup>9</sup> ( <i>see Table 3</i> )  10, 13-15: PFB's fund providers ( <i>see Table 3</i> )	<i>Preparation process:</i> MoABR, State Secretariat, MoLHR, OJK, Coordinating Ministry for the Economy, Academicians, Development Partners, CSOs, private sectors  <i>Implementation process:</i> Development partners, NGO/ CSO, Academicians, Communities and government agencies as beneficiaries <sup>10</sup>
Strengthen the PFBs funding structure and management	<b>Minister of Finance</b>	*Allocating budget for BLU	N/A
	<b>MoF</b> 1. BKF 2. DJA 3. DJPPR 4. DJKN 5. Technical supervisory 6. BLU	1-2: APBN to PFB allocation policies 4: investment allocation policy 5-6: Implementation of PFB financing	N/A
Adopt & implement a financing plan for the PFB	<b>MoF:</b> 1. BKF 2. DJA 3. DJPB 4. Technical supervisory* (tbd) 5. BLU	1-3: Preparing to adopt PFB financing 3: BLU regulator 4-5: Implementation of PFB financing, Budget and Business Plans	BNPB, Bappenas, Kemendagri
Strengthen PFB	<b>MoF:</b> 1. BKF	1-2: Guard the operational preparation process and	MoF (Inspectorate General)

<sup>9</sup> Fund channelling entities in this document refer to stakeholders who manage funds from PFB for disaster related activities.

<sup>10</sup> Beneficiaries in this document refer to the end recipients of disaster funds. Beside communities, government agencies are part of the beneficiaries because the disaster funds can potentially be used to reconstruct state property affected by the disaster.

operational performance and transparency	<ol style="list-style-type: none"> <li>2. DJPB</li> <li>3. DJKN</li> <li>4. Technical supervisory* (tbd)</li> <li>5. BLU</li> <li>6. BPKP, BPK</li> </ol>	<p>BLU transparency</p> <p>3-5: Operational implementation and transparency of PFB</p> <p>6: Financial and program auditing activities</p>	
<b>Improving Preparedness for More Effective Disaster Response Across Government Agencies</b>			
Supports CG disaster preparedness and early action	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. BNPB</li> <li>3. Technical Supervisory</li> <li>4. BLU</li> </ol>	<p>1-2: General policy on fund allocation for pre-disaster phase</p> <p>3-4: Annual fund allocation for pre-disaster phase strategy</p>	To be identified during project implementation
Budget tracking to strengthen disaster related fiscal effectiveness	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. Bappenas</li> <li>3. BNPB</li> <li>4. MPWH</li> <li>5. MOH</li> <li>6. MWECP</li> </ol>	<p>1: System establishment to be adopted by fund channelling entities</p> <p>2: Planning and Budgeting Policy</p> <p>3: Disaster management and financing</p> <p>4: Disaster management</p> <p>5: Health Disaster management</p> <p>6: Women empowerment and child protection during disaster</p>	Development Partners
Support SNGs in disaster preparedness and response	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. MoHA</li> <li>3. SNGs</li> </ol>	1-3 : Policies, regulation, and manuals set up for fund channeling/disbursement	NGO/ CSO related to disaster management, communities and government agencies as beneficiaries.
Support disaster responsive social protection	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. Bappenas</li> <li>3. MoSA</li> </ol>	<p>1&amp;2: policies on adaptive/responsive social protection policy</p> <p>1&amp;3: operation manuals of the implementation of the ASP</p>	Bappenas, Development partners, community affected by disaster events.
Strengthen planning to support health emergencies	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. MoH</li> </ol>	1-2: policies and regulation to support health protection or emergency	BNPB, community, affected by health emergencies.
<b>Strengthening pooling fund capacity and systems to effectively support risk financing and disaster response</b>			
Support activities to setup the pooling fund (e.g. risk finance strategy, ESMS system,	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. BLU</li> </ol>	1-2: Policies and regulation to support the PFB operational	Development partners

fiduciary controls, damage data collection and claims management platform, etc.)			
Support activities to strengthen country systems and preparedness activities (e.g. technical assistance and capacity building of agencies, tracking performance of PFB, etc.)	<ol style="list-style-type: none"> <li>1. MoF</li> <li>2. BLU</li> <li>3. BNPB</li> <li>4. MOHA</li> <li>5. MOSA</li> <li>6. MOH</li> <li>7. SNGs</li> </ol>	1-7: Policies and regulation to support disaster risk financing mechanism across line ministries	SNGs, Development Partners

#### **b. Stakeholder Identification in PFB workflow**

In addition to the project stakeholder's identification above, efforts were made to also map out stakeholders relevant to the PFB operationalization once established, particularly on aspects related to the work and fund flows. Such identification is expected to provide understanding of various stakeholders' roles and responsibility in PFB and engagement approaches for respective stakeholders. In line with the PFB's workflow from the DRFI national strategy framework, this stakeholder group was identified based on four essential stages of PFB operationalization, including: 1) fund provisions, 2) financial management, 3) fund disbursements and distribution, 4) monitoring and supervision (Figure 1).

MoF plays key roles as a leading sector in all of these processes, with other stakeholders having various roles depending on different stages and their existing mandates, responsibilities and functions stipulated by their respective sectoral regulations (Table 3).

