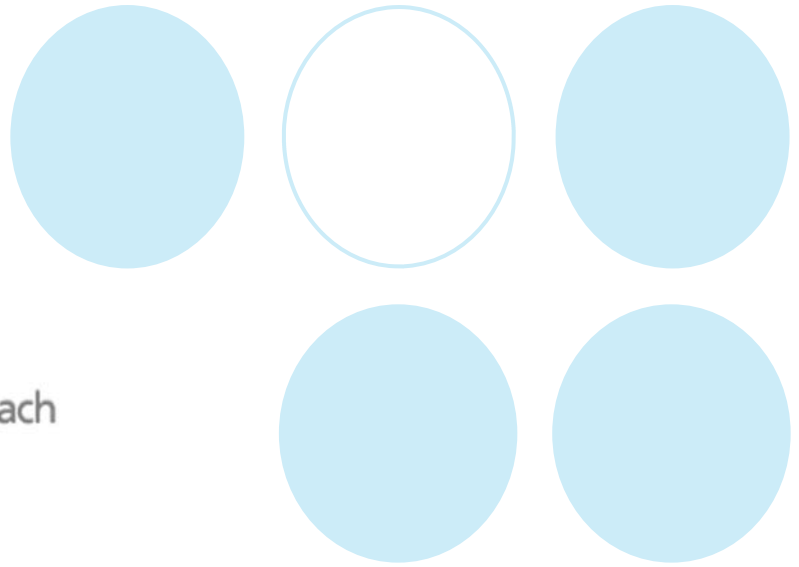




Roinn an Taoisigh
Department of the Taoiseach



Draft National Risk Assessment 2014

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Foreword for the Draft National Risk Assessment 2014

One of the priorities for our country and our people as we move towards economic recovery is to ensure we learn from the mistakes of the past. One of those mistakes was complacency at a time of prosperity so that serious questions were avoided. Never again should threats to our nation's future be ignored. Never again should dissenting voices be silenced when warning of risks up ahead.

The consequences of what happened in the past are all too evident and have been personally devastating for many of our citizens. This Government is doing everything we can to create jobs, drive economic growth and restore financial stability so that the Irish people can have the opportunity to work and build lives for themselves and their families in their home country. We are seeing some positive signs of progress, although I recognise that is not being felt yet in every home in the country, but that progress certainly should not breed complacency.

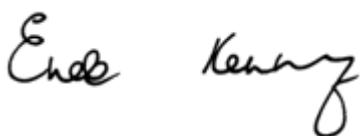
We must work to ensure that Ireland's terrible reversal of fortune never recurs. To accomplish this, we need to be much more cognisant of the risks Ireland faces and open about their implications.

This draft National Risk Assessment 2014 is one way to help understand what our future may hold. Its purpose is to identify the risks, both financial and non-financial, which Ireland faces and therefore ensure appropriate prevention and mitigation measures are introduced.

It's an attempt to avoid the mistakes of the past by not only identifying risks the country faces, but also encouraging debate in the Dáil and by the public, so that any dissenting views on our future can be heard and discussed.

The draft National Risk Assessment is an effort by Government to think in a more strategic way about Ireland's future but it is only the first step in a process. We are inviting people to respond to the draft to help us refine the approach, while we will also be developing the process further in light of best international experience.

I believe every Irish person has an interest in making our country more resilient and ensuring the mistakes of the past are not repeated. These aims can only be achieved if our perspective on the future is as comprehensive as possible and I want to encourage everyone to get involved and share your views.

A handwritten signature in black ink, reading "Enda Kenny". The signature is written in a cursive style with a large, looped 'K'.

Enda Kenny T.D.
Taoiseach

Draft

National Risk Assessment 2014

April 2014

Draft National Risk Assessment 2014

Introduction

In September 2013, the Government announced that, as part of its process of Dáil reform, it would publish annually a National Risk Assessment for debate in the Dáil alongside a number of documents including the Stability Programme Update and National Reform Programme which are presented to the EU Commission in April and a National Progress Report published by the CSO.

