

CCRIF

The Caribbean Catastrophe Risk Insurance Facility



Introducing the concept of Country Risk Officers

CCRIF Donor Meeting

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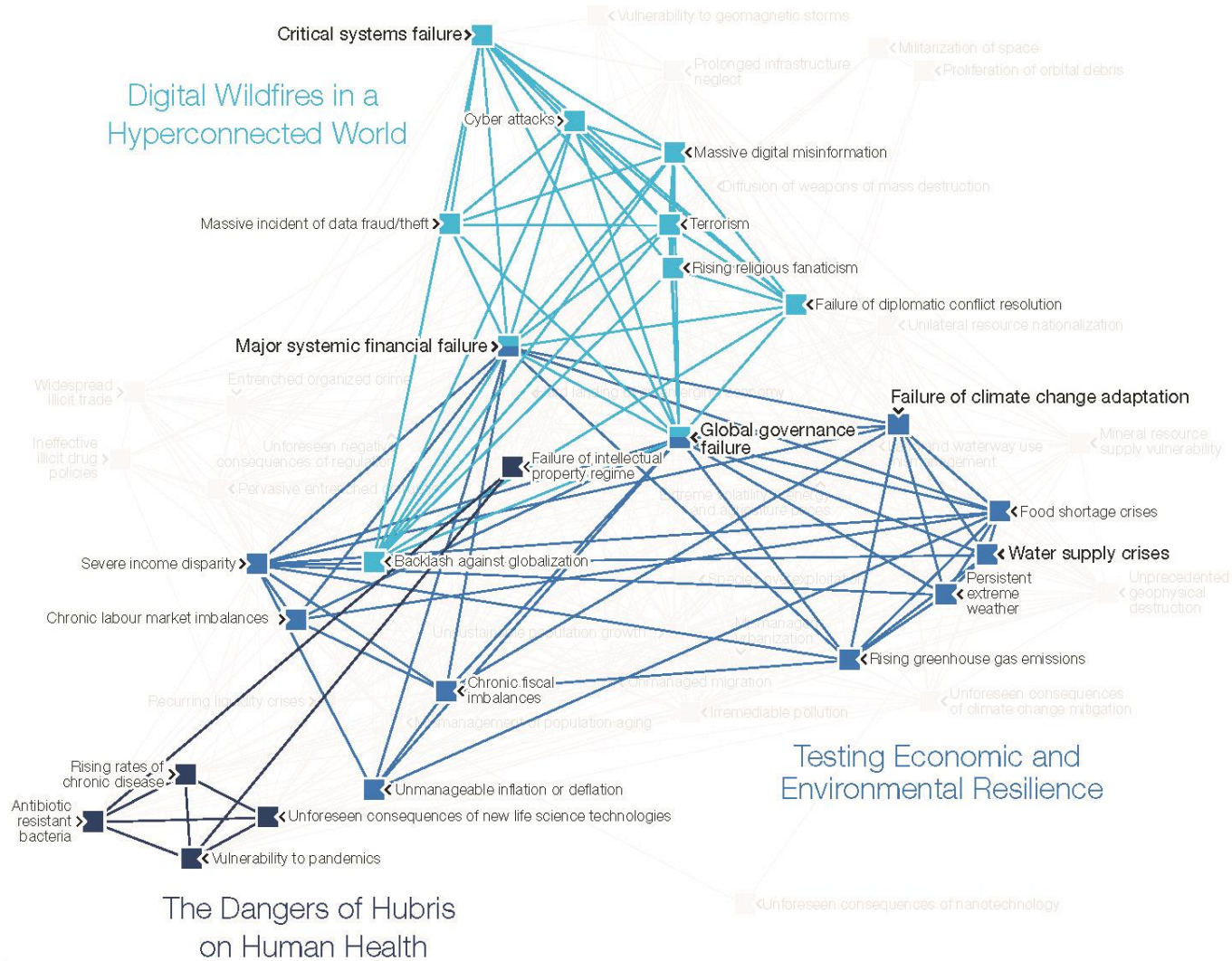
- Background
- All-hazards Policy Frameworks
 - Case study: Netherlands and Singapore
- CCRIF Country Risk Officer concept
- Thoughts and discussions





