

ASEAN+3 Disaster Risk Financing (DRF) Initiative 2026–2028 Roadmap

I. Background and Rationale

ASEAN+3 economies account for over 2.2 billion people and more than USD 25 trillion in GDP, placing a significant share of global production and employment at risk from disasters. Southeast Asia alone faces estimated average annual losses of USD 86.5 billion, driven by coastal exposure, food-system vulnerabilities, and hazard-prone infrastructure, with climate change further intensifying these threats.

Disasters create unplanned fiscal shocks, often leading to higher debt and reduced social spending when governments rely only on ex-post financing. Disaster risk financing (DRF) helps convert unpredictable liabilities into planned protection, aligning with the Sendai Framework, G20 Principles, Sustainable Development Goals (SDGs), and ASEAN Agreement on Disaster Management and Emergency Response (AADMER)—underscoring that scaling DRF in ASEAN+3 is both sound fiscal policy and a shared commitment.

In May 2023, the 26th ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting elevated DRF to a regular Finance Track agenda item and endorsed the 2023–2025 Action Plan. With its conclusion in 2025, a new 2026–2028 Roadmap is being developed to outline concrete policy measures.

II. Objectives

For 2026–2028, the DRF Initiative will lead efforts to equip economies with the necessary DRF tools aligned with their risks and needs, thereby strengthening the region’s capacity for risk financing against disasters and climate shocks.

The DRF Initiative focuses on broad fiscal and financial resilience and macro-stability tools, including, but not limited to, risk transfer tools.

Specifically, the DRF Initiative aims to:

1. Strengthen fiscal and financial resilience to disasters;
2. Support the development of economy-specific DRF Action Plans;
3. Expand appropriate financial instruments, including but not limited to insurance;
4. Promote policy readiness, sequencing, and institutional capacity; and
5. Foster regional cooperation and knowledge exchange.

These actions will primarily be coordinated by the DRF Initiative with the support of its Secretariat and in close cooperation with development partners, including but not limited to the Asian Development Bank (ADB), the World Bank (WB), and the Southeast Asian Disaster Risk

Insurance Facility (SEADRIF)¹. Coordination will take place primarily with the Ministries of Finance of each economy, with the participation of other relevant institutions such as the National Disaster Management Agencies (NDMAs), which cover disaster prevention and mitigation.

As DRF falls within the broader Disaster Risk Management framework (prevention, preparedness, response, recovery), close collaboration between DRF and DRM functions within and across relevant organizations, including multilateral development banks (MDBs), will be essential.

III. Strategic Pillars

The actions to achieve these objectives consist of these three interdependent pillars, supported by the political momentum gained through the DRF Initiative's annual reporting to the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting:

- Pillar 1: Support for fundamental DRF tools & foundation building for advanced tools
- Pillar 2: Expansion of insurance products tailored to the needs of national government
- Pillar 3: Exploration of options beyond traditional insurance products

The three pillars are designed to be mutually reinforcing, with progress and outputs in one pillar informing the development and implementation of activities in the others.

All non-donor ASEAN member countries participate in and have access to the DRF Initiative's support under these pillars, while donor countries also retain the option to participate and earn access to support.

The timing of the implementation of each pillar could be phased based on available resources. The success of the DRF Initiative depends on flexible timelines, strategic sequencing, and recognition of economy diversity.

Pillar 1: Support for fundamental DRF tools & foundation building for advanced tools

The first pillar seeks to establish a solid foundation for DRF implementation based on economies' risks, needs and challenges. This will be achieved by raising DRF awareness from working level up to the decision-making level, identifying economy's Action Plans, and enhancing economy's institutional capacity, while minimizing duplication by utilizing past work on DRF, as appropriate.

¹ The ASEAN+3 Finance Ministers established the ASEAN+3 Disaster Risk Finance Initiative as a regular agenda item to strengthen member's resilience by promoting disaster risk finance strategies and instruments. SEADRIF is one of the key implementation arms under this ASEAN+3 DRF Initiative.