This draft National Risk Assessment is being published to meet that commitment and facilitate discussion and feedback, in particular in the Oireachtas, on potential risks facing the country. As such, it is intended to complement wider reforms being undertaken by the Government to promote improved governance.

In preparing a National Risk Assessment, the Government is keen to emphasize that this is a document for consultation which can be amended and refined in light of the comments it provokes. The risks highlighted are not exhaustive. Some people will undoubtedly believe that there are omissions or that certain issues are not granted sufficient significance – the purpose of putting the document in the public domain is to provoke such contributions which will help to make the National Risk Assessment process more robust. Part of the value of publishing a draft National Risk Assessment lies in naming risks and inviting debate, rather than claiming to have produced a definitive list of risks.

Purpose

The purpose of the National Risk Assessment is to set out the risks (both financial and non-financial) which Ireland faces and therefore ensure appropriate prevention and mitigation measures are introduced. It is part of the response to failures in the past to identify and address risks beyond a short time horizon. The causes of the recent economic crisis were rooted in financial and fiscal risks that were in some cases overlooked before the onset of the recession. One of the most authoritative overviews of the decline in Ireland's fortunes has concluded that the absence of sufficient self-questioning lay at the heart of the underlying causes of the crisis.¹ Various institutions were too complacent about the sustainability of Ireland's new-found prosperity and failed to ask whether this could be maintained in the face of adversity. Consequently, any effort to avoid a recurrence of the crisis or other catastrophic events must be partly based on a broad-based assessment of the risks that Ireland faces and which is grounded in evidence-based judgments.

The Department of Taoiseach's Strategy Statement 2011-14, states that the public service 'needs to think more systematically about the future and take a broad view of the risks that Ireland faces'. In doing so, the Department's approach is guided by the following principles:

¹ Donal Donovan and Antoin Murphy (2013) *The Fall of the Celtic Tiger: Ireland and the Euro Debt Crisis*. Oxford: Oxford University Press.

- the need for active, open risk assessment and scenario planning
- the need to avoid “groupthink” or “herding” and selective reading of evidence
- the importance of open discussion, listening to discordant voices and challenging conformist thinking
- the need for a decision-making process and culture which ensures that objective, evidence-based, official advice is made available to Government at all times

In 2012, the Office for Emergency Planning produced *A National Risk Assessment for Ireland*.² This catalogues the various hazards which may cause direct harm to members of the community, the environment or the physical infrastructure, or damage the economic and social infrastructure. This document builds on that by taking a broader approach to encompass a wider definition of risk, including economic, social and geo-political factors.

Many other countries are looking at similar exercises, reflecting recent experiences and the extent of inter-connectedness between countries in the current era of globalisation. It is obvious that incidents such as terrorist attacks, pandemics, natural disasters or financial shocks in distant locations can have significant reverberations in Ireland. A feature of current efforts in many countries is an effort to broaden risk assessment from the traditional approach focused on civil emergency-type events, to encompass broader economic and social factors.

For example, Singapore has long been noted for its work in risk assessment and future scanning. But in light of international terrorist incidents originating within Singapore in 2001 and the SARS epidemic in 2003, it conducted a comprehensive review of its national security structures, measures and processes. One outcome was the establishment of a risk assessment and horizon scanning capacity to assist government in detecting ‘weak’ signals of possible shocks that are not immediately apparent.

