Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 07-May-2025 | Report No: PIDDC01295

BASIC INFORMATION

A. Basic Project Data

Operation Name Southeast Asia Disaster Risk Insurance Facility (SEADRIF) 2.0: Boosting Financial Resilience in Southeast Asia	Operation Short Name SEADRIF 2.0
Operation ID P510773	Financing Instrument Investment Project Financing (IPF)
Beneficiary country/countries Cambodia, Indonesia, Lao People's Democratic Republic, Philippines, Viet Nam	Region East Asia and Pacific
Environmental and Social Risk Classification Moderate	
Date PID Prepared 14-Mar-2025	Estimated Date of Approval 25-Jun-2025
Borrower(s) SEADRIF Insurance Company, SEADRIF Trustee	Implementing Agency SEADRIF Insurance Company, SEADRIF Trustee

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Operation Cost	**4.20**
Total Financing	**4.20**
Financing Gap	**0.00**

DETAILS

Non-World Bank Group Financing

Trust Funds	4.20
Global Risk Financing Facility Multi-Donor Trust Fund	4.20

B. Introduction & Context

Country Context

The Association of Southeast Asian Nations (ASEAN), home to over 700 million people and a combined GDP exceeding US$4 trillion, is one of the most disaster-prone regions globally. Floods, tropical storms, droughts, earthquakes, and tsunamis have caused severe physical, economic, and human losses across the region. Over the past 30 years, more than 400 million people have been affected, with average annual expected losses exceeding 0.3% of regional GDP. Since 1989, disasters have caused over US$136 billion in damages and losses, including US$45 billion[1] from the 2011 floods in Thailand alone. On average, ASEAN faces estimated disaster losses of US$17.9 billion every 100 years, equivalent to 1% of regional GDP.[2] These losses are projected to increase due to urbanization, environmental degradation, and climate change.

Recent events highlight the growing vulnerability of ASEAN countries to natural disasters. On March 28, 2025, a 7.7-magnitude earthquake struck Myanmar, prompting a state of emergency across six regions. The disaster resulted in over 3,000 fatalities, thousands injured, and widespread damage to homes and critical infrastructure, further exacerbating an ongoing humanitarian crisis, with nearly 20 million people already in need of aid.[3] Just months earlier, in September 2024, Super Typhoon Yagi caused widespread devastation across Lao PDR, Myanmar, and Viet Nam. In Myanmar, severe flooding and landslides across nine states displaced over 320,000 people. In Lao PDR, the typhoon affected 204,481 people, including 85,698 women, with several fatalities reported.[4] In Viet Nam, Yagi became the strongest storm in 70 years, killing 299 people and causing over US$3.3 billion in damages, destroying homes, factories, and farmland, while disrupting power and communication networks.[5] These consecutive disasters underscore the urgent need for enhanced disaster risk management and climate-resilient infrastructure across the region.

ASEAN countries have diverse financing needs following disasters and climate shocks, reflecting differences in economic development, governance structures, risk profiles, fiscal capacity, and access to financial markets. However, they share a common challenge: a heavy reliance on government budgets and a lack of pre-arranged risk financing mechanisms, such as insurance or contingent credit. Many governments are still working toward optimizing their fiscal management approaches, which typically involve a combination or risk retention and risk transfer solutions to address varying intensities of shocks. As a result, securing timely and cost-effective financing for emergency response, continuity of essential government services, and long-term recovery and reconstruction remains a significant challenge.