- Countries and their communities are on the frontline when it comes to systemic shocks and catastrophic events
- Economic and environmental systems are simultaneously under stress
- The complicated inter-linkages between national, regional and global economies create pronounced levels of uncertainty
- Meanwhile, the impact of climate change is more evident as temperature rises and more frequent extreme weather events become a reality
- The risk landscape is characterised by the heightened vulnerability of societies and by uncertainty about:
 - what and where risks are;
 - the extent of their impacts; and, at times,
 - doubts about whether they can be managed





Digital Wildfires in a Hyperconnected World

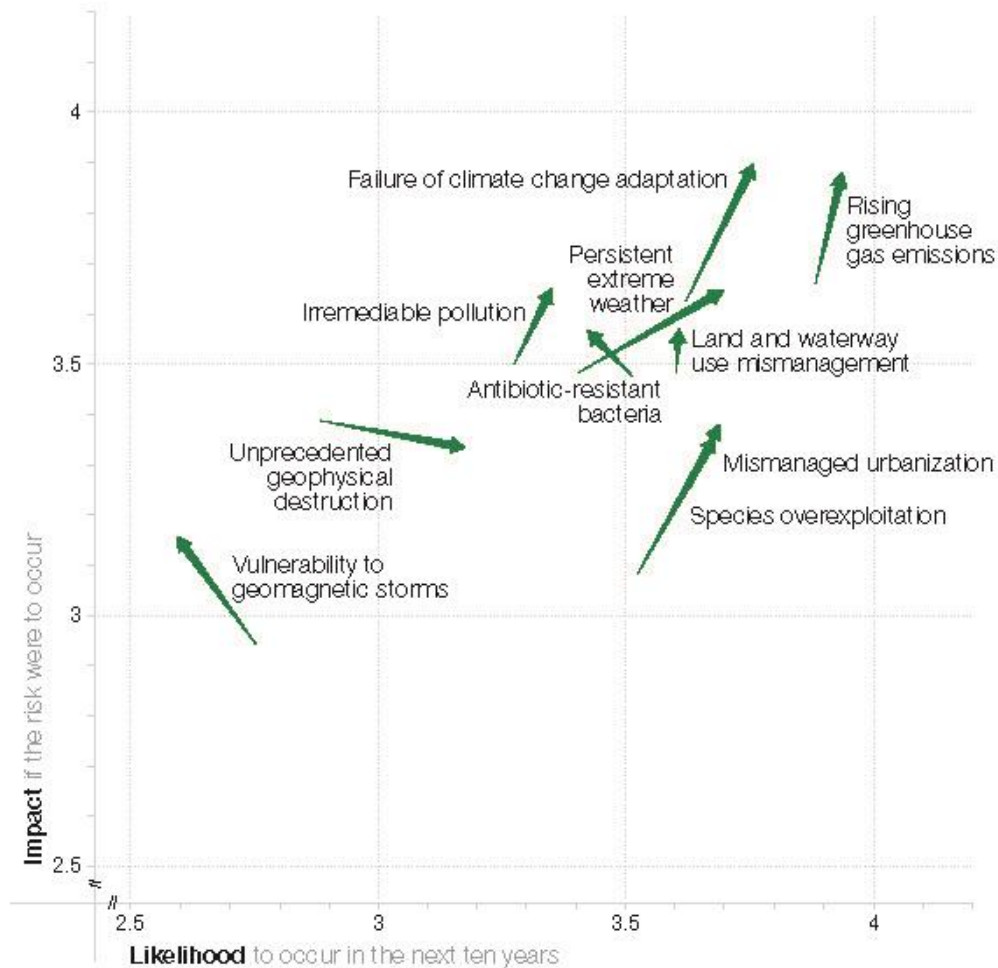
Testing Economic and Environmental Resilience

