



**InsuResilience
GlobalPartnership**

Flood Resilience Financing for Semarang, Indonesia

Work Proposal for the Next Phase: Feasibility Mapping

Background

Semarang flood exposure

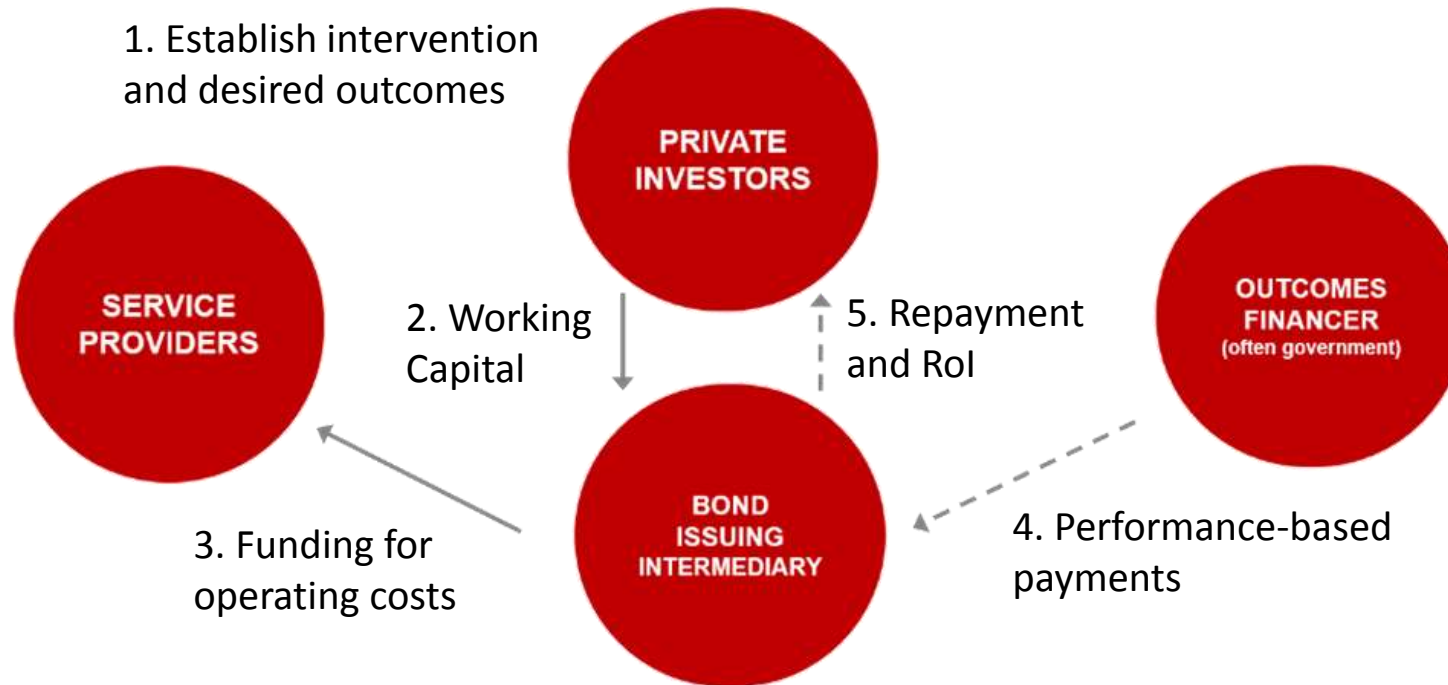
- ▶ Semarang is situated near the Central Java coast in the Garang River Basin - serves a strong example for climate risk exposure to many other coastal cities around the world
- ▶ The city's flat topography makes it particularly susceptible to the impact of coastal hazards like storm surge and land subsidence
- ▶ Land conversion and deforestation is a key concern contributing to increased flooding risk

Work by MercyCorps on the ground

- ▶ In 2018, MercyCorps in collaboration with the Zurich Flood Resilience Alliance (ZFRA) commissioned a landscape study exploring innovative financing options to address flood resilience in Semarang
- ▶ The study explained multiple types of financing structures relevant to resilience financing, presented existing interventions in flood resilience, and proposed potential applications in Semarang
- ▶ End of 2018, Mercy Corps hosted a brainstorming workshop with key advisory partners (LSE, Willis Towers Watson, Munich Re, Zurich, InsuResilience Global Partnership, etc.); an impact financing structure was identified as the most appropriate

The InsuResilience Secretariat is supporting MercyCorps to explore feasibility of a Flood Resilience Impact Bond (FRIB) in Semarang

Impact Bond Overview



- ▶ An impact bond is a “bond” only in name and can be better understood from its alternative names like “**outcomes-based financing**” and “pay-for-success” model
- ▶ Often, even though desired outcomes and actors (NGOs, etc.) may be known, the financier (e.g. the municipality) wants to ensure having to pay for operations only when the results are achieved
- ▶ The financing model allows not only for the financial risk to be transferred to an external investor / insurer, but it also transfers the operational risk of outcomes not being achieved away from the outcomes financier

Project objectives and process

- ▶ Tangible proof of concept for raising future forms of financing for climate change adaptation through innovative financing structures
- ▶ **Three key workstreams:** This phase of work will work with local actors to gather data and investigate potential stakeholders, so that an implementation structure for the FRIB may be subsequently developed.

Workstream A: Identifying the appropriate Intervention and Partners

- ▶ Which interventions will be most effective in reducing flooding?
- ▶ Are there local actors who can serve as service providers?
- ▶ What are the costs and investment volume required for the identified interventions?

Workstream B: Defining the Appropriate Metrics

- ▶ Can the resilience impact of the optional interventions be modeled accurately, and by whom?
- ▶ What could be the key metric(s) upon which the FRIB's outcomes payments could be based?

Workstream C: Understanding the Local Regulatory Ecosystem

- ▶ Mapping of relevant regulatory actors that will need to be engaged
- ▶ Legislation and regulation relevant to the structure
- ▶ Challenges and opportunities related to issuing financial instruments locally



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Thank you!