

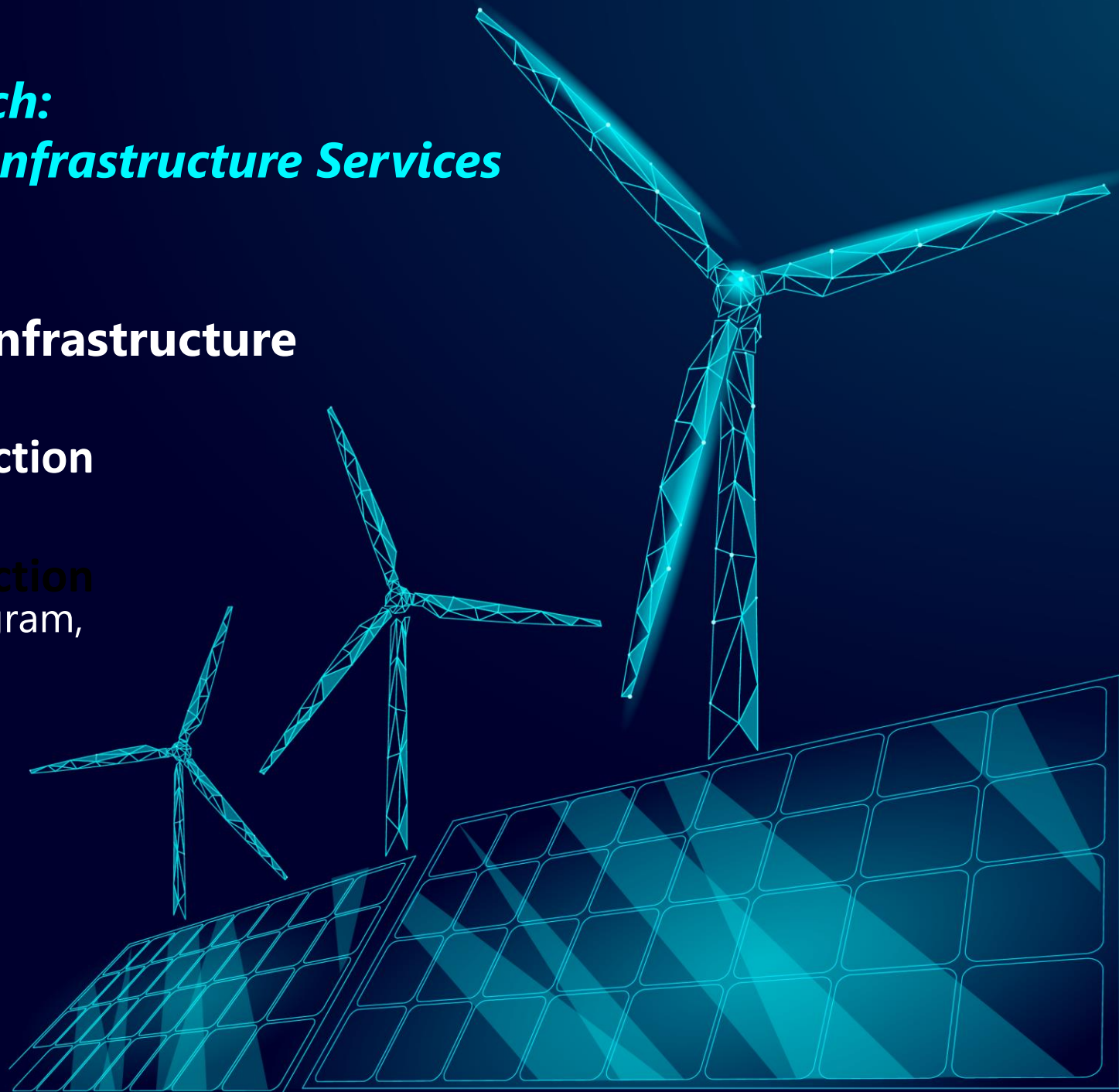
World Bank Group Report Launch: Financial Protection of Critical Infrastructure Services

Financial Protection of Critical Infrastructure Services:

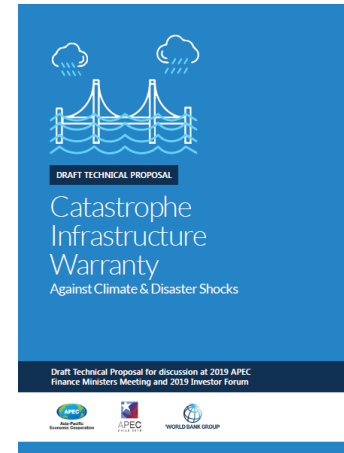
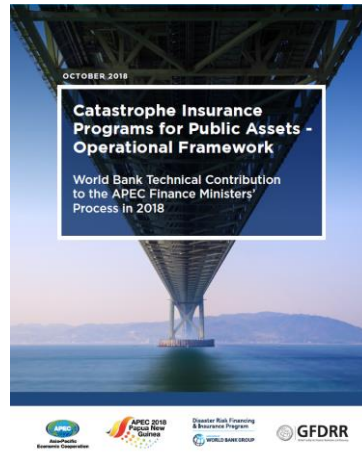
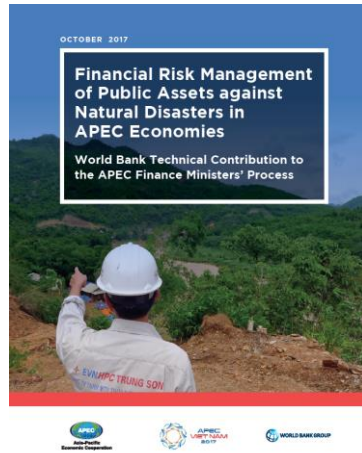
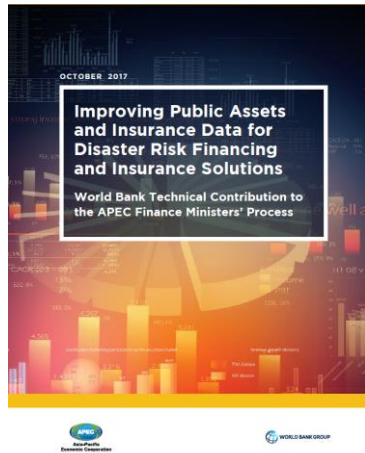
Key concepts, findings and call for action