Figure 1. Stakeholders Identification within PFB's fund and workflow

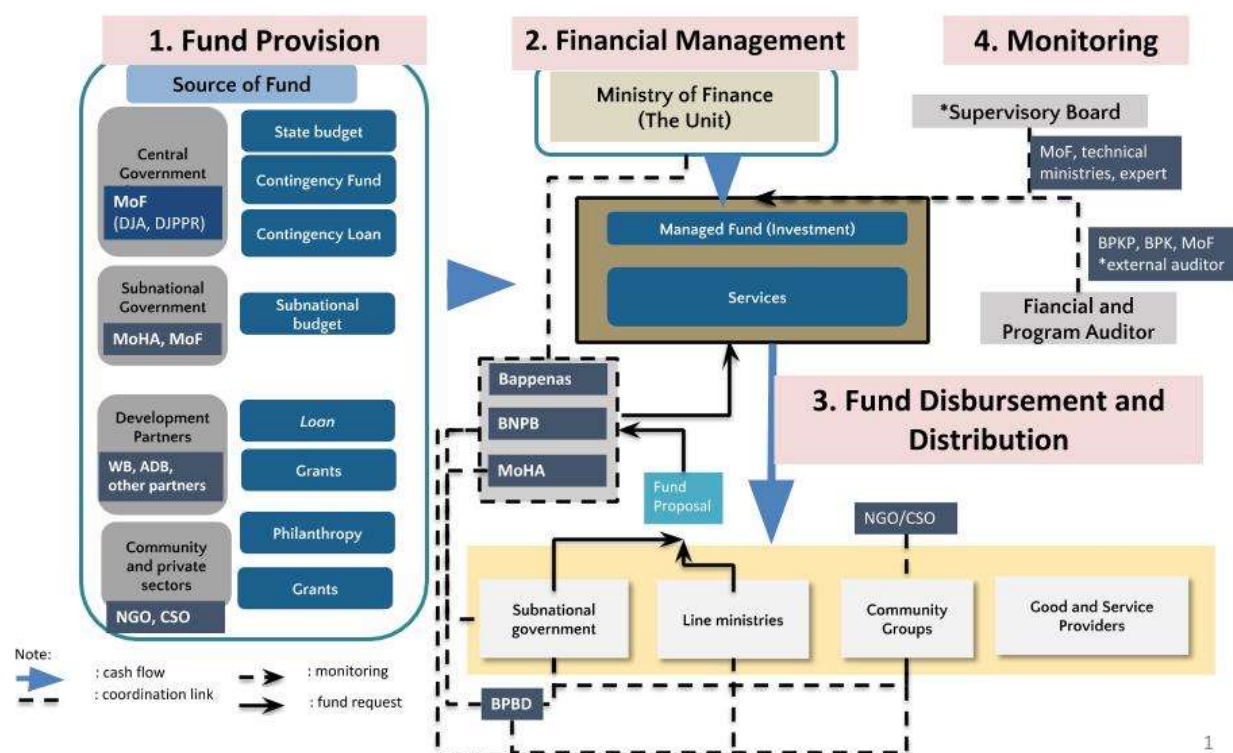


Table 3. Stakeholders Identification and roles within PFB's fund and workflow

Stakeholders	Roles
<b>Stage 1: Fund provisions</b>	
<b>MoF (DJA and DJPPR)</b>	MoF provides annual contributions and/or budget allocation from the national state budget (APBN) to the PFB
<b>Subnational governments</b> (supervised by MoHA and MoF (DJPK))	Sub-national governments can provide annual contributions and/or budget allocation from their respective sub-national budget (APBD) to the PFB. MoHA and MoF provide the overall oversight.
<b>Development Partners</b>	Development partners can contribute to the PFB by way of trust funds/grants and/or loan financing. To date, the World Bank, Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB) have shown interest in supporting the MOF in establishing and capitalizing the PFB.
<b>Community and Private Sectors</b>	Community or individuals, and the private sector can contribute to the PFB through philanthropy and private grants.
<b>Stage 2: Financial Management</b>	

<b>MoF (BLU)</b>	MoF will assign a fund management unit to manage the PFB, responsible for handling/managing funds for investments and various services. A BLU will act as an investment and financing manager for the PFB and will be responsible to develop operational policies, financial management, modeling, and fund distribution strategy for the overall PFB.
<b>Stage 3: Fund Disbursements and Distribution</b>	
<b>MoF (BLU)</b>	BLU will be responsible for disbursing and distributing pooled funds for a broad range of disaster-related financing. BLU can disburse and transfer funds following receipt of proposals from fund channeling entities and approval from the verification team. Funds will be channeled and/or transferred to the following parties: 1) central ministries/agencies, 2) subnational governments, 3) community and 4) vendors/ providers of goods and services.
<p>BNPB will verify disaster-financing proposals submitted by fund channeling entities ministries/agencies and sub-national governments. BNPB will verify, assess, and validate funding proposals for disaster management. In verifying the proposal, BNPB will coordinate with MOF (BLU), Bappenas, and MOHA representatives.</p> <p>An environmental and social screening process in line with an ESMS procedure will be undertaken at this stage. Such screening will be coordinated with BNPB, Bappenas and MoHA</p>	
<b>Bappenas</b>	In addition to its role in the appraisal process, Bappenas will support MoF in PFB's fund allocation planning.
<b>BNPB</b>	In addition to its role as the appraisal, BNPB will act as a key stakeholder in disaster management and recommends fund distributions according to verified needs. BNPB can also be one of PFB's channeling entities for emergency disaster response.
<b>MoHA</b>	In addition to its role role in the appraisal process, MoHA will supervise fund distributions to sub-national governments. MoHA can also be one of the PFB's channeling entities for disaster response.
<b>Line ministries</b>	<p>Line ministries are PFB's channeling entities for disaster prevention, disaster response, rehabilitation, and reconstruction.</p> <p>Based on the National Disaster Response Framework 2018, key ministries/ agencies including MoF collaborate as part of disaster response task forces. These disaster task forces are mandated to focus on search and rescue, emergency support and protection, health, logistics, public works and utilities, education, and early recovery.</p> <p>Other line ministries / agencies that may potentially channel the fund from PFB include but not limited to:</p> <ul style="list-style-type: none"> <li>• BNPB for overall disaster management, pre-disaster preparedness, disaster evacuation/ rescue, emergency response;</li> <li>• Ministry of Social Affairs (MoSA) for pre-disaster preparedness, social assistance, and protection;</li> <li>• Ministry of Health (MoH) for pre-disaster preparedness; provision of</li> </ul>

	<p>health services during and after the disaster, including COVID response; and health service management;</p> <ul style="list-style-type: none"> <li>• Ministry of Public Works and Housing (MoPWH) for risk reduction infrastructure retrofitting; public works, housing, and settlements for rehabilitation and reconstruction;</li> <li>• The National Agency for Meteorology and Climatology (BMKG) for risk reduction infrastructure retrofitting, data provision and maintenance, early warning, and provision of the alert level;</li> <li>• Ministry of Education and Culture (MoEC) for pre-disaster preparedness, emergency support, and coordinating reconstruction and rehabilitation for education units;</li> <li>• MoHA for coordinating and monitoring subnational governments in pre-disaster preparedness and emergency response;</li> <li>• Ministry of Environment and Forestry (MoEF) for disaster risk information services, early warning and provision of alert level for environmental and fire hazard, fire suppression, and land rehabilitation;</li> <li>• Ministry of Agriculture (MoA) for disaster risk reduction procurement, awareness-raising, fire suppression, and land rehabilitation;</li> <li>• Search and Rescue Agency (Basarnas) for SAR preparedness and disaster evacuation/ rescue;</li> <li>• Indonesia National Armed Forces for pre-disaster preparedness, emergency support, disaster evacuation/ rescue;</li> <li>• Ministry of Villages (MoV), for community-based disaster prevention, emergency response</li> </ul> <p>Line ministries should submit a funding proposal and get approval from BNPB and MOF to receive the PFB.</p>
<p><b>Subnational government</b> (Supervised by MoHA)</p>	<p>Sub-national government is one of PFB’s fund channeling entities for disaster response, rehabilitation, and reconstruction. The sub-national government should submit a funding proposal and get approval from BNPB and MOF to receive the PFB. The sub-national government can also play a supervisory role in PFB’s transfer to the community if needed.</p>
<p><b>Community group</b></p>	<p>Potential PFB’s fund channeling entities for disaster response, rehabilitation, and reconstruction include community groups. Community groups implementing activities related to pre and post disaster response can propose financing to PFB through their respective subnational governments. Subnational governments will verify proposal from these groups and submit them to the PFB. PFB may transfer financing to community groups’ bank accounts directly, but if needed, subnational governments can assist in the transfer process.</p>
<p><b>Providers of goods and services</b></p>	<p>Providers of goods and services are one of PFB’s fund channeling entities for disaster response, rehabilitation, and reconstruction. BLU can transfer funds to vendors directly, but mainly for payment of premiums to insurance companies (i.e. for public assets). For disaster management,</p>

	funds will primarily be transferred through line ministries and sub-national governments to vendors. This fund flow and related schemes are currently being finalized.
<b>NGO/ CSO</b>	<p>NGO/CSO can support fund distribution process to the community for rehabilitation and reconstruction. They will not be direct recipients of the funds.</p> <p>CSOs include, but not limited to national or local CSOs that support disaster management, vulnerable population, environmental and social risk mitigation, community assistance, etc.</p>
<b>Stage 4: Monitoring and Supervision</b>	
<b>BPKP</b> (Finance and Development Supervisory Agency)	BPKP plays a key role in monitoring PFB as a government financial and program auditor.
<b>BPK</b> (The Audit Board of Republic of Indonesia)	BPK plays a role as a government financial auditor.
<b>MoF</b> (Inspectorate General)	MoF (IG) plays a role as an internal financial and program auditor.
<b>Supervisory Board*</b> (TBD)	Based on the BLU guidelines, the supervisory board can be one of the monitoring parties in BLU. The board's structure will depend on the amount and fund flows and likely consist of representatives from MoF, technical ministries (i.e. Bappenas, BNPB and MoHA), and independent experts. This board will provide overall oversight of the PFB, including on aspects related to financial management, distribution of funds, environmental and social management, etc. The decision of the structure of a supervisory board for PFB is yet to be made.
<b>External auditor*</b> (TBD)	If needed, an external/third-party auditor can monitor the overall PFB implementation and financial reports. This role may be expected to monitor the implementation environmental and social management in line with an ESMS procedure.