1.1 Raising awareness on DRF tools

As a starting point, the DRF Initiative focuses on:

- Raising awareness of the seriousness of disaster risks and the economic benefits of developing DRF tools;
- Formulating national-level basic policies, followed by Action Plans, based on a careful diagnosis of the circumstances and challenges of individual economies. National basic policies may include, but are not limited to, the risk and protection gap analysis, various funding sources, and ex-ante and ex-post financing approaches; and
- Initiating the establishment of the foundations necessary for DRF tools, such as legal and regulatory frameworks and disaster risk-related data.

National policies and/or Action Plans should clarify: a roadmap for developing various DRF tools, including risk transfer tools.

The DRF Initiative will support seminars, workshops and knowledge-sharing activities for ASEAN+3 members to raise awareness on DRF tools. For example, seminars may present the feature, advantages, and disadvantages of existing DRF tools, from contingent financing to fiscal measures, including parametric insurance, Catastrophe (CAT) bond and reserve funds, to provide economies with a holistic view of potential options to implement. Best practices and economy experiences, such as the parametric insurance case of Lao PDR, will also serve as a valuable input.

As economies explore more sophisticated DRF instruments, the availability and quality of underlying risk data are critical for accurately estimating disaster exposure and improving risk modelling. Strong data systems enhance the bankability of DRM projects, support underwriting insurance, and/or facilitate the development of risk transfer mechanisms. Utilizing regional disaster risk databases and analytics platforms will help achieve this goal by quantifying respective financial exposure to natural disasters, assessing financing gaps and possible disaster risk financing solutions, and planning for targeted capacity building. These platforms include the existing ASEAN Disaster Risk Financing and Insurance Phase 2 (ADRFI-2) Initiative under the Institute of Catastrophe Risk Management of Nanyang Technical University, the upcoming Asia Risk Platform being developed by Global Asia Insurance Partnership (GAIP) in cooperation with participating ASEAN+3 economies, as well as other initiatives that are in development. Economies may also receive Technical Assistance from ADB, WB or other development partners to develop their respective national disaster risk analysis. Awareness-raising activities could also include international standards related to Disaster Risk Finance such as ISO.

1.2 Support for setting Action Plans through Technical Assistance

Economy-specific Action Plans of participating member economies need to be grounded in their disaster risk landscapes and policy objectives. The DRF Initiative will lead this process, as well as the activities under Section 1.3, in collaboration with development partners providing technical

assistance (including ADB and WB), and SEADRIF, while ensuring close communication and strong economy ownership.

The Action Plan could also include exploration of various options to overcome existing frameworks, such as capital/location regulation that is a hurdle for SEADRIF to contribute in a local market.

Action Plans should ensure that they are:

- Linked to broader national fiscal management frameworks;
- Complementary to national disaster risk management and climate change adaptation agendas;
- Designed to leverage robust asset management and disaster risk governance systems;
- Aligned with the economic rationale of the DRF Initiative, such as accelerated recovery, reduced fiscal volatility, and mitigation of contingent liabilities;
- Framed as strategic frameworks, supported by a prioritization matrix to help economies select tools that match their readiness and fiscal capacity; and
- Selective and diagnostic-driven, avoiding a one-size-fits all menu of tools.

1.3 Proposal of economy tailored DRF tools based on its Action Plan

The third step is to identify and propose the necessary and suitable DRF tools based on the economies' respective Action Plans, taking into account their unique domestic considerations. For example, as economies could have foundational challenges, such as systemic public financial management weakness, incomplete asset register, and affordability concerns, sequencing between addressing these foundational challenges and promoting DRF tools should be considered, depending on economy-specific contexts.

1.4 Raising Awareness of the Decision-Making Levels

To support political momentum, progress under the Action Plan will be reported annually to the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting. Targeted high-level engagements on the margins of Deputies' Meetings may be organized to facilitate informed decision-making on DRF priorities, bridging technical work with executive-level endorsement.

This process is critical for the successful implementation of the Roadmap. The typical challenge in implementing DRF tools, including insurance, lies in escalating their importance to higher levels of authority, as DRF tools are inherently complex. Messages delivered through this process should be clear, concise, and action-oriented, creating a common understanding across different levels of ASEAN+3 economies and generating the necessary political momentum.