Smaller disaster-prone ASEAN economies, such as Cambodia and Lao PDR, face acute short-term funding gaps for emergency response. While both governments have allocated contingency budgets and reserve funds, they continue to rely heavily on international donor assistance for disaster relief and recovery. In Lao PDR, for instance, the contingency budget and state reserves can mobilize only US$22 million in the event of a natural disaster, compared to an estimated US$36 million needed for a 1-in-10-year flood. Cambodia remains exposed to substantial contingent liabilities from recurrent floods, particularly in supporting poor and vulnerable households. Damage from a five-year flood event is estimated at US$700 million, much of it uninsured due to insurance market penetration below 1 percent. In past disasters, such as in 2011 and 2013, Cambodia experienced damage of up to US$500 million, while available resources—including contingency budgets and donor commitments—covered only a fraction.[6] Both countries face common constraints, including limited fiscal space, underdeveloped local insurance and capital markets, and restricted access to international reinsurance—making it difficult to raise timely liquidity when disasters strike. With a high debt-to-GDP ratio, Lao PDR also has limited capacity to respond to exogenous shocks. Recognizing these challenges, Lao PDR launched its National Financial Protection Strategy against Disaster Risks in April 2023 to strengthen financial resilience by supplementing public funds and donor aid with alternative financial instruments. Similarly, Cambodia could broaden its disaster risk financing toolkit by adopting instruments such as parametric insurance and regional risk pools, which can provide more timely, predictable, and reliable access to emergency funds—ultimately enabling faster and more effective disaster recovery.

Larger ASEAN economies like Indonesia, the Philippines, and Viet Nam also face significant funding gaps for severe but infrequent events. While these countries have greater capacity to raise liquidity through more developed debt and insurance markets and better access to international capital and reinsurance, challenges remain. Limited fiscal space and insufficient local insurance market capacity hinder adequate catastrophe risk coverage. Meanwhile, growing infrastructure assets at risk increase contingent liabilities, yet insurance remains underutilized compared to more developed markets. Addressing these gaps requires sustained investment in financial protection and the development of risk layering strategies that complement existing market instruments.

[1] CRED. (2021). *EM-DAT: The International Disaster Database*. Centre for Research on the Epidemiology of Disasters. https://www.emdat.be/
[2] Financial Protection Forum. (2025). *Advancing risk financing and insurance in ASEAN member states: Appendices - Volume 2*. Financial Protection Forum. https://www.financialprotectionforum.org/publication/advancing-risk-financing-and-insurance-in-asean-member-states-appendices-volume-2
[3] UNHCR. (2025). *Myanmar Earthquake Emergency: UNHCR response to the urgent needs of displaced people and host communities (April–December 2025)*. Relief Web. https://reliefweb.int/report/myanmar/myanmar-earthquake-emergency-unhcr-response-urgent-needs-displaced-people-and-host-communities-april-december-2025
[4] UNICEF. (2024, September 26). *Lao PDR Humanitarian Situation Report No. 2 (Super Typhoon Yagi)*. https://reliefweb.int/report/lao-peoples-democratic-republic/unicef-lao-pdr-humanitarian-situation-report-no-2-super-typhoon-yagi-26-september-2024
[5] UNICEF. (2024). *East Asia and Pacific Regional Crisis and Emergency Report 2024*. UNICEF Viet Nam. https://www.unicef.org/vietnam/media/17461/file/EAPR%20CER%202024_FINAL.pdf.pdf
[6] World Bank. (2023). Cambodia Country Climate and Development Report. World Bank Group. https://documents1.worldbank.org/curated/en/099092823045083987/pdf/P17887106c6c2d0e909aa1090f3e10505c1.pdf

Sectoral and Institutional Context

ASEAN's disaster-prone economies face rising risks amid tight fiscal constraints, prompting efforts to strengthen financial buffers against disaster and climate shocks. Persistent budget deficits - ranging from 1% to 5% of GDP - are driven by rising public spending on infrastructure, health, and education, often financed through growing public debt, while revenue collection lags. Countries with debt-to-GDP ratios near their ceilings,
such as Vietnam and the Philippines, or already at high risk of debt distress, like Lao PDR, have limited fiscal room to respond to shocks. In light of increasing disaster-related losses, governments are exploring new shock-responsive financing mechanisms to protect budgets. The Philippines and Indonesia have implemented financial protection strategies against disaster risks, while Lao PDR, Myanmar, Cambodia, and Vietnam are developing similar frameworks.
Despite contributing to economic growth, ASEAN's financial sectors remain underdeveloped and ill-equipped to absorb the fiscal impacts of disaster and climate shocks. In smaller ASEAN economies, capital markets remain modest – below 50% of GDP - compared to 70%–150% in larger economies. Insurance penetration is also low, with rates below 0.1% of GDP in smaller countries and around 1.2% in larger ones. While several countries (Indonesia, the Philippines, Thailand, and Vietnam) have introduced disaster risk insurance for households—often with government subsidies—these programs remain small. Local (re)insurers offer limited disaster risk products to governments due to capacity constraints, a lack of suitable products, and affordability challenges.
To help address these challenges, the Southeast Asia Disaster Risk Insurance (SEADRIF) Facility was incorporated in April 2019 to offer market-based risk transfer solutions and technical support to enhance financial resilience. Its formation was formalized through a Memorandum of Understanding (MOU) signed in December 2018 by Cambodia, Indonesia, Lao PDR, Myanmar, Japan, and Singapore to establish SEADRIF as a regional entity. SEADRIF's governance