### c. Potential Interest and Influence of Key Stakeholders

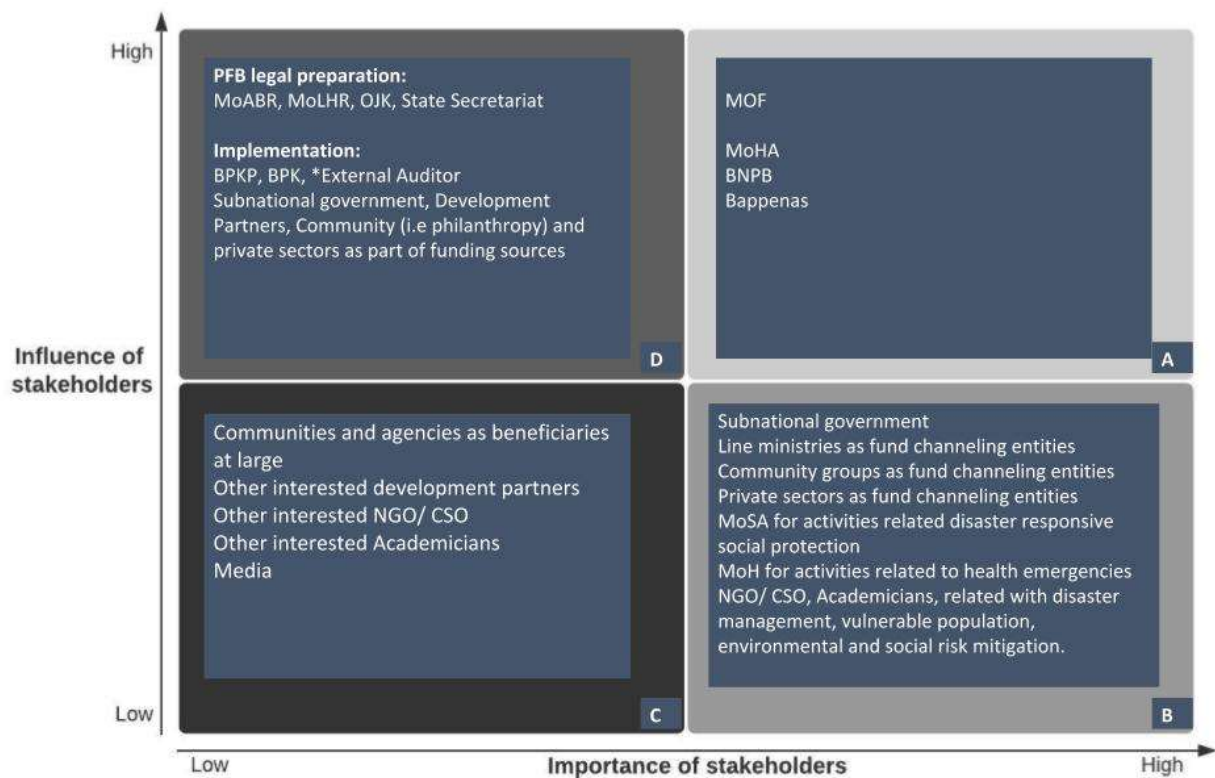
Based on stakeholder identification, including their respective roles and responsibilities, further analysis was made to understand their degree of importance and influence. Such an analysis is expected to inform engagement priorities as well as approaches, particularly amongst those who may have low degrees of influence but may be greatly impacted by the proposed operation.

**Figure 2** provides a brief stakeholder analysis based on:

1. The degree of importance/interest in terms of who stands to lose or gain significantly from the project, including those who have direct access to policy and regulatory processes;
2. The degree of influence in terms of whose actions could potentially affect the project's success.



**Figure 2. Stakeholder Analysis: Importance and Influence**



**Figure 2** shows MoF as the main stakeholder across all phases and activities of the project. In the axis of high influence and high importance/interest (Group A), the MoHA, BNPB and Bappenas play critical roles disaster financing policy and management and by mandates, will influence key decisions on these aspects. Intense consultation and engagement is recommended for this group of stakeholders to ensure that all project activities are aligned with the project’s development objective, and that their interests are fully represented and accommodated. This also includes relevant engagement to mainstream Environmental and Social Standards (ESSs) as part of the overall ESMS implementation within the PFB.

The stakeholder group in the axis of high importance/interest and low influence (Group B) include potential fund channeling entities and other relevant partners who support the fund disbursement. Engagement approaches for this group is to ensure that their interests are represented, relevant fiduciary and environmental and social requirements, as well as roles and responsibilities, including mandatory contributions to the pooled fund are fully communicated and that there are agreed measures and commitments for adherence to such requirements amongst fund channeling entities. Fund channeling entities will also be responsible to ensure adherence to the ESMS requirements, where periodic reporting will be required of the PFB. Intense engagement will be required particularly during the initial stage of project implementation and PFB’s roll-out. This also include engagement for institutional capacity and performance review assessments of their past environmental and social track records and existing capacities and on that basis, requisite capacity building activities for environmental and social management. This project will need to develop communication platforms for these stakeholders during the implementation stage.

The stakeholder group in the axis of high influence and low importance/interest (Group D), MoABR, MoLHR, and the State Secretariat will influence the establishment of the PFB, particularly for the issuance of relevant regulations (i.e. Presidential Regulation) on the pooling fund and state apparatus. Their level of influence may not likely be strong once PFB enters its operationalization phase. BPK and BPKP, including external auditors and PFB supervisory board (TBD) will be critical in the overall oversight of the PFB, including ensuring check and balance and how public feedback will be captured as part of the PFB’s governance. Subnational governments, development partners, community (philanthropy), and private

sectors will have influence over the amount of contributions to the PFB. Intensive engagement to define specific roles and responsibilities, including an agreement related to supervisory arrangement will be made as part of the PFB'S BLU establishment.

The stakeholder group in the axis of low influence and low importance/interest (Group C) includes the broader community/public, other interested academicians and NGOs/CSOs, and media can contribute to overseeing the whole preparation and implementation of PFB, in terms of its management/governance and distribution of funds and targeting, including how the PFB supports pre- and post-disaster response across government agencies and sub-national governments. A mechanism for public feedback and grievance management (FGRM) will be established as part of the PFB. Progress and lessons learned of PFB implementation, including FGRM records would be made publicly available.

#### **d. Disadvantaged / vulnerable individuals or groups**

Since the PFB'S BLU may directly transfer funds to community groups, it is necessary to ensure there are measures to assess whether fund transfers benefit disadvantaged and/or vulnerable individuals or groups, including communities in disaster-prone areas. Vulnerability may arise from a person's status and background including the age, gender, disabilities, economic status, geographical and ethnicity origin, disadvantaged status in the community (e.g. ethnic minorities), dependence on other individuals or natural resources, etc. Such dimensions will need to be better understood through inclusive engagement and consultations.