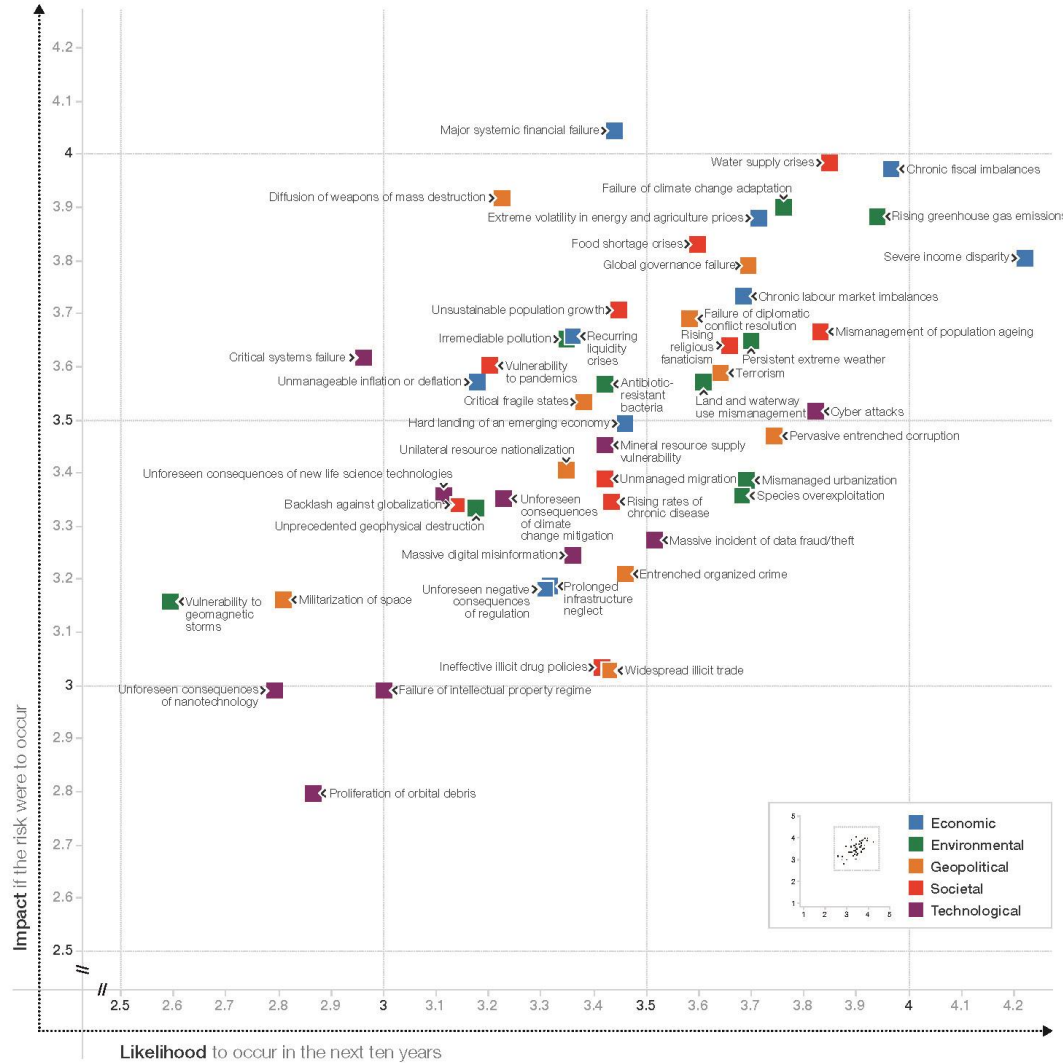
The Dangers of Hubris on Human Health

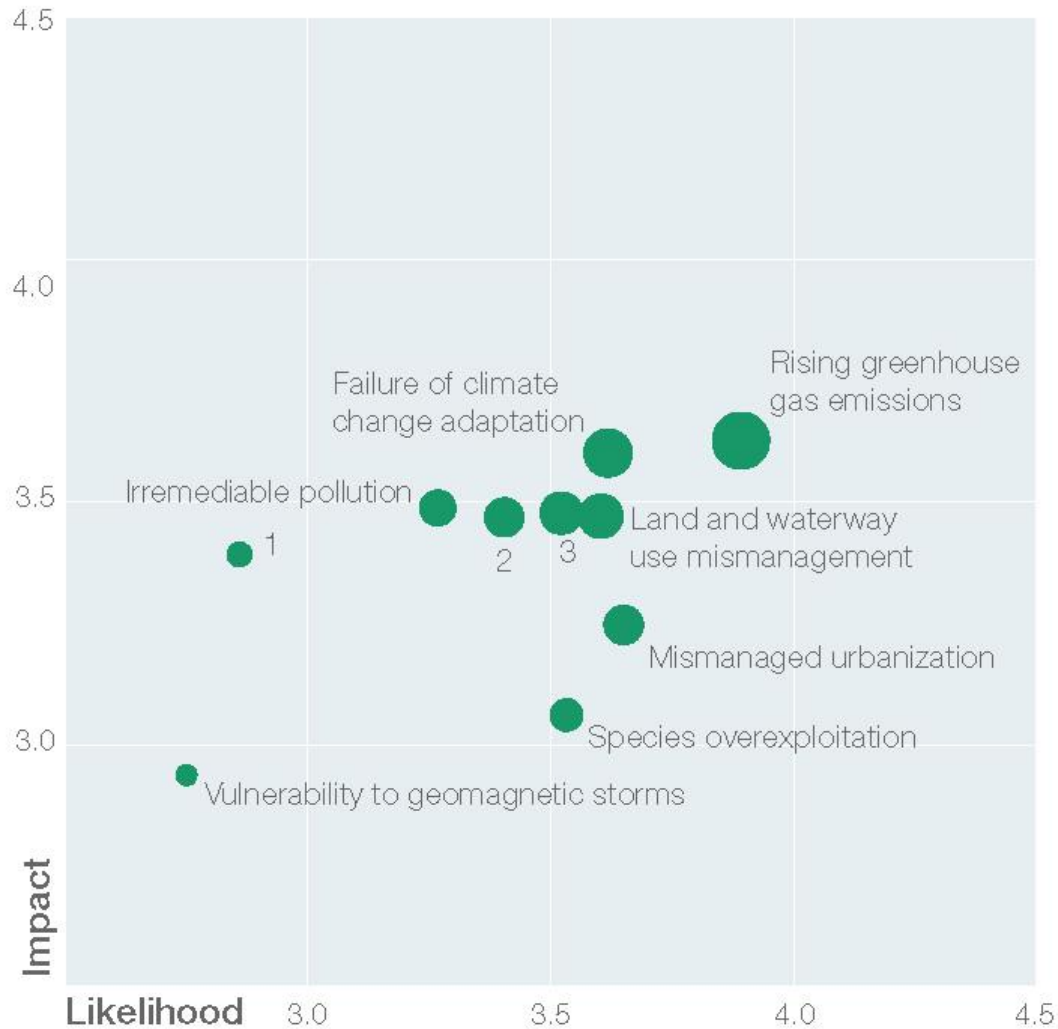




Environmental









- Test of the resilience of countries
 - Resilience to risks – incorporating the ability to withstand, adapt and recover from shocks – is, therefore, becoming more critical
- The need to systematically review the regional and domestic risk landscapes is a necessity in a world where uncertainty is increasingly becoming the standard
- Governments will need to consider how they should be organised to deal with black swans, unknown unknowns, and the problems that complexity and uncertainties generate
- Calls for a re-evaluation of how risk is currently being managed by governments





- There has been progress in many economies in addressing exposure to natural and technological hazards
- Policies reflecting the doctrines of sustainability are taking hold, which should help reduce damages from some types of risks
- In addition, governments are actively trying to fill knowledge gaps, and reorganise their services to create the synergies capable of identifying, responding to and recovering from large scale risks
- BUT ... Is it enough?
- AND ... Is it strategic enough?
- The economic and environmental challenges require both structural changes and strategic investments, but are countries prepared to manage both fronts, conceivably at the same time?





