



Indonesia Calls for Stronger Collaboration in Disaster Risk Reduction

Jakarta, 28 May 2022 – In addition to various challenges such as the pandemic, inflation, monetary policy tightening, and economic slowdown, the world economy, including Indonesia, will also need to anticipate climate-related macroeconomic risks in orderly, just and affordable manner. The increasing frequency and impact of climate-related disasters in recent years has underlined the growing economic, environmental and social costs of climate change. Carbon emissions will continue to increase and cause even greater economic and physical impacts if not mitigated with policy. "A comprehensive policy package including green supply policies on infrastructure can still deliver growth and employment friendly outcomes," said Head of the Fiscal Policy Agency, Ministry of Finance of the Republic of Indonesia, Febrio Kacaribu in his keynote speech at the seventh meeting of the Global Platform for Disaster Risk forum. Reduction (GPDRR) in Bali, 23-28 May 2022 where Mami Mizutori Special Representative of Secretary-General for Disaster Risk Reduction UNDRR and Major General TNI Suharyanto, head of BNPB were Co-Chairs. This meeting is held by the UN Office on Disaster Risk Reduction (UNDRR) every three years by gathering stakeholders from 182 countries. This year's meeting was themed "From Risk to Resilience: Towards Sustainable Development for All in a COVID-19 Transformed World". The participation of Government of Indonesia c.q. The Ministry of Finance demonstrated our active role in efforts to increase disasters' resilience.

Beside being held 2 years since the beginning of the Covid-19 pandemic, strategic aspect of this event is that it is held before the inter-governmental midterm review of the Sendai Framework in 2023. The Sendai Framework is a disaster risk mitigation framework that has been implemented since 2015 and is targeted for completion in 2030. After taking place for seven years, there are 133 countries that have not started, 54 countries are in progress, two countries are ready for the validation process, and six countries have been validated out of a total of 195 countries. In the 2022 GPDRR, all member states and stakeholders at various levels will review the achievements of the Sendai Framework. "We are still lacking in international cooperation and critical infrastructure and services targets; therefore, we need to enhance our collaboration through this global platform to achieve the target," added Febrio.

Notwithstanding the progress of the majority of members which is still far from complete, Indonesia has made various progress in the last seven years in disaster risk management. "We have issued various regulations and technical guidance regarding disaster risk reduction," continued Febrio. Several efforts that have been issued by the Government are regulations and guidelines for the construction of earthquake-resistant houses, integrated risk reduction into our spatial planning system, and disaster data strengthening. In addition, various programs and activities were also conducted to increase the capacity of local governments, especially in developing their own disaster management plans. We also have several programs to increase community awareness of disaster risk and increase their capacity, not only at the district level but also at the village level.

To mitigate disaster risk, one of Indonesia's achievements that was used as an example in this meeting was the establishment of the Disaster Risk Financing and Insurance (DRFI) Strategy. The DRFI strategy contains a mix of instruments that enable the Government to minimize disaster

risk, such as setting a disaster risk funding strategy through the Central/Local Government Budget, as well as transferring the risk to third parties, through insuring government and community assets.

The Disaster Pooling Fund (PFB) is part of the DRFI and was established through Presidential Regulation No. 75 of 2021. Initially, the PFB provided additional funds to complement the disaster contingent budget and the regular budget for short-term disasters. In the long term, PFB is designed as an insurance tool against disaster risk. PFB is managed by the Environmental Fund Management Agency (BPDLH) in order to strengthen the synergy between climate change action and risk reduction because more than 90% of our natural disasters are hydrometeorological disasters such as floods, landslides, strong winds, extreme weather, or hurricanes. “PFB mobilizes funds especially at the pre-disaster stage from the State Budget, Local Government Budget, and other resources such as the private sector, financial institutions, communities, partner countries and others. The funds will be used to finance disaster-related activities at the pre-disaster, emergency, and post-disaster stages including risk transfer by obtaining insurance products to protect public assets and our vulnerable communities such as farmers and fishermen,” explained Febrio.

Through the DRFI Strategy, the Government changes its approach to disaster risk financing from reactive to be more proactive. This means that we are trying to reduce our reliance on the State Budget and more on other financing instruments. It also means that we are committed to investing more in pre-disaster activities. This is also reflected in the PFB program. During the initial operation of the first five to seven years, PFB will focus on raising funds and financing mitigation, preparedness, and risk reduction programs including paying premiums for public asset insurance. The risk transfer scheme is carried out through the application of state property insurance (BMN) and agricultural insurance. “We started to insure our national assets in 2019. Insurance for Ministry of Finance offices, training centers, and health facilities against disaster risk was the pilot project. As of today, we’ve already insured 2,112 buildings from 73 Line Ministries with total insured value around Rp17.05 trillion or equals to USD1.03 billion,” continued Febrio. All line ministries and agencies will be insured this year. Furthermore, there will be an expansion of state asset insurance to cover other types of assets such as roads, bridges, and other infrastructure. Local governments are also expected to increase their role in disaster risk financing through involvement in a Pooling Fund for Disaster where they are encouraged to insure their assets. The government is developing an incentive mechanism to actualize this.

Currently, the focus of the Government's fiscal policy is absorbing various shocks to our national economy, but disaster risk is a latent threat that can arise at any time and disrupt welfare. “Thus, the Government of Indonesia has prioritized strengthening its disaster resilience at the same time. The government has been striving to integrate disaster risk reduction into national development and investment plans,” concluded Febrio.

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