



Indonesia Increases Adaptive Disaster Management Funding

Yogyakarta, 10 July 2023 – As part of the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM), the Ministry of Finance of the Republic of Indonesia organized a seminar on Disaster Risk Financing & Insurance (DRFI) and Adaptive Social Protection (ASP) Implementation in Indonesia. The seminar commenced with remarks from the Assistant to the Minister for Macroeconomics and International Finance Affairs, Ministry of Finance, Parjiono and remarks from the host of the event in Yogyakarta, the Head of Regional Financial and Asset Management Agency, Special Region of Yogyakarta, Wiyos Santoso. This seminar provided updates on the implementation of the DRFI strategy and its synergy with the ASP roadmap to better protect Indonesia, its community (particularly low-income earners), and its assets from natural disasters.

Disasters have put an enormous burden on Indonesia's state budget. The country incurred US\$ 1.54 billion (IDR 22.8 trillion) in economic losses annually from disasters from 2000-2016. Climate change and associated rising temperatures also threaten Indonesia's marine economy, which is currently worth US\$ 256 billion.

"Natural disasters resulting in large economic losses prompted the Government of Indonesia to release a Disaster Risk Financing & Insurance Strategy (DRFI) in 2018. Known as the PARB strategy in Indonesia, this strategy aims to enhance disaster management capabilities and build economic resilience amid various disasters," said Parjiono. It allows the discovery of alternate sources of financing outside of the State Budget, thus increasing funding capacity. Furthermore, insurance can transfer some disaster risks as well.

The Government of Indonesia is working with various stakeholders to develop a DRFI instrument called the Disaster Pooling Fund (Pooling Fund Bencana – PFB). The PFB is the first of its kind in the world and aims to finance most of Indonesia's disaster financing needs in the future. As a disaster funding source, this fund is flexible, responsive, sustainable, and complementary to the State Budget.

At the same time, the Indonesian Government is finalizing the adoption of the Adaptive Social Protection (ASP) Roadmap, which aims to bring together the social protection, climate change adaptation and disaster risk management sectors to provide adequate protection against natural and climate-related disasters. This development follows President Joko Widodo's direction, which mandated social protection reform.

These two major concepts, which are still in development, have made Indonesia an example to other countries. Indonesia has been asked to share knowledge and experiences related to their development of disaster risk funding and adaptive social protection, both at the regional and global levels. "Therefore, along with the spirit of collaboration in ASEAN and Indonesia's Chairmanship in 2023, we are proud to be able to organize this seminar as an effort to accelerate the implementation of Disaster Risk Funding and Insurance and Adaptive Social Protection strategies for audiences in the region," said Parjiono.

In line with this, Wiyos Santoso highlighted that the number of natural disasters and social challenges is on the rise. We must understand and appreciate the importance of disaster risk insurance and social protection in protecting and helping the community. "Disaster risk insurance minimizes the financial impact on individuals in business. A special discussion should also be made about social protection – a system designed to protect and provide financial security to people in difficult situations that involves health insurance, work injury insurance, workers' compensation insurance and pensions."


The Disaster Risk Financing & Insurance and Adaptive Social Protection Implementation in Indonesia seminar comprised five sessions with panelists ranging from non-government organizations, academic researchers, to policy specialists. The first session provided an explanation of the rationale and current progress for the development of Indonesia's DRFI strategy. The second session unveiled innovations and initiatives pioneered and enacted by Indonesia in implementing the ASP roadmap. The third session presented learned, best practices, and recommendations to further upscale ASP in Indonesia. Session four explored the global landscape of emergency social protection financing toward child-sensitive, gender-responsive, and adaptive social protection. The last session showcased an overview of the rationale for integrating ASP and DRFI, particularly regarding the financing aspects.

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