During the preparation of the PFB, engagement with community representatives, including through existing organizations (CSOs/NGOs) will be undertaken to understand how targeting, fund flows, technical assistance, FGRM, monitoring/oversight can be enhanced to promote accessibility of the PFB, including how benefits will be targeted. Identification of these organizations will be undertaken as part of the institutional capacity and performance review of fund channeling entities ministries/agencies and sub-national governments in the Terms of Reference (ToR) for the Environmental and Social Management System (ESMS) for PFB.

### **7. Stakeholder Engagement Program**

Specific arrangements for stakeholder engagement are further elaborated in the following sections:

#### **a. Timing of Stakeholder Engagement Program**

Stakeholder engagement activities are part of the overall project implementation and hence, will take place throughout project implementation. Indicative timeframes are included in Table 5 on the Consultation Strategy. Ad-hoc meetings and engagement are not included as these represent day-to-day engagement for the purpose of project implementation.

#### **b. Proposed strategy for information disclosure**

This project will make efforts to ensure information disclosure in a form accessible to the wider public, including target communities, through the use of appropriate language(s), media, and engagement approaches, including community outreach.

Choice of engagement approaches and disclosure will depend on the types of information to be disclosed as well as the types of stakeholders involved (refer **Table 4**). During project preparation, information on the progress of PFB preparation will be disclosed through various forms of engagement, both formal and informal (i.e. emails, stakeholder meetings, workshops and consultations). In the time of COVID-19, alternative engagement approaches for information disclosure and consultations, such as virtual meetings and phone calls have been considered due to travel restrictions and public health concerns for

face-to-face engagement (refer **Section 10**). Informal information sharing and consultations via telephone calls and/or WhatsApp messenger with relevant stakeholders, particularly amongst those responsible for project implementation, are expected to allow timely and effective feedback loops. Official correspondence by exchange of formal letters will be used for official communication.

A more detailed information delivery strategy will be prepared, including a public communication strategy for the PFB. Once established, the PFB'S BLU will develop an official website and social media platforms, such as Twitter and Instagram to disclose relevant information to the broader public. Information disclosure by the PFB'S BLU will mainstream the principles of accountability, transparency<sup>11</sup>, and accessibility. Mainstreaming such principles is expected to enhance the governance of the PFB, which promotes two-way communication between the organization and the public.

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<sup>11</sup> In line with Article 5 in Minister of Finance Regulation No. 07/PMK.02/2006

**Table 4. Strategy of Information Disclosure**

Project Stage and Information Disclosure	Target stakeholders	Methods Appropriate adjustments in COVID pandemic (virtual meeting, phone calls, etc.)
<p><b>Preparation stage:</b> Information related to project design and environmental and social approach will be disclosed prior to project public consultations. A public consultation will be undertaken prior to the closing of project appraisal. Feedback channels (i.e. email) will be retained to enable the public to submit their feedback during project preparation.</p>		
<ul style="list-style-type: none"> <li>- Project Design</li> <li>- SEP, ESMS TOR, and ESCP</li> <li>- Progress of Legal Frameworks for PFB</li> <li>- BLU’s preparation progress</li> <li>- FGRM</li> </ul>	Internal MoF	Meeting, email, phone, WhatsApp messenger, exchange of official letters for high-level government officials, meetings
	Central ministries and agencies	Meetings, workshops, email, phone, WhatsApp messenger, exchange of official letters for high-level government officials
	Subnational governments	Meetings, workshops, email, phone, WhatsApp messenger, press release in mass media, official website, and official social media platforms
	NGO/CSO	Meetings, email, official website, and official social media platforms
	Development Partners	Meetings, email, official website, and official social media platforms
<p><b>Implementation stage:</b> Information disclosure during implementation stage are embedded within the project activities, hence the schedule for the stakeholder engagement activities will follow the different phases of the project’s implementation timeline.</p>		
<ul style="list-style-type: none"> <li>- Scope of project and activities</li> <li>- Project implementation progress, including achievement of Performance-based Conditions (PBCs)</li> <li>- Legal Frameworks for PFB</li> <li>- ESMS implementation</li> <li>- SEP implementation</li> <li>- FGRM implementation</li> </ul>	Internal MoF	Meeting, email, phone, WhatsApp messenger, exchange of official letters for high-level government officials, meetings
	Central ministries and agency	Meetings, workshops, email, phone, WhatsApp messenger, exchange of official letters for high-level government officials (echelon 2 and above)
	Subnational governments	Meetings, workshops, email, phone, WhatsApp messenger, press release in mass media, official website, and official social media platforms (i.e. Twitter, Instagram, etc.)
	Development partners	Email, press release in mass media, official website, and official social media
	NGO/ CSO	Email, press release in mass media, official website, and official social media
	Communities	Press release in mass media, official website, and official social media

**c. Proposed Strategy for Public Consultations**

The methods of the proposed strategy for public consultations will vary depending on the topics of discussion and target stakeholders. General approaches include:

- Formal consultations through bilateral or multilateral meetings with government ministries and agencies, regular meeting with other stakeholders;
- Informal consultations with key stakeholders, both at the national and sub-national levels, including phone calls or WhatsApp messenger;
- Public workshops or seminars with both government and non-government stakeholders;
- Public discussion and one-on-one consultations or interviews;

The Indonesia Fiscal Policy Agency (BKF) of MoF will coordinate relevant consultation processes during project preparation. Following PFB establishment and/or identification of an existing BLU, the head of BLU is expected to lead stakeholder engagement activities, including updating the SEP if necessary.

**Table 5. Public Consultation Strategy**

Project State and Consultation Topic	Target stakeholders	Methods <i>Appropriate adjustments in COVID pandemic (virtual meeting, phone calls, etc.)</i>	PIC									
<p><b>Preparation stage:</b> Public consultations during project preparation phase will focus on high-level consultations with national and sub-national government counterparts, including CSO/NGO representatives. Consultation will focus on project design, legal frameworks for the PFB, and other relevant themes and/or processes related to the establishment of the PFB. The consultation in this preparation stage is scheduled on 12 November 2020 through virtual meeting with relevant stakeholders. A detailed list of invitees and agenda, including a project brief will be included in the formal invitation letter for the consultation.</p>												
<ol style="list-style-type: none"> <li>1. Project Design</li> <li>2. ESMS TOR, SEP, and ESCP</li> <li>3. Legal Frameworks fo PFB</li> <li>4. FGRM</li> </ol>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td data-bbox="576 1252 831 1328">Internal MoF</td> <td data-bbox="836 1252 1235 1328">Workshop, formal and informal meetings</td> </tr> <tr> <td data-bbox="576 1335 831 1469">Central government ministries and agencies</td> <td data-bbox="836 1335 1235 1469">Workshop, formal and informal meetings, seminars both bilaterally and multilaterally</td> </tr> <tr> <td data-bbox="576 1476 831 1552">Subnational governments</td> <td data-bbox="836 1476 1235 1552">Workshops, formal and informal meetings</td> </tr> <tr> <td data-bbox="576 1559 831 1612">NGO/ CSO</td> <td data-bbox="836 1559 1235 1612">Workshops, formal and informal meetings</td> </tr> <tr> <td data-bbox="576 1619 831 1684">Development Partners</td> <td data-bbox="836 1619 1235 1684">Workshops, formal and informal meetings</td> </tr> </table>	Internal MoF	Workshop, formal and informal meetings	Central government ministries and agencies	Workshop, formal and informal meetings, seminars both bilaterally and multilaterally	Subnational governments	Workshops, formal and informal meetings	NGO/ CSO	Workshops, formal and informal meetings	Development Partners	Workshops, formal and informal meetings	MoF (BKF)
Internal MoF	Workshop, formal and informal meetings											
Central government ministries and agencies	Workshop, formal and informal meetings, seminars both bilaterally and multilaterally											
Subnational governments	Workshops, formal and informal meetings											
NGO/ CSO	Workshops, formal and informal meetings											
Development Partners	Workshops, formal and informal meetings											

**Implementation stage:** Public consultations during implementation stage are embedded within the project activities, hence the schedule for the stakeholder engagement activities will follow the different phases of the project’s implementation timeline.