Likewise the OECD has established a High Level Risk Forum to promote a cultural shift from disaster management based on response towards a strategic approach that emphasizes a focus on prevention and mitigation to build societal and economic resilience. The OECD notes how traditional models of national risk management have focused on planning the organisation of emergency responses after disruptive events occur. According to the EU, risks are becoming more complex in nature, often crossing geographic boundaries. The 2008 financial crisis, the 2009 H1N1 pandemic and the 2010 volcanic ash cloud over European air space are examples of how risks can spread globally through interconnectivity. These kinds of risk require Governments to innovate by adapting to these kinds of crises as a complement to existing risk management infrastructure. In particular, there is a need for

²<http://www.emergencyplanning.ie/media/docs/A%20National%20Risk%20Assessment%20for%20Ireland%20Published.pdf>

the development of a broader and shared view on risks at national level through a multi-hazard/multi-threat approach.³

It is also worth noting that Ireland is now operating under the enhanced monitoring and surveillance of macroeconomic policies in the EU and the euro area. One of the mechanisms used is the Macro-Economic Imbalance Procedure (MIP) which uses an early warning system comprised of eleven indicators covering the major sources of macroeconomic imbalances. This mechanism highlights continuing economic risks which warrant further attention and resolution. This draft National Risk Assessment takes account of the indicators and risks relating to Ireland, highlighted by the European Commission under this procedure.⁴

Approach to Identifying Risks

The important first step in establishing a broad-based National Risk Assessment lies in identifying the most significant risks. Thereafter there are further tasks such as attempting to gauge the likelihood and impact of the identified risks or setting out prevention and mitigation strategies. But both of these functions are logically dependent on risks being adequately identified. This latter task is the primary concern of this document.

As part of the process of identifying risk, the Department of the Taoiseach wrote to all Government Departments asking them to nominate significant risks for inclusion in a National Risk Assessment. These were then assessed to identify those which might be considered of sufficient strategic importance for inclusion.

The Department then hosted a seminar on 24th March 2014 to discuss the preliminary findings of this exercise with representatives from Government Departments and Agencies, and a number of people drawn from academic, business and other sectors. The purpose of the seminar was to assess whether the correct risks have been identified, whether there are significant risks that have been overlooked and how the process of the National Risk Assessment should best be carried forward. A representative from the OECD's High Level Risk Forum, which seeks to deepen understanding of how to govern and manage complex national risks, gave a comparative perspective on how National Risk Assessment exercises are conducted.

Inputs from the seminar have been of value in the preparation of this draft National Risk Assessment, alongside further consultation with Departments. The purpose of this draft is to instigate a broader conversation about the risks that Ireland faces and how they can best be addressed.

It is important to stress that many of the risks identified in this document are already being dealt with by various public bodies. For example, the work of the Department of the Environment, Community and Local Government, through the Framework for Major Emergency Management, already co-ordinates efforts to deal with incidents such as floods

³ C. Baubion (2013) *Strategic Crisis Management*. OECD Working Papers on Public Governance No. 23. Paris: OECD.

⁴ European Commission (2014) *Macro-Economic Imbalances Ireland 2014*. European Economy Occasional Papers 181. Brussels).

and severe weather events. One objective of this National Risk Assessment process is to ensure that there are no significant gaps or omissions in terms of the risks that public bodies are dealing with at present. A related objective is to ensure that the interconnections and overlaps between risks are fully understood.

A key outcome arising from the seminar was the need to ensure that the public service has the capacity and systems to deal with issues identified as part of this process, and a number of specific aspects of this are also considered below.

Categorisation

For the purpose of preparing this draft National Risk Assessment, the categories under which risks have been classified are derived from those used in the work of the World Economic Forum and its Global Risks report (2014).⁵ These categories are the following:

- **Economic**
- **Environmental**
- **Geopolitical**
- **Societal**
- **Technological**

Of course, many of the risks are interrelated and, in some cases, could fall into more than one category. For example, a social risk such as ageing, or an environmental risk such as extreme weather events, can create major economic risks. This only emphasizes the need for a whole of government approach to risk assessment, as recommended by the OECD.