structure comprises: (i) an Initiative function that fosters policy dialogue and capacity building; and (ii) the SEADRIF Insurance Company, which provides insurance services to member countries. The Company, incorporated and licensed in Singapore in April 2019, operates under a trust structure. It is legally owned by Inter-trust (Singapore) Ltd., acting as Trustee of the SEADRIF Trust, and regulated by the Monetary Authority of Singapore. It is governed by a Board of Directors comprising experienced professionals. The World Bank has supported SEADRIF since its inception as a lead technical partner and financier, channeling US$12 million through the Southeast Asia Disaster Risk Insurance Facility Project (P170913), effective since November 2020. The project's development objective is to improve access to pre-arranged financing for disaster response in Southeast Asian countries. Funding has been provided through the SEADRIF Multi-Donor Trust Fund.

Over five years, the Project has played a key role in establishing and strengthening SEADIRF as a regional platform for policy dialogue, knowledge sharing, technical assistance and financial solutions tailored member countries' needs. The SEADRIF Insurance Company was capitalized and became operational in 2019 and launched its first product—a US$28 million flood insurance policy for Lao PDR, financed through a US$5 million premium from an International Development Association (IDA) loan (Lao PDR Southeast Asia Disaster Risk Management Project, P160930). The Company retained the first US$3 million of loss per year and secured reinsurance from international markets. Between 2021 and 2024, two payouts of US$1.5 million each were made in response to floods in August 2023.Upon the policy's expiration in February 2024, it was renewed with a reduced coverage limit of US$3 million through March 2025, funded entirely by underwriting profits from the original policy. A full US$3 million payout was triggered in October 2024 after Typhoon Yagi. SEADRIF's public-private partnership model has successfully mobilized US$19.5 million in private risk capital. This is evidenced by insurance contracts with multiple reinsurers across geographies, partnerships with risk modelers and technology providers, and sustained collaboration between private and public entities.

Despite initial challenges during implementation of the first investment lending project (IPF), SEADRIF has made steady progress. The Insurance Company established a functioning Board, hired an in-house CFO, and engaged technical consultants to drive its operations. Initial difficulties – including limited member engagement during COVID, staffing constraints due to a small talent pool with the expertise needed to advance SEADRIF, and typical early-phase organizational hurdles – were met with proactive responses. These included efforts by the company to reassess and adapt its organizational structure, raise concerns about the low uptake of its insurance products with the SEADRIF Council of Members (the highest governing body, composed of senior officials from member Finance Ministries, responsible for overall governance and strategic direction), and demonstrate a commitment to addressing challenges in close collaboration with key stakeholders.

In 2024, the SEADRIF initiative was also formally established, with an Initiative Director appointed and supported by two consultants. Since then, the Initiative has helped catalyze deeper engagement with member countries and aligned closely with the Insurance Company's business development efforts. Over the past year, engagement among SEADRIF member countries has increased significantly, driven by enhanced in-house expertise within both the Initiative's and Company, as well as more targeted outreach efforts. Sustaining this momentum will be critical to cementing member-state ownership, securing long-term support for SEADRIF, and unlocking new business opportunities for the Company. In addition, SEADRIF initiative contributed to the coordination of different DRF programs in the region and supporting the newly established ASEAN+3 DRF initiative under the ASEAN+3 Finance Ministers and Central Banks' Governors Process.

