Executive Education on DRF for Indonesia

Session: Policy and Regulatory Considerations

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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
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
Policy Framework for DRF– Approaches

Setting Policy for DRF [Green: Policy areas; Blue: Implementation]

1. What are my overall goals?
2. Why do I want to do this?
3. Who do I want to be protected?
4. What do I want them to be protected against?
5. How will the funds reach the beneficiaries?
6. How can I implement these policy decisions?

- Assess Risks
- Identify and prioritize financial impact and underlying problems driving this impact
- Identify source of funds
- Identify delivery channels
- Identify necessary human, technical, financial resources and partnerships
- Implementation

Technical: Operational Framework

Monitoring & Evaluation
## Identifying tradeoffs

### Typical trade-offs

<table>
<thead>
<tr>
<th>Trade-off</th>
<th>Vs</th>
<th>Trade-off</th>
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<tbody>
<tr>
<td>Sovereign autonomy</td>
<td></td>
<td>Donor ‘control’</td>
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<tr>
<td>Proprietary</td>
<td></td>
<td>Open access</td>
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<tr>
<td>Market price</td>
<td></td>
<td>Scarce budgetary resources</td>
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<tr>
<td>Fiscal responsibility</td>
<td></td>
<td>Scarce resources</td>
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<tr>
<td>Aid</td>
<td></td>
<td>Fiscal responsibility</td>
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<tr>
<td>Aid</td>
<td></td>
<td>Development</td>
</tr>
<tr>
<td>Regional response</td>
<td></td>
<td>Sovereign autonomy</td>
</tr>
<tr>
<td>Short-term political attention</td>
<td></td>
<td>Long-term political stability</td>
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</table>
What is included in DRF policy

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Description</th>
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<tbody>
<tr>
<td>Mandate</td>
<td>Statutory authorization to undertake the respective strategies and actions</td>
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<tr>
<td>Beneficiaries</td>
<td>Identification and prioritization of beneficiaries</td>
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<tr>
<td>Asset scope</td>
<td>Which assets will be protected under this Program</td>
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<tr>
<td>Perils scope</td>
<td>Which perils (e.g., natural disasters) will apply</td>
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<tr>
<td>Allocation of roles &amp; responsibilities</td>
<td>Identification of which entities will be responsible for governing, managing, and administering a public asset financial protection program</td>
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<td>Governance arrangements</td>
<td>How will the Program be monitored and evaluated over time</td>
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<tr>
<td>Funding arrangements</td>
<td>How will implementation be funded, and how will operational costs/premiums be allocated</td>
</tr>
<tr>
<td>Participation scope &amp; obligations</td>
<td>Which entities can participate, and is participation mandatory or voluntary</td>
</tr>
<tr>
<td>DRF instrument scope</td>
<td>Which DRF instruments will/can be used</td>
</tr>
</tbody>
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Regulatory and Institutional Framework for DRF - Approaches

Effective regulation and institutional arrangements come from policy objectives/priorities for the financial protection program and serve as a bridge between policy objectives and implementation.
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
- 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
- Account for the time it takes to draft, consult, and approve legislation/regulation (as well as amendments to existing legislation/regulation)
Questions for Discussion

1. Has your country embarked on the development of policies and regulatory frameworks for disaster risk finance? Where does the country currently stand?

2. What are the challenges your government faces during such a development process? What can the government 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 against disasters?