- The traditional approach, of delineating the boundaries between agencies, so that each is responsible for a particular area, will not work
- No government agency had the full range of competencies or capabilities to deal completely with this complex threat





- When governments ignore the complexity of their operating environment, they are at risk of assuming that policies that succeeded in the past will continue to work well in the future
- Problems will be dealt with as if they are amenable to simple and deterministic policy prescriptions
- However, government policies that do not take complexity into account can, and often do, lead to unintended consequences, with a real danger of failure in the long run
- The temptation to take this approach is understandable. It is easier, requires less resource, and may actually lead to positive outcomes – but only in the short term
- Unfortunately, the evidence suggests that many governments will opt to take this path, either out of political expediency, or because of cognitive failures, or simply because they lack an understanding and the tools to deal with complexity





- Expand on the idea of risk governance as both a concept and a tool to be considered by governments in an approach to comprehensively address risk
- The concept of risk governance comprises a broad picture of risk
- It include what has been termed 'risk management' or 'risk analysis', **AND**
- It also looks at how risk-related decision making unfolds when a range of actors are involved, requiring co-ordination and possibly, reconciliation between a profusion of roles, perspectives, goals and activities





- Based on this definition of Risk Governance we attempted to identify:
 - possible opportunities for implementation of better integrated risk management processes nationally and
 - the possible role of a Country Risk Officer (CRO) in driving this agenda within the operational structures and policies of governments.





- Within this framework of Risk Governance the implementation of all-hazards policy frameworks is often a challenge as modern country risk management requires a mechanism to integrate information from a diverse set of government bodies and private actors
- Such coordination has historically been a weakness in country risk management systems, because it is usually built on ad hoc cooperation between various agencies at different levels of government under the difficult circumstances of a major disruptive event
- In the immediate aftermath of disastrous events, these actors often recognise the value of coordinating to prepare accurate risk analysis and cooperation protocols before the next disaster strikes, but until recently there was seldom any policy framework for such coordination
- **To address the complexities of the above described risk landscape, governments cannot simply set out to accumulate more information**
- **The main challenge has been to process and synthesise the mountains of information and data on risks that they already possess, and continually aggregate such information into such a form policymakers can use to make informed decisions**





- Despite the complexity associated with institutionalising all hazard policy frameworks, several countries have in fact formally adopted “all-hazards” policy frameworks to obtain a portfolio view of the full range of risks they face by integrating the work of various public and private organisations into coherent and credible sources of information
- They have done this in order to support better and more strategic decision making and investments
- This has been achieved largely through integrating the risk analysis of public authorities from central, regional and local levels of government and, to varying degrees, include private parties such as operators of infrastructure and insurers, into a coherent process
- **This work entails coordination of multidisciplinary expertise, information-sharing arrangements that ensure confidentiality, improvement of data integration capacity, investment in training civil servants and cooperation exercises across multiple agencies involved in country risk management**





- The Netherlands’ “National Security Strategy” (NSS) is a comprehensive plan designed to protect five national interests against potential catastrophic events:
 - territorial safety;
 - Physical (human) safety;
 - economic safety;
 - ecological safety; and
 - social and political stability





- A whole of Government work plan is produced for the government's Cabinet with specific preventative and preparatory measures designed to protect these national interests
- The NSS is the result of a collaborative working method comprised of three phases:
 - risk analysis (covering risk identification);
 - strategic planning; and
 - preventative policy and preparation
- It is led by the Ministry of the Interior, but involves the participation of every ministry





- This working method identifies catastrophic risks and elaborates incident scenarios along three time horizons
 - i.e. less than 6 months
 - 6 months to 5 years
 - more than 5 years
- It then assesses the threats in terms of their risk to the vital interests mentioned above, and positions these risks vis-à-vis each other in the National Risk Assessment (NRA); which, is a two dimensional matrix plotting risks along axes for likelihood and impact
- While the NRA inputs involve complex calculations and draw on intricate expert analyses, its output is a diagram designed for ease of use by ministers in the government Cabinet
- The Cabinet decides what risks will be prioritised for detailed treatment in the strategic planning stage





- This second phase is where the government determines what capabilities it would require to deal with all the prioritised risks and which capabilities it already possesses.
- The Cabinet then decides whether, where and how national security should be strengthened via policy, legislation and programmes proposed by ministries.
- Among the risks that have been identified as having potential for social disruption in the Netherlands are: flooding, pandemic flu, social radicalization, terrorist attacks, and energy or raw material supply scarcity.





