

Financial Protection of Public Assets Master Class

Session 1

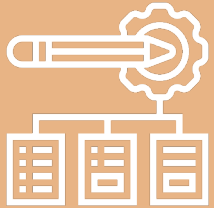
Policy and Regulatory Considerations for Financial Protection of Public Asset Programs

Hang Thu Vu

Disaster Risk Financing & Insurance Program



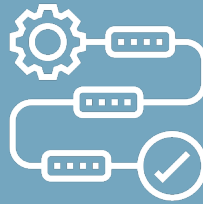
Key Learning Objectives



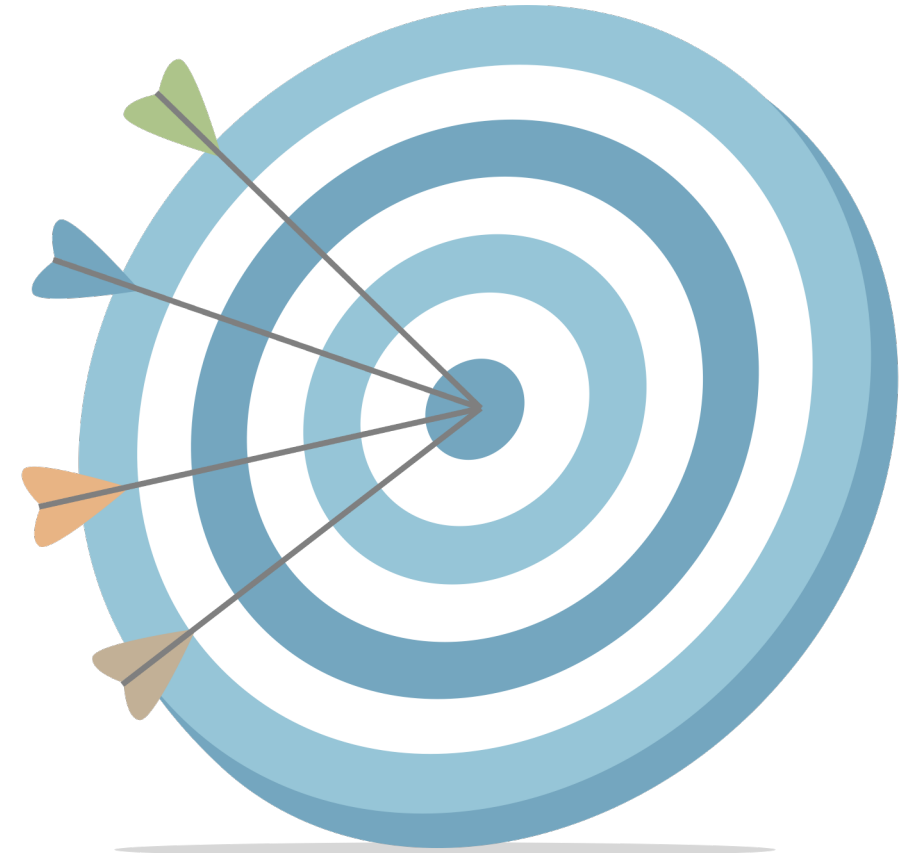
Why effective and enabling policy, regulatory and institutional frameworks are needed



What are the necessary considerations for an enabling policy, regulatory and institutional framework



How countries develop policies and regulations for DRF for public assets



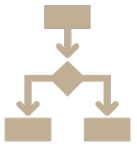
Note: This session follows on the previous on Fundamentals of DRF for public assets, more specifically on the enabling environment for successful and sustainable programs DRF for public assets and following sessions on data system and engaging with private markets

Why Effective and Enabling Policies and Regulatory Frameworks Are Needed



Guidance and principles

Define the goals of an organization and provide guidance about how to achieve objectives



Consistency

Ensure that implementation processes do not deviate or deteriorate over time



Accountability

Define clear roles and responsibilities



Clarity

Help all stakeholders reach common understanding of policy objectives and how to implement



