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

IGNITE PRESENTATIONS

Financial Instruments to Strengthen the Financial Resilience of Critical Infrastructure Services against Shocks

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Governments, infrastructure owners and operators can incur significant costs to restore critical services and reinstate assets and this can have a **big impact on the balance sheet**.

Having a financial plan and appropriate financial instruments in place before a disaster strikes has three benefits:

- **Reduces the financial impact on the balance sheet** – smooths cost over time and increases financial efficiency so reducing overall costs
- **Ensures that finance is available quickly after a disaster**, and so can help to reduce the economic impact of a disaster
- **Gives predictability** – enables better planning and preparedness
LESSONS: The basic principles of risk laying still apply...

Parametric Insurance (risk pools)
Catastrophe Bonds/Derivatives

Contingent financing instruments
e.g. contingent lines of credit (Cat DDO)

Public assets Insurance

Post Crisis Financing
e.g. emergency lending, MDB reconstruction financing

Contingency Funds or Reserves

Budgetary reallocations
LESSONS: What’s different about critical infrastructure services?

Quick, reliable liquidity is most critical for rapid recovery of services

Contingent Credit
Parametric Insurance
Catastrophe Bonds/Derivatives
Disaster reserve or contingency budget

Regular Operations and Maintenance Finance with allowance for year-to-year weather-related damages

Contingent credit or insurance
Disaster contingency budgets
Regular O&M Financing including allowance for regular repair from natural hazards

X: disaster events
LESSONS: What’s different about critical infrastructure services?

• **Quick, reliable liquidity is most critical.** So-called parametric products can play an important role.

• **Embed within systems:** Finance has to be hard-linked to capacity to respond (e.g. examples from US and Japan).

• **O&M bedrock:** How do we design financial instruments that also support operations and maintenance?

• **Role of the private sector:** How to ensure good financial resilience throughout the whole infrastructure system?
NEXT STEPS

• Fundamentals: building systems and capability
• Innovation in financial product design
• Investing in basic data, including asset level data and risk information