⁵ Available at <http://www.weforum.org/reports/global-risks-2014-report>

Figure 1: Potential Risks for Ireland

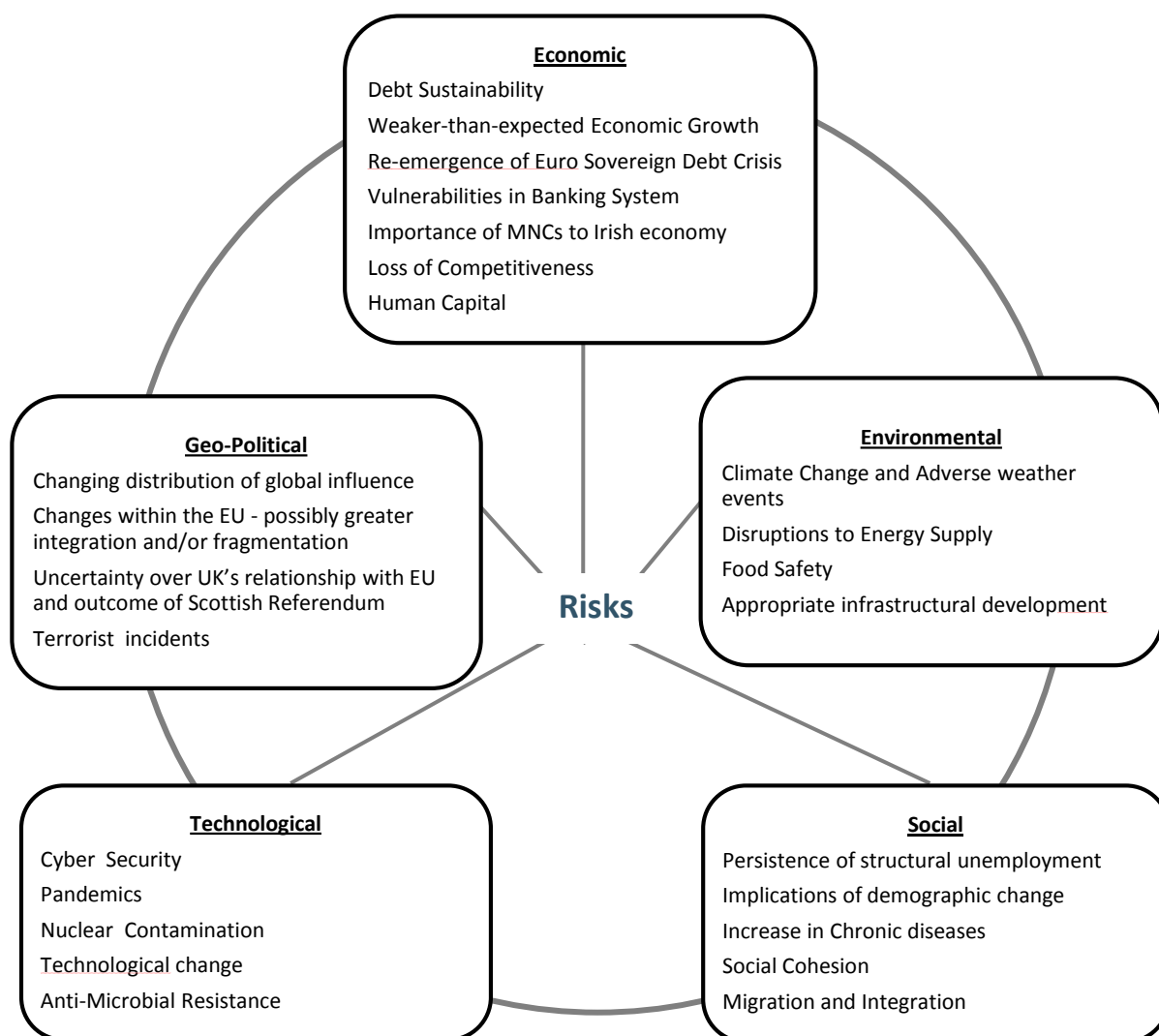


Figure 1 above lists risks which have been identified as of most significance for Ireland. The sections below elaborate briefly on each one.

Economic risks

Since the onset of the recession, appreciation of both the prevalence of economic risks and their complexity has increased considerably. Some of these risks may have their origin elsewhere but can still impact on Ireland.