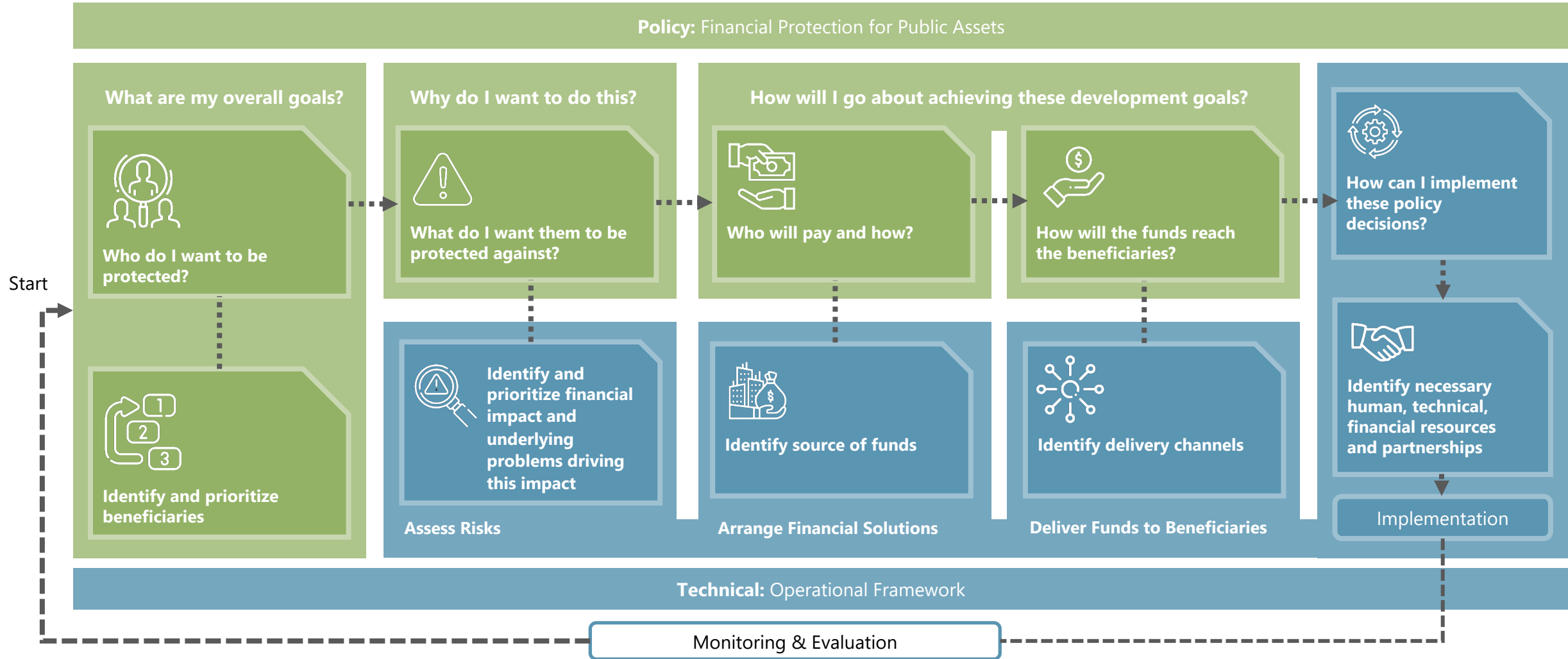
Efficiency

Improve program implementation and performance by keeping all stakeholders "on the same page" through common understanding











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Policy Framework for DRF for Public Assets – Approaches

Setting Policy for DRF for Public Assets [Green: Policy areas; Orange: Implementation]



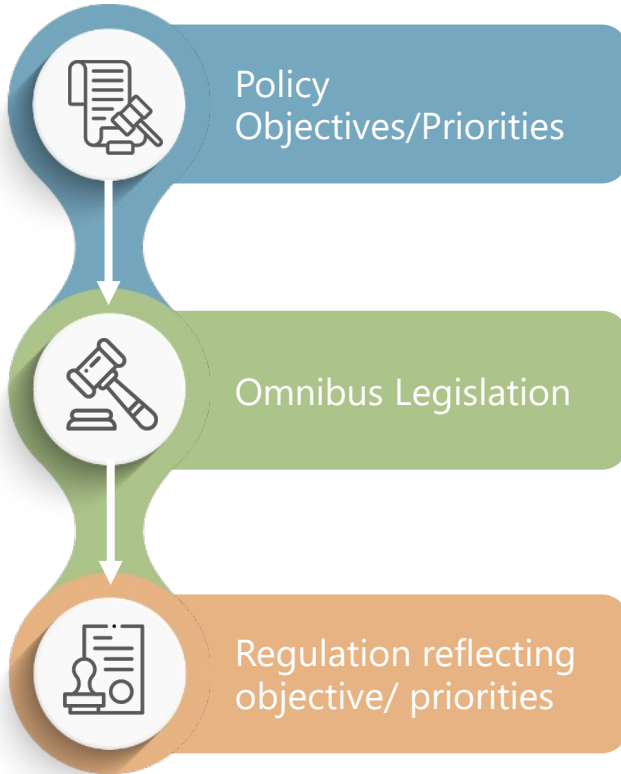
What is included in Public Asset DRF policy