<b>Implementation stage:</b> 1. Implementation of Perpres and regulations related to PFB 2. ESMS and other systems that need to be implemented 3. Verification of funding requests	Internal MoF	Workshop, Formal and Informal Meeting	Technical Supervisory *Head of BLU (TBD)
	Central government ministries and agencies	Workshop, formal and informal meetings, seminars both bilaterally and multilaterally	
	Subnational governments	Workshop, formal and informal meetings, seminars	
	Development partners	Workshop, formal and informal meetings, seminars	
	NGO/ CSO	Public discussions, seminars, one-on-one consultations, interviews	
	Communities	Public discussions, seminars, one-on-one consultations, interviews	
	Private Sector	Seminar, one-on-one consultations, interviews	

**d. Engagement with Vulnerable Groups**

Stakeholders’ consultation and information disclosure approaches for vulnerable groups, need to be carefully assessed to promote greater participation and social inclusion. Affirmative measures (i.e. community outreach) and consultations with various organizations representing these groups will be critical to ensure the views of target communities are reflected in the overall PFB preparation and implementation. Such outreach is particularly relevant amongst those in remote disaster prone areas, including Indigenous Peoples whose access to information is limited.

The PFB’S BLU should use meaningful consultations as a two-way dialogue to gather feedback and inputs from all affected and interested stakeholders, including vulnerable communities. Various alternative engagement approaches to reach vulnerable groups will be considered, including the provisions of information in accessible language(s) and sign language if relevant, peer discussions, use of media to aide information dissemination, community outreach and the use of trusted representatives or organizations to convey messages and facilitate dialogue based on their needs. The PFB’S BLU will have to establish a mechanism to capture public feedback and inputs from various consultation processes into their strategic planning and implementation activities.

Effective consultation with vulnerable groups will be based on the following principles:

- Begin early in the process and continue on an ongoing basis during project implementation;
- Involve members of communities, including those vulnerable households and their recognized representative bodies and organizations in good faith;
- Capture the views and concerns of men, women and vulnerable community segments including the elderly, youth, displaced persons, children, people with special needs, etc., about impacts, mitigation

mechanisms, and benefits where appropriate. If necessary, separate forums or engagement need to be conducted based on their preferences;

- Supports active and inclusive engagement with project-affected parties, including ensuring the involvement of community members, including those vulnerable and their recognized representative bodies and organizations in good faith;
- Be based upon the prior disclosure and dissemination/socialization of relevant, transparent, objective, meaningful, and easily accessible information that is in a culturally appropriate language(s) and format and is understandable for target communities. In designing consultation methods and use of media, special attention needs to be paid to include the concerns of vulnerable communities and their access to disaster funds;
- Ensure that the consultation processes are free of external manipulation, interference, coercion and/or intimidation. The consultations' design should create enabling environments for meaningful participation, where applicable. In addition to the language(s) and media used, the timing, venues, participation composition need to be carefully thought through to ensure everyone could express their views without repercussions; and
- Be documented.

#### **e. Feedback and Grievance Redress Mechanisms**

Feedback and stakeholder inputs from consultation and engagement activities will be considered as part of the overall strategic planning, policy and regulatory deliberation and implementation. For this purpose, this project will systematically record and document relevant information, feedback, comments, including grievances. A mechanism will be created to promote a two-way communication as part of the overall SEP implementation.

Meetings, workshops, and seminars are expected to provide stakeholders with opportunities to provide comments both verbally and in writing. Other existing channels such as the Whistleblowing system (WISE) in the FGRM below can also be an option to gather broader public feedback and comments.

The main objective of a FGRM is to record and address feedback, complaints, and grievances from all stakeholders and the broader public that may arise during the preparation and implementation phases of the project. Efforts will be made to ensure response can be provided in a timely, effective, and efficient manner.

MoF will coordinate the FGRM at national level and will be in charge of recording and reviewing complaints, following up on pending issues, and responding. This project will use the existing MoF integrated system called WISE as a FGRM channel for project preparation and implementation stage. The WISE system is run and monitored by the Inspectorate General in MoF and records public feedback, complaints, and grievances:

- Submission of feedbacks and complaints

Stakeholders and broader communities can submit feedback and file complaints related to this project through the WISE system: <https://www.wise.kemenkeu.go.id>.

- Receiving and recording

The WISE will record the feedback, complaints, and grievances. MOF Inspectorate General will sort all of the information from WISE related to this project, and then notify and forward them to relevant Directorate Generals (DG), including BKF for project related grievance for preparation stage and assigned DG for BLU for project related grievance on implementation stage.

- Reviewing and response to feedbacks and complaints

BKF and BLU will review and provide relevant response through the WISE system. New complaints can be re-submitted through WISE upon dissatisfaction of response and/or resolution. Stakeholders may also file an appeal as an alternative.

Information on FGRM will be provided in an accessible format and will be included as part of communication dissemination with stakeholders. Relevant information and guidelines on GRM submission through the WISE system for this project will be further elaborated and enhanced as part of project implementation. Relevant areas for enhancement include business standards i.e. timeline for responses, grievance settlements, and tracking, definition of roles and responsibilities, internal coordination and reporting, and information disclosure.

#### **f. Resources and Responsibilities for Implementing stakeholder engagement activities**

MoF as the key implementing agency will be in charge of overall SEP implementation during preparation. BKF will coordinate day-to-day implementation and supervision of the SEP. Such functions will be transferred to a BLU once identified and/or established. The BLU will host the PFB.

The main focal point for the stakeholder engagement during the preparation stage is DRFI Team in Central for Regional and Bilateral Policy of BKF (Email: [pfbcana@kemenkeu.go.id](mailto:pfbcana@kemenkeu.go.id)). Formal letters can be sent to the Central for Regional and Bilateral Policy, Fiscal Policy Agency, MoF Indonesia, Jalan Wahidin Raya No.1, Gedung Notohamiprojjo Lt.7, Jakarta Pusat 10710. Ph: 062 21 3808393, Fax: 062 21 345 1205.

Once the PFB'S BLU is established, the overall responsibility for the SEP will be assumed by the assigned Technical Supervisory Unit within the BLU. The BLU will be responsible for day-to-day project management and coordination of project activities. SEP implementation will be supported by the PFB'S BLU E&S team, as defined in the ESMS TOR. Periodic environmental and social monitoring will be undertaken by PFB'S BLU's E&S team as part of the ESMS procedure.

The Project will allocate budget for SEP implementation. Relevant budget lines will be incorporated in the Annual Work Plan and Budget. Indicative budget lines include:

**Table 6. Financing Needs**

<b>Expenditure Items</b>	<b>Quantity</b>	<b>Estimated Unit Cost</b>	<b>Estimated Amount</b>	<b>Total</b>
Information disclosure (including publication of materials, logistics and operation costs)	Tbd	Tbd	Tbd	
Public consultations, stakeholder engagement activities and capacity building at the national level	Tbd	Tbd	Tbd	
Public consultations, stakeholder engagement activities and capacity building at the sub-national level	Tbd	Tbd	Tbd	
FGRM operationalization, including but not limited to: <ul style="list-style-type: none"> <li>- Recruitment of a stakeholder engagement specialist/FGRM coordinator;</li> <li>- Development of FGRM guidelines and dissemination;</li> <li>- Website development and FGRM database;</li> </ul>	Tbd	Tbd	Tbd	



- Capacity building			
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### g. Monitoring and Reporting

Monitoring and evaluation functions of SEP implementation will be performed by BKF during early project implementation. Similar to the SEP implementation arrangement, such functions will be transferred to the BLU once identified/established. SEP monitoring indicators will be incorporated as part of the overall project monitoring indicators where these may be part of the ESMS oversight.

