

Social Protection Innovation and Learning in Indonesia (SPIL)

Financing of Adaptive Social Protection (ASP)

Summary of the results of SPIL event no. 1

Presented by Jim Bennett (GIZ, ASP Financing Expert)



SPIL ASP Financing Event No. 1

The event took place on Sept. 7th, 2022, in the Jasmine Room of the Ayana Midplaza Hotel in Jakarta with about 20 face-to-face participants and nearly 200 online participants.



Overview of presentations

No.	Topic	Speaker
1	Official opening statement	Dr. Muhammad Cholifihani, Bappenas, Director, Population Planning and Social Protection
2	Opening speech	Sri Cut Rozanna, GIZ Indonesia, SPP Program Director
3	Public sector instruments for ASP Financing	Wahyu Utomo, BKF, Director of Center for State Budget Policy (represented by Irma Marlina, policy analyst)
4	Key concepts of ASP Financing in Indonesia	Saut Sagala, University of Bandung, DRM project planning expert
5	Challenges to ASP financing from a PFM perspective	Sumati Rajput, World Bank, ASP financing expert based in Singapore
6	Characteristics of Insurance Mechanisms in the Context of ASP	Alexander Jaeger, financial systems and insurance expert, GIZ, Head, regional project based in Manila
7	Concluding statements	February Amelia Curry, Advisor and Regional Coordinator for Asia in the Global Program (SPIL), GIZ
8	Official closing statement	Gayatri Waditra Nirwest, Bappenas, planning expert