Relationship to CPF

The project is closely aligned with the World Bank Group (WBG) Country Partnership Frameworks (CPFs) for SEADRIF member countries, where strengthening financial resilience to climate and disaster risks is a key priority –

particularly in Cambodia, Lao PDR[7], Indonesia, the Philippines and Vietnam. It supports the implementation of national socio-economic development plans and disaster risk finance strategies by enhancing governments' capacity to manage and access post-disaster financing. This is an explicit objective in the CPFs for Lao PDR and the Philippines. By improving financial preparedness, the SEADRIF project directly contributes to the resilience goals outlined in these countries' multi-year strategies.

In addition, the project directly contributes to the World Bank's Crisis Preparedness and Response Toolkit by enabling client countries to access pre-arranged financing more flexibly and quickly, including through market-based risk finance instruments such as insurance. It also advances the World Bank's corporate objective of private capital mobilization by crowding in private risk capital, expertise, and technology to strengthen the resilience of SEADRIF member countries against disasters and climate shocks. By expanding access to reliable disaster response financing, the project helps protect livelihoods and jobs - especially for vulnerable populations - and fosters job creation by providing de-risking tools that encourage investors and businesses to invest with greater confidence.

The project further advances the WBG's Private Capital Enabling agenda by catalyzing the participation of (re)insurance and capital markets through public-private partnerships. These efforts aim to bridge the financial protection gap, support sustainable development, and open new markets for private-sector solutions. SEADRIF Insurance Company is expected to continue leveraging private-sector expertise—including insurance managers, asset managers, reinsurers, reinsurance brokers, legal advisors, and technology providers—to develop tailored risk solutions and strengthen risk market infrastructure across participating countries.

[7] For instance, the project aligns with the Lao PDR FY2023–2026 WBG Country Partnership Framework (CPF, Report No. 177311-LA) by supporting the government in building financial buffers within a constrained fiscal environment to manage disaster and climate-related shocks. By enhancing access to timely post-disaster liquidity, the project helps safeguard fiscal space for socio-economic priorities while improving the country's ability to respond to shocks. It directly contributes to the CPF High-Level Outcomes of *"Living Standards Protected from Macroeconomic Risks"* and *"Increased Human Resilience to Shocks"* through the provision of market-based disaster risk financing and strengthened climate resilience.

C. Development Objective

Development Objective

To strengthen the financial resilience of member countries and their population to climate and disaster shocks through access to pre-arranged, market-based solutions and technical advisory support.

Key Results

The achievement of the PDO will be measured through the following key indicators:

SEADRIF Insurance Company's Financial Capacity: The SEADRIF Insurance Company maintains the financial and operational capacity to provide at least US$30 million in annual insurance coverage to member countries.

People and Businesses Benefiting from Financial Protection: At least 7.5 million people and businesses in Southeast Asia benefit from enhanced climate resilience through financial protection mechanisms facilitated by SEADRIF, including sovereign insurance and other risk transfer solutions.

Private Capital Mobilization: At least US$10 million in private capital is mobilized to strengthen SEADRIF member countries resilience to withstand and recover from natural disaster and climate-related shocks.

D. Preliminary Description

Activities/Components

This operation aims to strengthen SEADRIF's capacity to provide effective disaster risk financing solutions to Southeast Asian countries, thereby enhancing preparedness and resilience against natural disasters. Specifically, it supports SEADRIF's core functions and long-term development by funding operational expenses, technical assistance, strategic outreach, and governance.

The total grant of US$4.2 million is allocated across two main components: to support to the SEADRIF Insurance Company and to the SEADRIF Trust and Sub-Trust(s).

Component 1: SEADRIF Company Operations and Technical Delivery (US$3.2 million)

This component supports the continued operationalization and strategic expansion of the SEADRIF Company, a general insurance company incorporated in Singapore. Funding will cover core operations, technical work, and the scaling-up of strategic partnerships.

1. Core Company Operations (US$1.4 million over two years)

This activity supports essential corporate functions that ensure the effective operation of the SEADRIF company. It covers business development, corporate governance, financial planning, regulatory compliance, actuarial and audit services, donor coordination, and general administration. It also includes support for the functioning of the Board of Directors, accounting services, and project/grant administration.