PFB overall monitoring will be carried out by the assigned technical supervisory unit of BLU, DG of Treasury of MOF, and Supervisory Board (to be determined). Such a technical supervisory unit will be selected from echelon 1 (DG) of MoF where the assigned BLU will be located. If an existing BLU is assigned, the Dit. PPK BLU from DG Treasury will monitor and evaluate the BLU's overall performance, including how the SEP has been implemented. A Supervisory Board may be established to monitor BLU if relevant.

MoF will provide and submit an annual report to the Minister of Finance and make it available at MoF and BLU's website. The head of the Project Management Unit (PMU) will furnish the World Bank with SEP implementation report, together with the project progress bi-annually.

## 8. Stakeholder Engagement in the time of COVID-19

This note is intended to provide guidance on addressing public health measures for the prevention and management of COVID-19 during consultation activities. Relevant requirements include:

- a. **Assigning focal point in BKF** who will be responsible for coordinating preparation on consultation activities and ensuring that the COVID-19 prevention measures are communicated to all participants. It is also advisable to designate co-focal point as back-up person; in case the main focal point becomes ill. At this stage of project preparation, virtual consultations are the preferred approach to the extent feasible.
- b. **Adjust consultation approaches** based on public health risk assessments which may include:
  - Conducting virtual meeting as much as possible and implementing physical distancing for direct meetings and field works.
  - Decreasing the size of and/or limiting the number of consultation participants at any one time.
  - Provision of Personal Protective Equipment (PPE)<sup>12</sup> to prevent COVID-19, using masks at minimum.
  - Continuing with the usual environmental and social management trainings, adding self-hygiene and COVID-19 related trainings as appropriate.
  - Assess the extent to which consultation and field work schedule needs to be adjusted (or stopped) to reflect prudent work practices, potential exposure of both project workers and community to public health risks. Consider availability of Infection Prevention and Control PPE supplies, taking into account Government advice and instructions.
- c. **General hygiene** should be communicated and monitored, to include:
  - Training project workers, facilitators and community stakeholders on site on the signs and symptoms of COVID-19, how it is spread, how to protect themselves (including regular

<sup>12</sup> For further information, refer to [WHO interim guidance on rational use of personal protective equipment \(PPE\) for COVID-19](#).

handwashing and social distancing) and what to do if they or other people have symptoms<sup>13</sup>.

- Placing posters and signs around the site, with images and text in local languages.
  - Ensuring handwashing facilities supplied with soap, disposable paper towels and closed waste bins exist at key places throughout site, including at entrances/exits to work areas; where there is a toilet, food distribution, or provision of drinking water; at waste stations; at stores; and in common spaces. Alcohol based sanitizer (60-95% alcohol) can also be used.
- d. Regular cleaning and waste disposal.** Conduct regular and thorough cleaning of all site facilities and provide project workers deployed to the field with adequate cleaning facilities (such as soap, hand sanitizers, disinfectants, etc.). Disposable PPEs should be collected safely in designated containers or bags and disposed of following relevant requirements (e.g., national, WHO)<sup>14</sup>. In the case where COVID-19 cases are reported on site, extensive cleaning with high-alcohol content disinfectant should be undertaken in the area where consultations activities are undertaken, prior to any further activities being undertaken in the same venue.
- e. Identify accessible local medical facilities.** Preparation for this includes:
- Obtaining information on resources and capacity of local medical services and selecting which medical facilities to be referred to for specific level of illness.
  - Discuss with specific medical facilities, to agree what should be done in the event of ill project workers and people involved in consultations needing to be referred, and method of transport for sick workers.
  - Establishing an agreed protocol for communications with local emergency/medical services.
  - Agreeing with the local medical services/specific medical facilities the scope of services to be provided, the procedure for in-take of patients and (where relevant) any costs or payments that may be involved.
  - If testing for COVID-19 is available, project workers with COVID-19 symptoms should be tested on site. If a test is not available at site, the worker should be transported to the local health facilities to be tested (if available).
  - An emergency response procedure should also be prepared for when a project worker ill with COVID-19 dies in coordination with relevant local authorities, including any reporting or other requirements under national law.
- f. Communication and contact with the community** should be carefully managed. The following good practice should be considered:
- Communications should be clear, regular, based on fact and designed to be easily understood by community members through forms of communication other than face-to-face; posters, pamphlets, radio, text message, electronic meetings. The means used should take into account the ability of different members of the community to access them. Existing grievance redress mechanism should be utilized to manage feedbacks and grievances from the communities.
  - The community should be made aware of all measures being implemented to limit contact between project workers and amongst community members themselves,

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<sup>13</sup> for further information see [WHO COVID-19 advice for the public](#).

<sup>14</sup> for further information see [WHO interim guidance on water, sanitation and waste management for COVID-19](#)

procedure for social distancing measures, the training being given to project workers and the procedure that will be followed by the project if a worker or consultation participant becomes sick.

- If project workers are interacting with the community, they should practice social distancing and follow other COVID-19 guidance issued by relevant authorities, both by national and international agencies (e.g. WHO).

## **Annex I MINUTES OF MEETING**

### **MINUTES OF MEETING**

#### **Virtual Meeting for Dissemination and Consultation on the Establishment of the Disaster Pooling Fund (*Pooling Fund Bencana* or hereafter PFB)**

##### **A. Background**

The consultation was held to enable public views and feedback to be incorporated in the design of PFB. The environmental and social management approach for the PFB was also presented. The consultation was chaired by the Director of Center for Regional and Bilateral Policy.

##### **B. Date and Place**

The meeting was held virtually on 27 November 2020 using the Zoom platform.

##### **C. Agenda**

The agenda of these meeting was to discuss and solicit feedback on the design and plans for the establishment of the PFB along with its proposed Environmental and Social Management System (ESMS).

##### **D. Participants**

The meeting was attended by representatives from:

1. Badan Penanggulangan Bencana Daerah Palu - The Regional Authority for Management Agency of Palu City
2. Otoritas Jasa Keuangan - Financial Services Authority
3. Badan Nasional Penanggulangan Bencana - The National Authority for Disaster Management
4. Kementerian Koordinator Bidang Perekonomian - The Coordinating Ministry of Economic Affairs
5. Kementerian Kesehatan - The Ministry of Health
6. Kementerian Sekretariat Negara - The State Secretariat
7. Kementerian Dalam Negeri - Ministry of Home Affairs
8. Kementerian Pekerjaan Umum dan Perumahan Rakyat - Ministry of Public Works and Housing
9. Kementerian PPN/Bappenas - Ministry of Development Planning
10. Kementerian Keuangan - Ministry of Finance, represented by the following departments:
  - a. Biro Hukum, Sekretariat Jenderal
  - b. Biro Organisasi dan Ketatalaksanaan, Sekretariat Jenderal
  - c. Direktorat Akuntansi dan Pelaporan Keuangan, Direktorat Jenderal Perbendaharaan
  - d. Direktorat Pembinaan Pengelolaan Keuangan Badan Layanan Umum, Direktorat Jenderal Perbendaharaan
  - e. Direktorat Pelaksanaan Anggaran, Direktorat Jenderal Perbendaharaan
  - f. Direktorat Penyusunan Anggaran Pendapatan dan Belanja Negara, Direktorat Jenderal Anggaran
  - g. Direktorat Anggaran Bidang Politik, Hukum, Pertahanan dan Keamanan, dan Bagian Anggaran Bendahara Umum Negara, Direktorat Jenderal Anggaran
  - h. Direktorat Harmonisasi Peraturan Penganggaran, Direktorat Jenderal Anggaran
  - i. Direktorat Pinjaman dan Hibah, Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko

- j. Direktorat Pengelolaan Risiko Keuangan Negara, Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko
  - k. Direktorat Dana Transfer Umum, Direktorat Jenderal Perimbangan Keuangan
  - l. Direktorat Dana Transfer Khusus, Direktorat Jenderal Perimbangan Keuangan
  - m. Pusat Kebijakan Sektor Keuangan, Badan Kebijakan Fiskal
  - n. Pusat Kebijakan Anggaran Pendapatan dan Belanja Negara, Badan Kebijakan Fiskal
  - o. Pusat Kebijakan Pembiayaan Perubahan Iklim dan Multilateral, Badan Kebijakan Fiskal
  - p. Pusat Kebijakan Regional dan Bilateral (PKRB), Badan Kebijakan Fiskal
11. CSOs / NGOs and development partners:
- a. Centre for Strategic and International Studies (CSIS)
  - b. Indonesian Society for Disaster Management (*Masyarakat Penanggulangan Bencana Indonesia/MPBI*)
  - c. Humanitarian Forum Indonesia (HFI)
  - d. Red Cross Indonesia (*Palang Merah Indonesia - PMI*)
  - e. CARE Indonesia
  - f. Yayasan CARE Peduli
  - g. Asian Development Bank (ADB)
  - h. World Bank Group (WB)

## E. Meeting Notes

### I. Opening

Introduction from Head of Policy Analysis Program Division at PKRB, as the Moderator for the event

This event was organized by the Fiscal Policy Agency (BKF) of the Ministry of Finance (MoF). The consultation was attended by stakeholders from sub-national governments, line Ministries and Agencies (K/L), CSOS/NGOs, representatives from universities/academia, and international development partners. All invitees were provided with access to relevant documents through the link attached to the invitation.

MoF has launched a Disaster Risk Financing and Insurance (DRFI) Strategy (*Strategi Pembiayaan dan Asuransi Risiko Bencana/PARB*) in 2018, which included the PFB as one of the main implementation strategies. Under the PFB scheme, the Government will collect funds from various sources, such as the state budget (APBN), sub-national budgets (APBD) and other legitimate sources. The PFB will be managed through a financial management arrangement under a Public Service Agency (BLU).

This consultation was aimed to inform the stakeholders on plans for the establishment of the PFB and its Environmental and Social Management System (ESMS) and receive feedback from them.

#### - Opening Remarks from the Director of PKRB

The Director of PKRB explained that this event was carried out within the framework of the Government's plan to establish a PFB which will be equipped with an ESMS. The PFB is expected to enhance the Government's capacity to provide adequate and sustainable disaster management funding. The establishment of the PFB is one of the stages in the implementation of the DRFI Strategy. The government is currently preparing a Presidential Decree which serves as a legal basis for the PFB and preparing a PFB institution that will take the form of a BLU. An ESMS

will also be established as part of the PFB and govern the overall management of environmental and social aspects of activities financed by the PFB. The MoF will endeavour to ensure that any activities financed by the PFB including pre-disaster, disaster emergency and post-disaster emergency response will be implemented in a manner that considers environmental and social risks and impacts and ensures risk mitigation and management. The development of the PFB's ESMS will involve international development partners and other relevant stakeholders to ensure that relevant standards adopted by the ESMS meet national laws and international standards and in a way that is implementable. This public consultation was part of the series of consultations held since 2018 and MoF will continue similar consultations and stakeholder engagement to enable public views and inputs as the PFB is being established.

## II. Discussion

There were two sessions during the consultations, including overview of the establishment of PFB and ESMS development.

The Director of PKRB, as the first presenter, explained key aspects related to PFB establishment, including:

- The background of the PFB establishment;
- DRFI strategy and its principles;
- DRFI strategy's roadmap and stages that have been and are being implemented (i.e. public asset insurance and establishment of PFB);
- Priorities for the implementation of the DRFI Strategy;
- PFB principles;
- PFB schemes and fundraising options (i.e. APBN, regional governments, and other legal sources), fund development (i.e. cash management with short- and long-term investments), and fund distribution (K/L, local governments, community groups/*Pokmas*, and risk transfer with insurance);
- PFB roadmap.

The second presentation focused on the development of an ESMS for PFB and conveyed the following messages. The presentation was delivered by a Senior Policy Analyst of PKRB.

- The government is very committed to protecting the environment and people, including mitigating risks across activities financed by the PFB;
- ESMS development for the PFB will be grounded on an environmental and social risk assessment. The ESMS will incorporate procedures for activities at each stage and include risk management measures for low, moderate, and high risk activities;
- Social and environmental standards that will be adopted by the ESMS will refer to national and international standards;
- The development of the ESMS will be supported by a pool of experts;
- Stakeholder engagement represents an essential component in the establishment and operationalization of the PFB. Robust strategy for such engagement is expected to enhance

effectiveness of disaster response preparedness and strengthen PFB capacity and its operating systems.

The two presentations concluded that the DRFI Strategy is intended to enable disaster resilience across communities in disaster prone areas and at the same time, allows a resilient and sustainable state budget (APBN). The establishment of the PFB is central to the overall DRFI Strategy and is expected to protect the public and state finances against disaster risk by strengthening funding for disaster risk reduction investments and risk transfer. The DRFI strategy will be updated regularly to remain relevant and respond to disaster risk financing needs.

Questions & answers discussed in this meeting are documented as follows:

- Question: Representative from MPBI (*Masyarakat Penanggulangan Bencana Indonesia*)
  - Will the pooling fund be used for Disaster Risk Reduction activities, such as capacity building (Human Resources) and institutional strengthening (Regional Disaster Management Agency/BPBD)?
  - There are several locations chosen by the President to be “super-premium” (i.e. priority locations) where requisite infrastructure or human resources are sub-optimal and at the same time, time for preparedness can be very short (if disasters strike). This pooling fund will be very useful if it can be used for such a purpose (i.e. enhance capacities and preparedness).
  - Forecast-based financing is an innovative mechanism whereby early preparedness and community level actions are pre-planned based on credible forecasts and are funded and implemented before disasters strike. Maybe this can also be used as one of the criteria for the pooling fund. Upfront investments (i.e. preparedness) are much cheaper than financing emergency response and rehabilitation.
  - If the roadmap presented in the presentation could be more detailed with a timeline such as the priorities to be supported, the information provided could be a very good source of information for donors and international institutions.

Answer:

- As of now, disaster risk reduction activities are part of pre-disaster activities. There is a possibility that PFB can finance such activities, in particular related to increasing institutional capacity and awareness in developing an Early Warning System (EWS). However, PFB is complementary funds, and pre-disaster activities are usually already allocated in the relevant government ministries/ agencies’ regular budget. If additional activities are needed, government ministries/ agencies can request additional funding from PFB.
- PFB has two directions, first the self-insurance ability and the ability to transfer. The ability of self-insurance consists of two main actions: pooling funds as much as possible and reducing losses. PFB can supports activities related to disaster risk reduction and preparedness in order to reduce losses, both life and material losses.
- There is a possibility that PFB can funds activities in improving infrastructure and human resources, which are part of disaster risk mitigation. The Government already has various fund channels for infrastructure development to optimize existing economic opportunities, such as *Sarana Multi Infrastruktur* (SMI) and *Penjaminan Infrastruktur Indonesia* (PII). In the context of disaster, PFB is possible for infrastructure funding.