	Aspect	Description
 <p data-bbox="137 886 435 972">Public Asset DRF Policy</p>	 Mandate	Statutory authorization to undertake the respective strategies and actions
	 Beneficiaries	Identification and prioritization of beneficiaries
	 Asset scope	Which assets will be protected under this Program
	 Perils scope	Which perils (e.g., natural disasters) will apply
	 Allocation of roles & responsibilities	Identification of which entities will be responsible for governing, managing, and administering a public asset financial protection program
	 Governance arrangements	How will the Program be monitored and evaluated over time
	 Funding arrangements	How will implementation be funded, and how will operational costs/premiums be allocated
	 Participation scope & obligations	Which entities can participate, and is participation mandatory or voluntary
	 DRF instrument scope	Which DRF instruments will/can be used

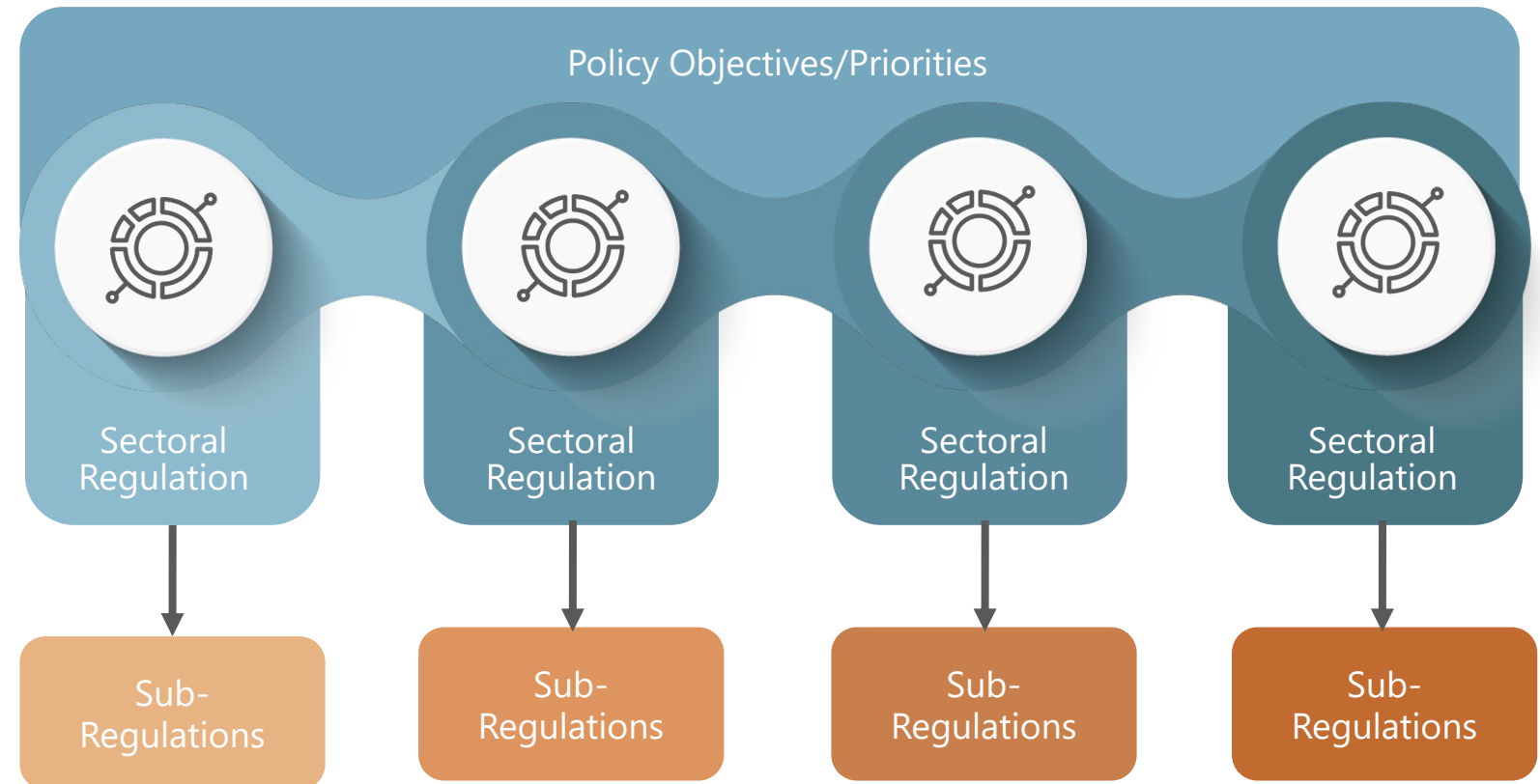
Regulatory and Institutional Framework for DRF for Public Assets - Approaches