2. Technical Work and Product Development (US$1 million over two years)

This activity enables the design and delivery of targeted technical assistance and insurance solutions. It includes continued implementation of parametric insurance coverage for Lao PDR, and technical advisory support for low- and middle-income member countries. It also supports the mobilization of international private-sector technical expertise and reinsurance capital, with a target of securing at least US$10 million in coverage over two years. A needs and priorities assessment will guide the SEADRIF Country Roadmap and future product pipeline.

3. Scale-up and Partnerships (US$0.8 million over two years)

This activity focuses on expanding SEADRIF's operational reach by developing a pipeline of technical advisory services and products. It involves fostering new partnerships to advance innovative regional risk financing solutions and expand access to SEADRIF offerings through sustainable delivery channels. In contrast to the Strategic Direction and Member Engagement activity in Component 2, which prioritizes strategic vision and political advocacy, this activity is dedicated to strengthening technical and institutional capacities to scale risk financing solutions effectively. These efforts are vital to establishing a self-sustaining business model, ensuring that SEADRIF's products and services remain accessible to a diverse range of stakeholders throughout the region.

Component 2: Strengthening SEADRIF Trusts and Sub-Trust(s) Operations and Strategic Development (US$1 million)

This component ensures the operational continuity and strategic growth of the SEADRIF Trust and Sub-Trust(s), enabling the Trustee to fulfill its fiduciary duties while advancing SEADRIF's long-term strategy. It focuses on enhancing member engagement, supporting regional expansion, and strengthening governance through effective project management and monitoring and evaluation (M&E).

1. Strategic Direction and Member Engagement (US$0.3 million over two years)

This activity facilitates the development of a shared vision and long-term strategy for SEADRIF through structured consultations with member countries. The process aims to solidify SEADRIF's role as a regional disaster risk financing mechanism and guide its future development. Key outcomes include the publication of a strategy paper outlining SEADRIF's strategic goals and priorities.

In addition, this activity strengthens collaboration with existing members and cultivates interest among prospective ones through sustained outreach and dialogue. Engagement efforts include participation in regional platforms such as ASEAN+3 meetings, the launch of the SEADRIF Annual Forum, and the development of targeted communication tools—including a refreshed website and comprehensive communications package. These initiatives aim to enhance member participation, foster a sense of shared ownership, and reinforce alignment with SEADRIF's strategic objectives.

2. Project Management and M&E (US$0.7 million over two years)

This activity ensures sound governance, compliance, and accountability across SEADRIF operations. It supports the Trustee in executing key governance functions, including annual work planning, the organization of core governance meetings, such as the Council of Members and Technical Meetings. and grant reporting. It ensures effective use of WB funding through fiduciary oversight, adherence to the WB's Environmental and Social Framework—especially for insurance payouts—and timely review and reporting of country submissions. Monitoring and evaluation will track progress, support adaptive management, and ensure accountability to SEADRIF stakeholders.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Not Currently Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Relevant

Legal Operational Policies

Safeguard Policies	Triggered?	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Area OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project is expected to bring relief and benefits to the communities as public authorities would have cost-efficient and faster access to resilient funds to mitigate the negative impact of disasters on the economy and livelihoods. The Environmental and Social Risk Rating of the project is Moderate (Environmental: moderate and Social: moderate). Project funds seek to strengthen SEADRIF's capacity to provide effective disaster risk financing solutions to Southeast Asian countries including strengthening SEADRIF Insurance Company's essential corporate functions, and operational continuity and strengthening the core functions of SEADRIF Trustee. Environmental and Social risk management under the existing SEADRIF (P170913) has been on track with moderately satisfactory performance ratings. Under the proposed operation, all support and payouts to beneficiary countries would follow existing environmental and social protocols to only finance reconstruction activities that are likely to have moderate or low adverse social risks and impacts. The SEADRIF's existing ESMS will be proportionately applicable to the proposed operation. SEADRIF will ensure to manage the intake of information from the beneficiary countries as required to confirm that the beneficiary countries comply with the exclusion list. The Sub-Trust A Operations Manual, prepared in a consistent way with the project's ESMS, provides further details on the application of the E&S requirements.

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