- The MoF agreed with the input on forecast-based financing. Disaster prevention is better than financing post-disaster. PFB plans to have a Business and Budget Plan (RAB) every year where PFB will recruit human resources to prepare an activity plan that can optimally reduce disaster risk.
- Currently, BKF is assessing the actual amount of contingent liabilities from the government. There are several approaches used, the historical data approach and the forecasting approach. Several government partners, such as ITB and Unsyiah, have supported the development of forecasting approaches. In the context of reducing risk, BKF has been exercising early action financing. This early action will support the utilization of disaster EWS technology, providing time for stakeholders to take preventive measures. Thus, the early action financing can help reduce risks and material losses. The government has done several assessments, including generating accurate databases from primary data of various sources and processed data by the government.
- If the requested information can help donors understand Government of Indonesia's milestones and needs, and strengthen stakeholder's' commitment to participate in PFB, it is certainly worth doing. This process will continue to be developed and strengthened, including when the BLU PFB has started tapping external sources. In this initial stage, the MoF will project the fund needs and collect commitments from various stakeholders. By doing that, hopefully PFB can have the funds ready when the BLU is established. This proposal will be useful to increase multiple sources of funding.
- Question: Representative from PT Reasuransi Maipark Indonesia (insurance company)
  - Has the managed fund of IDR 50 trillion been assessed in terms of the maximum possible loss? If a disaster occurs with a loss of more than IDR 50 trillion, how will the Contingency Fund be handled? This is important because Indonesia has many types of disaster risks. In Law 24 of 2007, there are 14 types of disasters.
  - Referring to the 2004 Aceh Disaster, the amount of losses was considerably small because the government and private assets at that time were limited because Aceh at that time was a conflict area. If a natural disaster occurs in an area with a dense economic value, the financial loss will be greater than Aceh.

Answer:

- Funding of IDR 50 trillion is the maximum estimated amount, which was benchmarked based on the value of losses during the tsunami disaster in Aceh, as the disaster with the tremendous loss. It will be hard to predict the exact maximum amount of losses so that efforts are needed to develop the funding capacity of PFB to increase the funds. In the future, PFB is expected to have mechanisms that allow the mobilization of resources for contingent or unexpected activities or events. MoF will make all possible efforts so that PFB can manage and develop the pooling funds to exceed the minimum target in the early stages of its operations.
- PFB is one of the funding channels for disaster management in the DRFI strategy. It means that the DRFI Strategy has a combination of funding channels for disaster. The indicative target of IDR 50 trillion is the maximum fund that will be covered only by PFB. If a disaster loss reaches more than IDR 50 trillion, there will be a combination of funding channels to fulfill those needs. If the amount has exceeded the state's capacity, the DRFI



Strategy does not rule out possible collaboration with local governments and international development partners on disaster risk financing.

- Question: Representative from CSIS
  - Will there be a more detailed scheme on PFB funding sources from the sub-national government? For example, will areas with high disaster potential need to contribute more to PFB or is it mandatory for all sub-national government.

Answer:

- At the beginning of PFB design, the Ministry of Finance, together with the Ministry of Home Affairs, and Bappenas, already discussed an effective strategy to optimize sub-national contribution and participation in PFB. Initially, the sub-national contribution was intended to be mandatory, but given the current pandemic situation, it has been planned to be voluntary. MoF and other key government partners will identify and encourage sub-national areas with high disaster risk index and adequate fiscal capacity to contribute and participate in PFB. With a good scheme and approach, the sub-national governments who will participate in PFB are expected to get the benefits and then they can encourage other regions to participate in PFB.
- Question: Representative from Humanitarian Forum Indonesia (HFI)
    - If there are funds/commitments are sourced and managed independently from the community (NGOs & Philanthropic Institutions), can these funds be recorded in this PFB mechanism?
    - Based on our latest example, out of 13 HFI member institutions committed to supporting COVID response up to IDR 1.2 trillion (until 2021).

Answer:

- As for now, PFB is designed to collect funds from other legitimate sources, apart from the APBN and APBD. Other legitimate fund sources include insurance claims, investment returns from managed funds, grants, results of cooperation with other parties, and trust funds. Funds from other parties are expected to accommodate various sources of funding from the public and the private sector. In principle, more sources from multiple parties can increase the PFB's funding capacity, but it needs to be completed with regulated mechanism in advance. As soon as the President Regulation is established, several derivative regulations need to be prepared to optimize PFB management.
- As long as the NGO or philanthropy funds are granted and become BLU's revenue, the funds will be recorded in this (PFB) mechanism. Meanwhile, if NGOs themselves still managed the funds, it will not be recorded.  
However, the record activities need to be clarified whether it is only limited to bookkeeping or more extensive recording, such as identifying the amount of government and non-government funds that have been spent for disaster management. For the second purposes, NGOs, PFB, central and local governments could provide aggregate data to build a risk profile and to determine expenditure spent by the government, philanthropy, sub-national governments and other parties in disaster risk management. In the context of PFB, BLU will only record the revenue and expenditure of the BLU.

- Question: Representative from Yayasan Care Peduli

- It was explained earlier about the role of NGOs, but it seems very limited. Please provide a clearer picture of NGO's roles in the implementation stage (of this project).

Answer:

- At the post-disaster stage, there is an example of Community-Based Settlement and Community Rehabilitation and Reconstruction Program (REKOMPAK) in Sleman, where the community groups (pokmas) rebuilt (their houses) independently, including submitted funding proposals and implemented the reconstruction. Refer to those activities, the NGOs can play important roles in community capacity building. In the pre-disaster stage, NGOs can participate in various activities for disaster mitigation and preparedness, including technical assistance for the infrastructure development, determining the criteria on how to build infrastructure properly, including the compliance with environmental and social management.

- Question: Representative from ADB

- Regarding BLU PFB, please confirm that this BLU does not operate as an insurance institution/company. How will the risk transfer for the BLU be carried out? It seems that BLU will insure through the insurance institution.

Answer:

- BLU PFB is not designed to be an insurance institution/company, but it will carry out risk transfer activities to commercial insurance institutions. The MoF has already done risk transfer activities and will apply it to public assets owned by the national and sub-national governments. Later on, the insurance institution will carry out reinsurance activities and maybe issue instruments such as CAT Bonds that can increase its capacity depend on national and sub-national government's assets. There will also be an intention to provide household insurance in the future.

- Question: Representative from DJPB (MOF)

- If there is a non-APBN commitment (from NGOs and philanthropic institutions), hopefully it can be pooled and managed by the BLU even though it has not been deposited into the state treasury. Therefore, the BLU can collect the funds when a disaster happens. In this way, all parties can be united and work together in disaster management.

Answer:

- The remaining disaster management funds allocated in the APBN are expected to be accumulated and managed by PFB. The suggested input is one of the options being explored by the MoF apart from relying on government investment, because it takes time. Another option that can be explored is the accumulation mechanism.
- The team will consider the suggested input. It means that these commitments will have conditions that need to be considered, such as whether the grant is in the form of a bound grant or an unbound grant.

### III. Conclusion

1. This virtual dissemination and consultation are not the only forum to provide input and feedback. The stakeholders can give inputs and feedback through the contact provided in the presentation material.

2. PFB needs inputs, suggestions, and supports from the participants to optimize the efforts to establish the PFB and its ESMS. In the future, the PFB will strengthen the Government's efforts in disaster management and protect the community.

All participants and stakeholders can access the discussed documents and consultation summary on BKF's official website: <https://fiskal.kemenkeu.go.id/strategi-drfi/pooling>