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From protecting assets to protecting services



← **2017** →
APEC experience and underlying fundamentals

2018
Operational Framework for protecting assets

2019
Proposed financial product to embed resilience and risk finance

2020
Protecting critical infrastructure services

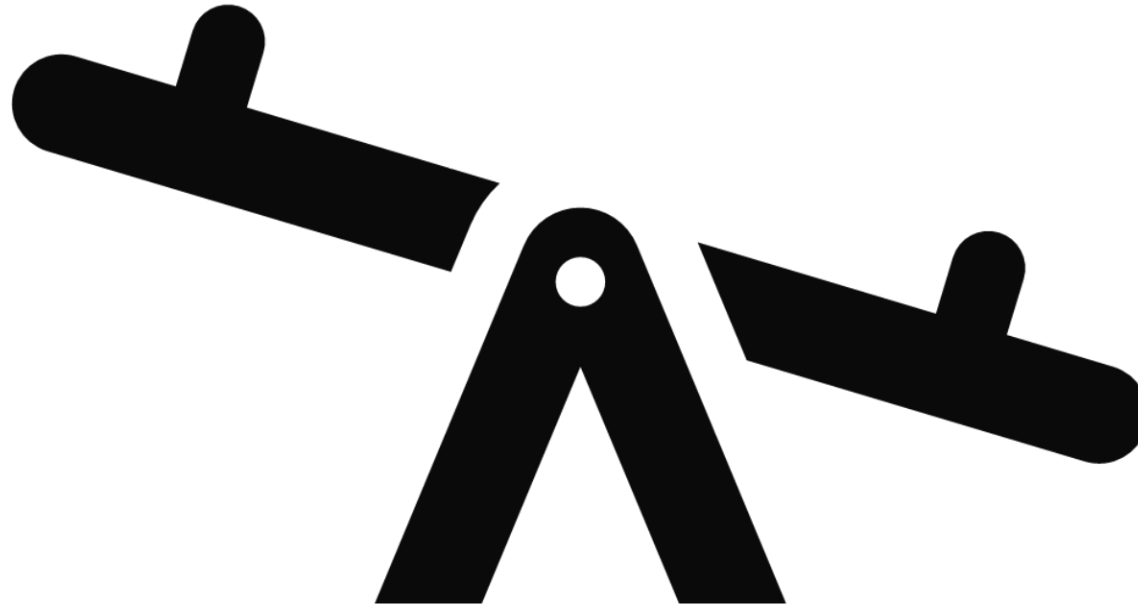
Why focus on critical infrastructure services?

1. **Much larger cost to the economy:** Estimated cost of disruption to services at least 20 times larger than cost of physical damages.
2. **The COVID-19 experience:** Disruption to services can emerge not just from physical damages, but also disruptions to people, inputs, or even shocks to demand.
3. **Unaccounted contingent liability on the government balance sheet:** usually not quantified, cost of temporary actions to maintain critical services, cascading effects.
4. **Unclear risk ownership:** Unlike ownership of physical assets – risk ownership of critical services usually not as established between government and operators. Also can create poor incentives for resilience and delays in service restoration.

Why focus on critical infrastructure services?

Losses to Assets

US \$18 bn



Losses from Service Interruption

US \$390+ bn

Annual losses to energy and transport sector in low- and middle- income countries globally

Infrastructure systems to deliver services



**One or multiple physical assets connected in a network
(e.g. roads, hospitals, power plants)**



People



Inputs (e.g. raw materials, fuel, electricity)

Shock responsive systems:

Combine Financial and Operational Preparedness



Operational preparedness:

The right plans, standard operating protocols, and capabilities (e.g. people, equipment, resources) in place to quickly restore critical services.



Financial preparedness:

A mechanism to ensure adequate and timely financing is available to implement those plans and that it can be accessed effectively.

(Both availability and disbursement of funding).

National Financial Protection Strategy

Systems view of sectors and interactions, linked to fiscal risk management

National Infrastructure Policies

Financial Preparedness

Operational Preparedness

Pre-arrange Financing

Cost-efficient combination of risk retention and risk transfer for the mechanism

Funding Mechanism

Efficient procedures to request, approve, and disburse funding. E.g. Maintenance Fund

Emergency preparedness and Management capacity

Critical Infrastructure Service Continuity

Data and Analytics

Budget, IFIs, Financial Markets

Governments and Finance Ministers can promote financial resilience of critical infrastructure services through the following areas

1. Assessing the potential fiscal impact from disruptions to critical services;
2. Strengthening the integration of operational and financial preparedness planning;
3. Integrating the contingent liability from critical service interruptions in risk financing frameworks;
4. Considering ways to promote comprehensive risk management during recovery from the COVID-19 pandemic.