Pillar 2: Expansion of insurance products tailored to the needs of national government

Guided by activities in Pillar 1, the second pillar seeks to expand the breadth and depth of insurance products among participating member economies through two steps led by SEADRIF. First, SEADRIF will set its future strategy under the guidance by ASEAN+3. Subsequently, as mid-term deliverables, the company will promote the design of insurance products tailored to economy needs and domestic context, taking in consideration the discussions and outcomes of Pillar 1. Participating member economies will also proceed with their process to join SEADRIF in order to implement insurance, in line with the outcomes of Pillar 1.

2.1 Setting SEADRIF's strategy based on guidance from ASEAN+3

The SEADRIF would identify its challenges in expanding its insurance coverage across the region and develop a strategy based on guidance from ASEAN+3 and aligned with the evolution of the ASEAN+3 DRF Initiative. This strategy could explore a wide range of possibilities to strengthen regional financial resilience, such as expanding its membership or finding ways for the SEADRIF to operate in alignment with domestic regulatory frameworks, while paving the way for further collaboration with member economies' insurance industries.

2.2 Expansion of insurance products for member economies

The SEADRIF will continue to work with member economies to co-develop and place insurance products. It could also provide transaction advisory services and promote innovation and knowledge sharing to overcome limited government technical expertise and complex regulations that create bottlenecks in product preparation and implementation.

2.2.1 Insurance that embeds disaster risk reduction incentives

Minimizing disaster risks is an integral aspect of DRF. From this perspective, the SEADRIF will explore insurance products that embed disaster risk reduction incentives, such as disaster mitigation/prevention efforts. In proceeding this process, the Company will closely coordinate with ADB and the WB, including their respective disaster management teams.

2.2.2 Expansion of parametric insurance

Building on the existing insurance policy in Lao PDR and work underway in other member economies, the Company will continue to engage with member economies to showcase the pioneering work in Lao PDR and explain the parametric insurance product in place. The Company will then explore the applicability of insurance products—such as for floods, earthquakes, typhoons, forest fires, protection of coral reefs, heat waves and landslides—in different national contexts.

2.2.3 Exploring insurance for public assets

ADB estimates that ASEAN will need to invest US\$3.1 trillion in infrastructure between 2023 and 2030 to sustain economic growth, reduce poverty, and respond to climate change. Yet most public and social infrastructure remains publicly financed and uninsured. Recognizing this gap, SEADRIF member economies have prioritized the financial protection of public asset under SEADRIF, leading to the establishment of the Technical Working Group on the Public Asset Financial Protection Program. SEADRIF will continue to focus on this area, preparing insurance products to protect public assets for member economies.

2.2.4 Exploring insurance coverage for infrastructure financed by development partners

SEADRIF member economies have initiated discussion to explore collaboration aimed at derisking infrastructure investments across the ASEAN region. The approved work plan from the SEADRIF Council of Members will likewise guide the follow-up of this work. SEADRIF will advance this exploration to identify viable business and operating models that can provide large-scale protection by integrating insurance into development partner-financed infrastructure projects under the SEADRIF Sovereign Asset and Fiscal Empowerment (SAFE) facility.

2.2.5 Exploring regional agriculture insurance

Agriculture remains one of the most vulnerable sectors to climate-related hazards, with direct implications for livelihoods and food security. To address this, SEADRIF is partnering with the UN Food and Agriculture Organization (FAO) to explore the establishment of a regional agricultural risk finance facility, Regional Agricultural Insurance and Sustainable Economies (RAISE), as a proposal to be submitted to the Green Climate Fund (GCF). Through this partnership, SEADRIF aims to provide member economies with innovative and scalable financial instruments for agriculture, strengthening resilience and supporting sustainable food systems across the region.

2.2.6 Exploring risk sharing among different regional risk pools

Risk sharing, such as through reinsurance, has been explored among different regional pools, including SEADRIF. Its continued efforts to explore risk sharing with other regional pools, including Pacific Catastrophe Risk Insurance Company (PCRIC), remain significant.

Pillar 3: Exploration of options beyond traditional insurance products

The third pillar seeks to explore financial tools and mechanisms beyond insurance products to respond to economies' unique risk profiles, with a view to long-term development. Activities under this pillar will emphasize policy readiness, sequencing, and coordination of mature DRF instruments. The DRF Initiative will lead discussions on new DRF options based on economy demand, in collaboration with ADB, the WB, SEADRIF, and other relevant organizations.