- Singapore adopted the “Whole-of-Government Integrated Risk Management” (WOG-IRM) framework to improve the risk awareness of all government agencies
- Though most agencies already conducted internal audits to analyse risks that fall within their remit, it was thought that some agencies might not deliberately and systematically go about identifying the full range of risks, or may have under or over-estimated the likelihood and/or impact of the risks they manage





- It was recognised that some government agencies might also lack an awareness of how such risks are affected by the action or inaction of other agencies, and vice versa
- The WOG-IRM framework helps address gaps in risk management and to identify cross-agency risks that may have fallen through gaps in the system
- It helps agencies to address their own vulnerabilities and to identify previously unknown vulnerabilities that may result from disruptions to other agencies





- The implementation of WOG-IRM is tracked through the course of the year and aligned with the annual budget cycle, where priority fund allocations are awarded to proposals which address the key risks identified in the WOG-IRM
- A Strategy Committee chaired by the Head of Civil Service provides oversight and guidance by serving as the main platform to steer and review the overall progress
- The Committee meets quarterly and comprises Permanent Secretaries from the various ministries across government. Singapore's Ministry of Finance created a master list of strategies and associated risks within the WOG-IRM framework that are considered to have the potential to affect the Government's four strategic Outcomes': security, opportunity, identity
- **Enumerating strategic outcomes is similar in effect to the national interests stated in the National Security Strategy of the Netherlands**





- There is no one-size-fits-all solution to the implementation of an all-hazards approach to managing a country's risk portfolio
- Nonetheless, there appear to be best practices that all countries can learn from, such as:
 - The need to identify all hazards facing the country, and a comparative assessment of their probability and impact that produce a rank of their importance over different time frames
 - A process to assess current capabilities to respond to and recover from disaster events that actually occur
 - Tools fit for use by decision-makers to target mitigation investments to risks that are deemed priorities based not only on their relative importance (high likelihood and potential consequence), but also on the level of present capabilities to deal with them
- This practice clarifies what the government's actions are actually trying to preserve or achieve, and it facilitates measuring successful policies and mitigation investments





- The needs of country risk management have undergone important changes over the past 50 years, and new approaches are still in their infancy
- While whole-of-government approaches are becoming more widely used, risk-based tools to support mitigation investment decisions are rare, and they face considerable challenges
- It is difficult to mobilise appropriate expertise and to marshal political willingness to act on the findings
- Governments, like any large hierarchical organisation tend to optimise at the departmental level rather than at the whole-of-government level; vertical silos
- There will always be threats to national outcomes, policies and plans, because no amount of analysis and forward planning will eliminate the volatility and uncertainty that exists in a complex world. These threats constitute strategic risk
- Not only about efficiency . It is about the ability to deal with uncertainty and deal confidently with strategic shocks when they occur





- A need to have a small but dedicated group of people to think about the future
- The skill-sets needed are different from those required to deal with short-term volatility and crisis. Both are important
- But those charged with thinking about the future systematically should be allocated the bandwidth to focus on the long-term without getting bogged down in day-to-day routine
- They will become repositories of patterns that can be used to facilitate decision-making, to prepare for unknown unknowns, and perhaps to conduct policy experiments through policy-gaming or other simulations





- As a starting point....
 - A country risk officer would act as a central point of contact for the purposes of managing a comprehensive multi-area risk portfolio
 - This is a task that would require a high degree of coordination between the various levels of government and administration and the private sector
 - Communication is also another aspect which is critical to this role. Communication must occur between the various offices and departments involved
 - The country risk officer can take on this role, make use of synergies and avoid duplication within government offices by ensuring that the plan for a variety of risk scenarios are implemented in a coherent and effective manner





- The role of the Country Risk Officer would involve:
 - Identifying risks in collaboration with scientific experts and private sector *i.e.* the insurance industry
 - Assessing expected frequency and severity risks and compiling a national risk map
 - Engaging in risk dialogue with government departments, parliaments and public and across national orders
 - Coordination of action to manage large-scale risks nationally and internationally
 - Implementing measures and catastrophe plans
 - Liaising with comparable offices in other countries with regard to cross border risk





- Create a culture of risk awareness
- Formally bring consideration of risk into the strategic decision making process
- Develop a center of excellence for managing risk using the skills of variety of personnel
- Bring the BIG PICTURE perspective





- There is no one-size-fits-all solution to the implementation of an all-hazards approach to managing a country's risk portfolio, though direct support from the head of government seems to be a common ingredient of success
 - Thoughts and discussions