Effective regulation and institutional arrangements comes from policy objectives/priorities for financial protection of public assets and serve as a bridge between policy objectives and implementation

Omnibus Approach



Sectoral Approach











Regulatory Framework for DRF for Public Assets – Key Considerations

Public Asset DRF cuts across many policy and legislative areas



Regulatory Framework for DRF for Public Assets – Key Considerations

	Aspect	Description
 <p data-bbox="104 908 372 1076">Public Asset DRF Legislation and regulation</p>	 <p data-bbox="601 396 817 472">Disaster risk management</p>	<ul data-bbox="1003 372 2328 496" style="list-style-type: none"> - Physical and social resilience (building codes, investment in risk reduction, etc.) - Operational preparedness - Post-disaster response and recovery operations
	 <p data-bbox="601 572 817 648">Public Asset Management</p>	<ul data-bbox="1003 526 2359 694" style="list-style-type: none"> - Financial risk management of public assets (financing risk reduction, residual risk financing) - Asset valuation - Asset data management
	 <p data-bbox="601 743 851 819">Public Financial Management</p>	<ul data-bbox="1003 722 1870 846" style="list-style-type: none"> - Budget management including premium financing - Disbursement of funding post-disasters - Accounting of payouts and audit of use of payouts
	 <p data-bbox="601 879 817 955">Macro-fiscal management</p>	<ul data-bbox="1003 879 1939 961" style="list-style-type: none"> - Fiscal risk management - Identification and management of contingent liabilities
	 <p data-bbox="601 1001 945 1076">National-subnational cost-sharing</p>	<ul data-bbox="1003 1001 2244 1082" style="list-style-type: none"> - Cost-sharing arrangement between national government and subnational governments
	 <p data-bbox="601 1143 914 1219">Financial/Insurance Sector</p>	<ul data-bbox="1003 1129 2091 1253" style="list-style-type: none"> - Product regulation including reinsurance in/outside one country - Insurers' reserving, capital adequacy, security (ratings) - Consumer protection
	 <p data-bbox="601 1315 812 1348">Procurement</p>	<ul data-bbox="1003 1315 1857 1353" style="list-style-type: none"> - Centralized, decentralized, collective procurement

DRF Policy and Regulatory Frameworks for Public Assets DRF: Select Examples

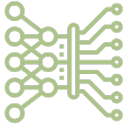
	Australia	Canada	Indonesia	Japan	Mexico	New Zealand	Peru	Philippines	United States	Vietnam	Colombia
Legal, institutional framework	Key laws, regulations governing financial risk management of public assets										
	Comprehensive financial protection strategy against natural disasters										
	- Including for financing public asset rehabilitation and reconstruction										
	Explicit post-disaster cost-sharing arrangement between central and local levels for public assets										
Pre-disaster risk assessment	Systematic assessment of total disaster-related contingent liability for public assets										
	Use of probabilistic cat risk modeling										
	Centralized database of public assets										
	Systematic and comprehensive contingency planning										
Financing risk reduction	Financing risk reduction										
	Capex/investments										
	Recurrent budget										
	Integrate disaster risk into land use planning										
	Retrofitting										
	Resilience building code										
	Building disaster mitigation infrastructures										
Financing residual risk	Dedicated disaster reserve, including for public asset rehabilitation and reconstruction										
	Recurrent budget line for public asset rehabilitation and reconstruction										
	General contingency budget										
	Contingent line(s) of credit										
	Use of insurance										
	Centralized procurement for public asset insurance										
	Disaster risk pooling (domestic)										
	Issued catastrophe bonds										
	Budget reallocation/appropriation										
	Public borrowing										
	Post-disaster tax increases										
Post-disaster tax breaks											
Post-disaster	Tracking of post-disaster expenses for public asset rehabilitation and reconstruction										

Other considerations

The legislative/regulation drafting process should account for the following:



Early consultation with all relevant ministries/authorities involved.



Allow room for flexibility: lessons will be learned in the early years of Program operation. It's important to allow enough legislative/regulatory flexibility to adapt to necessary changes, challenges, and opportunities.