Possible instruments under this pillar include, among others: Catastrophe (CAT) bonds, Climate Resilient Debt Clauses (CRDC), and contingent financing—tools already available in the capital markets or provided by MDBs such as the WB and ADB—taking into consideration the discussions and outcomes of Pillar 1.

3.1.1 DRF tools that embeds disaster risk reduction incentives

As with Section 2.2.1, in light of the importance of minimizing disaster risks, the DRF Initiative will lead the exploration of products that embed disaster risk reduction incentives, such as disaster mitigation/prevention efforts, in coordination with ADB and the WB, including their respective disaster mitigation/prevention teams.

3.1.2 Exploration of CAT bond market development

CAT bonds have the potential to be a useful risk transfer tool through the capital markets. However, the Asian CAT bond market remains underdeveloped due to insufficient hazard data, high investor premiums, and limited market infrastructure.

The DRF Initiative will start by exploring the potential use of CAT bonds in the region. It will organize regional knowledge-sharing event where member economies can learn from MDBs the basics of CAT bond structuring and how this instrument fits into their Action Plans, including the introduction of use cases in other regions. The initial focus will be on data development, feasibility studies, and investor education. The Philippines could also share key lessons learned during their 2019 CAT bond issuance covering earthquake and cyclone risks, especially on addressing barriers to adoption.

Building on these efforts, the DRF Initiative will work with the Asian Bond Markets Initiative (ABMI) to conduct a study evaluating capital market approaches for disaster risk, including CAT bonds in the region, with input from MDBs on economies' DRF contexts, including regional disaster risk profiles and income levels. Based on the outcomes of the study, the DRF Initiative may support partners in engaging with interested economies with the aim of facilitating future CAT bond issuance.

3.1.3 Promotion of Climate Resilient Debt Clause (CRDC) and exploration of contingent financing expansion

To build awareness and facilitate knowledge exchange, the DRF Initiative will organize learning session on CRDC and contingent financing in collaboration with the WB and ADB. Implementation experiences, such as the WB's Catastrophe Deferred Drawdown Option in the Philippines and ADB's standby loan in Indonesia, will be shared by economies as case studies, highlighting implementation processes, economic impacts, and lessons learned. Member economies will also discuss how these tools could strengthen their respective DRF strategies. Following these events, the DRF Initiative will continue engagement to promote the use of CRDC

on a voluntary basis and contingent financing, guided by economies' disaster risk management needs.

IV. Key Performance Indicators

To track progress and the effectiveness of the Roadmap, KPIs will include:

- (i) The number of economies setting Action Plans every year, aiming for all participating member economies to access DRF Initiative policy support; and
- (ii) The numbers of awareness-raising activities such as seminars, TAs, and other form of policy supports.
- (iii) The number of economies implementing any DRF tools, including DRF related insurances and other tools, such as CAT bond, contingent financing, etc., aiming for three for insurance and one for other tools.

The assessment of the progress of the DRFI would balance ambition with considerations regarding institutional capacity, data readiness, as well as national priorities and fiscal space.

V. Governance and Implementation

Governance and implementation arrangements underpinning the delivery of activities in this Roadmap are detailed in the Terms of Reference of the DRF Initiative Secretariat.

VI. Financing

Adequate and predictable financing is critical to ensuring continuity and effective implementation of the DRF Initiative.

In order to facilitate the smooth operation of the DRF Initiative, the establishment of a Multi-Donor Trust Fund (MDTF) is being considered, through which ASEAN+3 or its individual member economies could provide funding as required for Technical Assistance and capacity-building activities included in this Roadmap. At the request of ASEAN+3 members, ADB may consider housing the MDTF, structured to allow expenditures for the operation of the DRF Initiative Secretariat, technical assistance and analytical activities, approved financing flows to the SEADRIF for its operation and capitalization, as well as other implementing partners, as endorsed by ASEAN+3 member economies. Donors may also provide funding directly to specific activities or implementing partners outside the MDTF framework. The TA fund from Japan will be used as the initial seed fund.

Annex: DRF Initiative Roadmap 2026–2028

DRF Initiative Roadmap 2026-2028