Key Concepts of ASP Financing in Indonesia

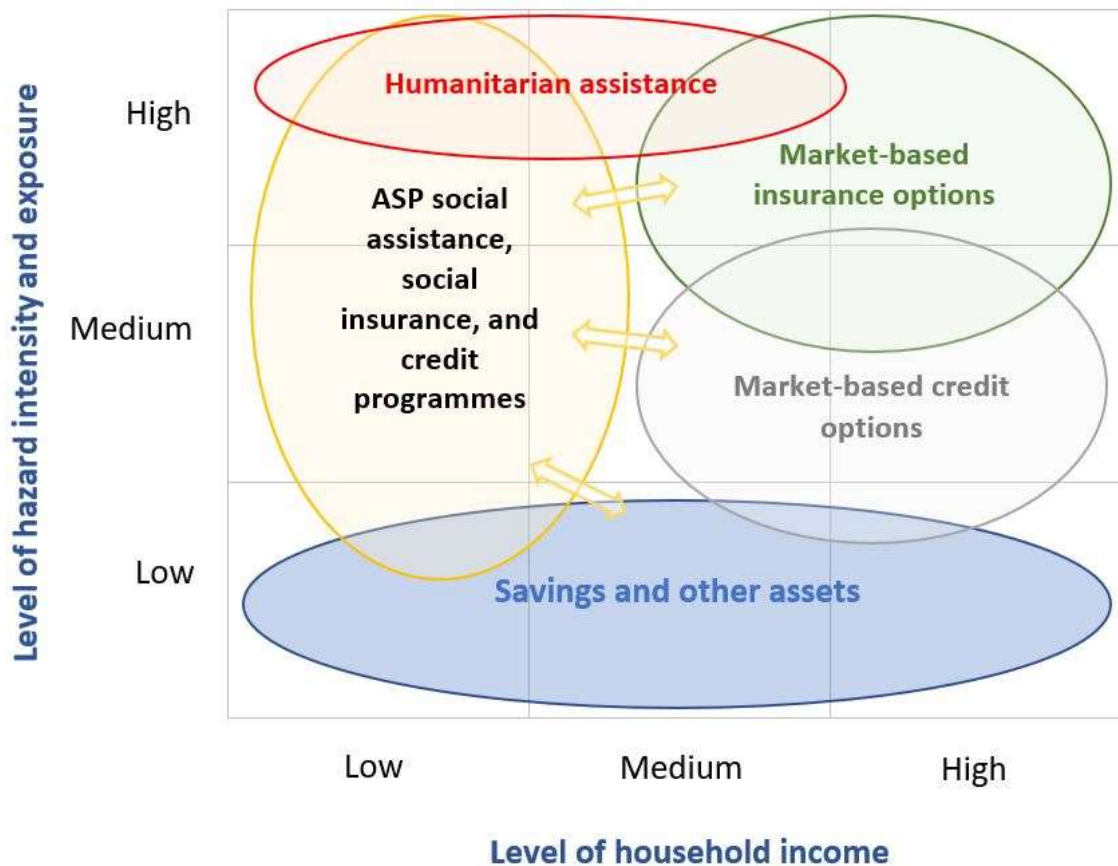
Presentation by Saut
Sagala, Bandung



Key concepts and instruments:

- Risk-layering approach
- Costs and benefits of ASP
- Disaster Pooling Fund
- Shock-sensitive fiscal forecasting
- ASP Actors and Financing Approach Integration
- ASP Financing : Stakeholder-Involved
- Potential Financial Instruments for ASP Development in Indonesia
- External audit standards

Focus on the Risk-Layering Approach



Risk transfer



Risk retention

The aim of risk layering is to identify the best-suited disaster risk financing tools that are proportional to the severity of the risk and the financial capacity of the concerned entity (government, household, business).

Potential Financial Instruments for ASP (examples)

ASP financing Instrument	ASP Financing Scenario for Indonesia
Sectoral contingency fund	<i>For example:</i> The Ministry of Social Affairs uses its own contingency allocation to expand the vertical benefits of the Family Hope Program (PKH) for basic needs to support beneficiaries with additional benefits in flood-affected districts.
Joint contingency fund	<i>For example:</i> The Ministry of Social Affairs receives additional funds from the Disaster Pooling Fund (PFB) so that it can provide temporary basic income through Life Insurance (Jadup) to residents in locations severely affected by volcanic eruptions.

Challenges to ASP Financing from a PFM Perspective

Presentation by
Sumati Rajput,
Singapore



Main topics covered:

- ASP Building Blocks
- Financial protection: With or without?
- Four core principles of Disaster Risk Finance (DRF) for ASP
 - 1) Timelines of funding
 - 2) How money reaches beneficiaries is as important as where it comes from
 - 3) Disaster risk layering
 - 4) To make sound financial decisions you need to have the right information
- Establishing finance for scalability
- Key messages

Focus on the four core principles of DRF for ASP



Timeliness of funding:
speed matters but not all
resources are needed
at once

Funds are available
quickly when—and only
when—they are required



How money reaches
beneficiaries is as
important as where it
comes from

Led by the Government
and its policy priorities.
Partners are bound to
pre-agreed objectives,
decision processes, and
implementation
modalities



No single financial
instrument can address
all risks

Using a combination of
instruments makes
response more
transparent, and
predictable



To make sound financial
decisions you need to
have the right
information

Data plays an important
role in the design of the
SRSN delivery
mechanism

Key messages

- 1) **Improve ex-ante (pre-shock) quantification** of post-shock social protection needs to better estimate predicted cost of future responses
- 2) **Propose financial instruments**, layering different instruments for different risks and ensuring timelier responses, and link them to social protection systems, with clear triggers (data for policy decisions)
- 3) **Reduce bottlenecks** to ensure efficient disbursement to program agencies and more importantly, to affected households

In parallel:

- Secure **long-term** sustainable financing in support of resilience-building objectives
- Work towards improved **financial inclusion**, risk-sharing for better protections among the poor and vulnerable before shocks strike

Characteristics of Insurance Mechanisms in the Context of ASP

Presentation by
Alexander Jaeger,
Manila



Main topics covered:

- Models of insurance: Indemnity vs. Parametric
- Benefits and costs of financial mechanisms:
 - Comparison
 - Layering
 - Loss frequency curve
- Role of State Institutions:
 - Generic process
 - Technical knowledge
 - Specific institutions

Focus on models of insurance



Indemnity based

Payments based on actual losses, example:
Motor Insurance



Parametric based

Payments linked to index values, for example based on windspeed, rainfall, vegetation measurement

Time to Payout – Administration Costs – Applications



Discussion of best practices

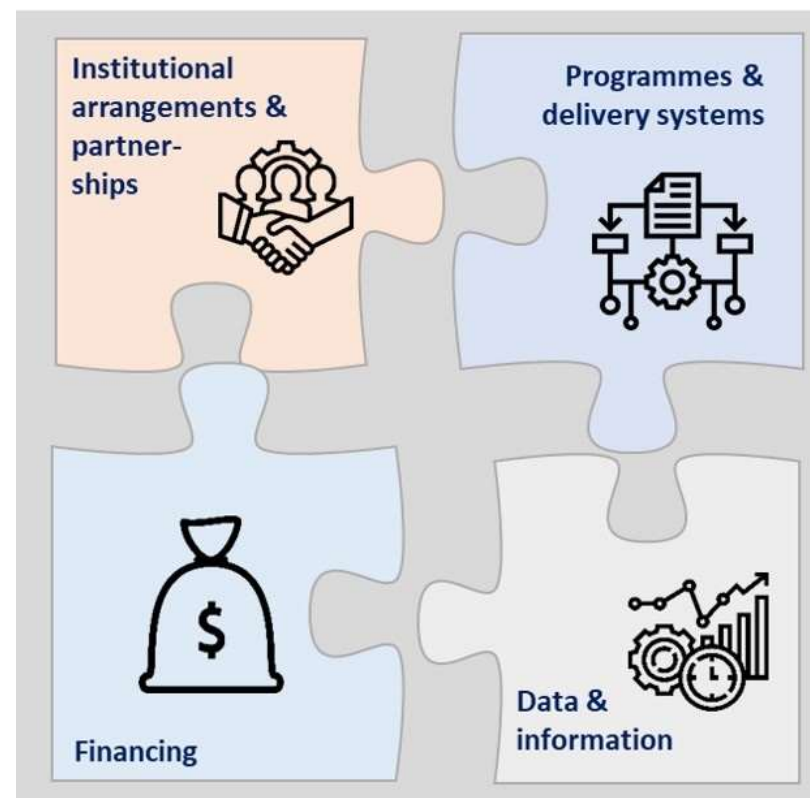
International experience for more in-depth review:

- India's model of agriculture insurance, with index insurance for 50m farmers up and running,
- Kenya's livestock insurance program, with strong linkages to social protection,
- The Philippines' catastrophe insurance program for MSMEs against typhoons and heavy rains,
- The Southeast Asia Disaster Risk Insurance Facility, SEADRIF, and
- The African Risk Capacity (ARC) Group – *“probably the most comprehensive parametric insurance scheme in the world”*.



General conclusions

- 1) The first SPIL Indonesia event on ASP financing set a high standard in terms of quality of presentations and scope of participation. Still, much remains to be done to broaden participation further and to strengthen understanding of the aims and means of ASP financing.
- 2) Many concepts and instruments of ASP financing were presented and discussed during the 1st event, but – due to time constraints – it was not possible to provide a fully comprehensive overview of all important ASP financing options.
- 3) The 2nd event builds on the results of the 1st event, aiming to broaden the participants' awareness of existing ASP financing options and to derive a preliminary ranking of available options.
- 4) The content and timing of the 3rd and 4th events of the SPIL Indonesia ASP Financing series remain to be clarified. Care should be taken to ensure that future assessments of the feasibility of ASP financing options take the ambitions and constraints of other ASP building blocks (aka pillars, see diagram) into account.



Social Protection Innovation and Learning in Indonesia

Terima kasih banyak!