Strike a balance between policy considerations and technical considerations



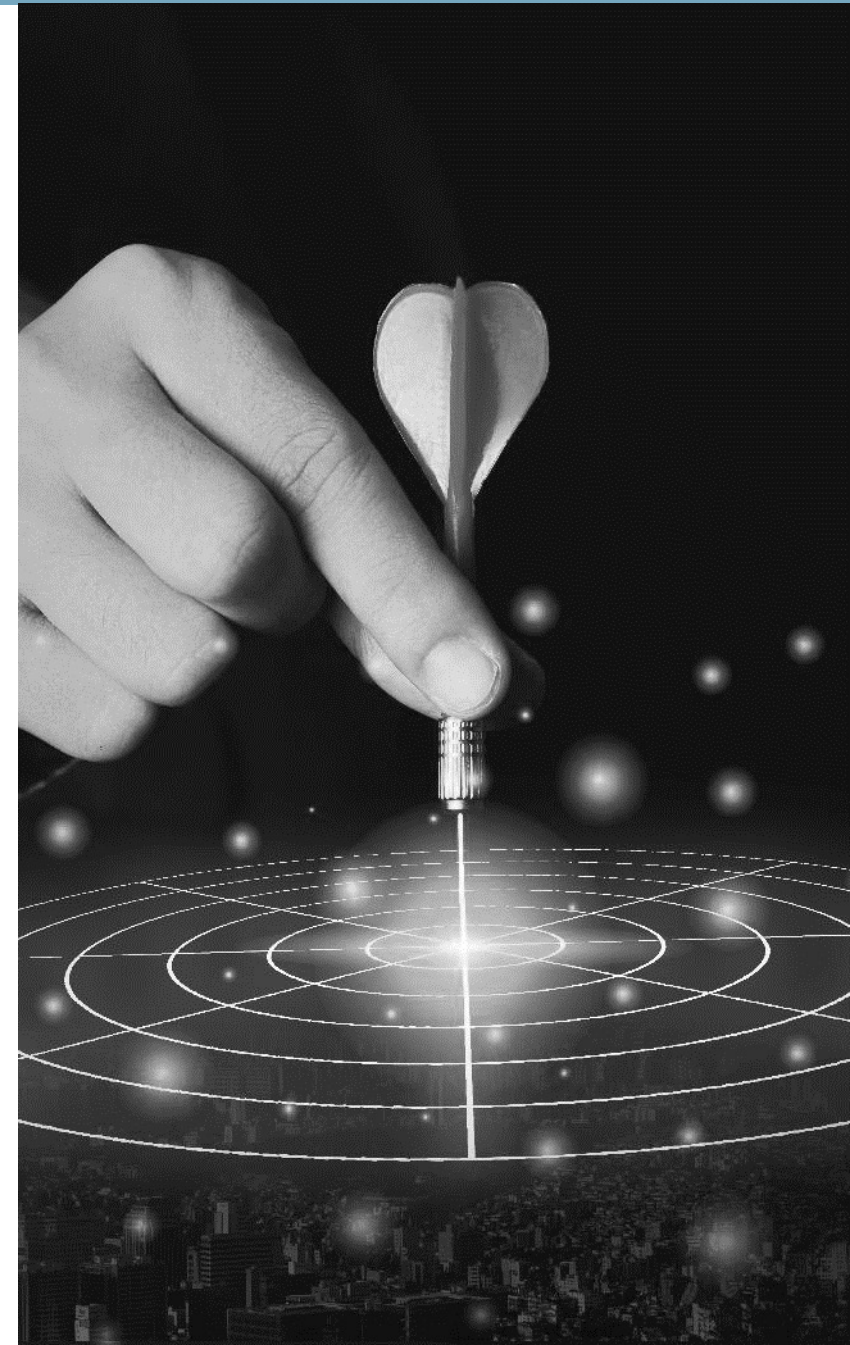
Build in a requirement for monitoring and evaluation, lessons learned and continuous improvement review points



Account for the time it takes to draft, consult, and approve legislation/regulation (as well as amendments to existing legislation/regulation)



Pre-engage with experts to ensure the strategies, mandates, actions embedded in legislation/regulation are realistic, relevant, and effective in the context of overarching objectives



Questions for Discussion

1.

Has your country embarked on the development of policies and regulatory frameworks for financial protection of public assets? Where the country currently stands?

2.

What are the challenges your government faces during such development process? What the government can do to overcome these challenges?

3.

When you return to your home country, what would you advise your senior management in improving the policy and regulatory framework for better financial protection of public assets?



Thank You

**Disaster Risk Financing
& Insurance Program**