(i) Debt Sustainability

Although the public debt-to-GDP ratio peaked in 2013 and is expected to be 120 per cent in 2014, it remains very high by historical standards and further consolidation is needed in

coming years to put debt firmly on a downward path and secure sustainability. Levels of private debt are also at high levels relative to historical and international comparisons.⁶ Lower than expected growth levels (possibly due to high levels of private debt), or failure to achieve further consolidation, will impact on the sustainability of the debt. The high level of debt also increases exposure to future increases in interest rates, including for mortgage holders.

A related risk is of deflation whereby a falling price level would lead to an increase in the real burden of debt, or indeed sustained very low levels of inflation which affects the level of growth in nominal national income and poses a further challenge to debt sustainability by increasing the real burden of debt. This has been subject of recent debate in a eurozone context.⁷

It may also not be sufficiently appreciated that fiscal policy in Ireland must now comply with the Stability and Growth Pact and the 'Fiscal' Treaty.⁸ This requires making progress towards the medium-term budgetary objective (MTO) which is for a balanced budget in structural terms. If the MTO is not reached, then annual expenditure growth should be below the medium-term rate of potential GDP growth, unless it is matched by discretionary revenue increases. If there is significant deviation from the MTO path, a corrective mechanism is to be triggered automatically.

(ii) Weaker-than-expected economic growth

The economic outlook remains uncertain and dependent on external demand. Weaker-than-expected economic growth could endanger the attainment of medium-term fiscal targets, both through lower tax revenue and greater pressures on public expenditure, and a recovery in the property market.⁹ Highly-indebted households remain vulnerable to a fall in disposable income which could arise from poor economic growth. While the labour market has improved of late, weak economic growth would threaten employment growth and sustained reductions in unemployment. The long-term viability of the banking sector, which depends on its ability to return to profitability, would be adversely impacted if economic performance did not support a demand for loans or undermined the quality of existing loans.

(iii) Re-emergence of the Eurozone sovereign debt crisis

Turbulence in the Eurozone could spark a re-assessment of sovereign risk for Ireland due to a contagion effect or it could reflect certain vulnerabilities in Ireland. As in other member states, the sovereign position could be adversely affected by banking losses that necessitate further recapitalisation of the domestic banking sector. Changes in market sentiment

⁶ Although private sector indebtedness has recently started to decline, it remains the second highest in the EU (see European Commission (2014) *Macro-Economic Imbalances Ireland 2014*. European Economy Occasional Papers 181. Brussels).

⁷ International Monetary Fund (2014) *World Economic Outlook April 2014*. Washington.

⁸ Its more formal title is The Treaty on Stability, Co-ordination and Governance.

⁹ Irish Fiscal Advisory Council (2013) *Fiscal Assessment Report*, sec.2.4. Available at http://www.fiscalcouncil.ie/wp-content/uploads/2013/11/FAR_FINAL.pdf

towards Ireland could impact investor confidence and, possibly, the credit ratings of the sovereign sector. Such developments could have an effect on the availability and price of market-based funding.

(iv) Vulnerabilities in the banking system

The vulnerabilities in banks' asset books continue to weigh on their credit ratings and render them susceptible to changes in market sentiment. The arrears crisis is weighing heavily on credit quality, with long-term arrears a particular concern. The long-term viability of the banking sector depends on its ability to return to profitability. Given the actual and perceived interdependence between the sovereign and banking sectors, a change in the market's perspective on one sector could influence its view of the other. With a reduction in official funding support having taken place of late, the banking system will have a greater reliance on retail and market funding. The banking system, and indeed the wider economy, is also susceptible to interest rate increases in the years ahead.

(v) Importance of MNCs to Irish economy

Ireland's economy and employment is heavily affected by a relatively small number of multinational corporations concentrated in a relatively small number of enterprise sectors. While reflecting the success of our enterprise policy in attracting investment in these sectors, this also creates a vulnerability to changes in Ireland's attractiveness as a location for these companies. For example, the possible effect of fiscal harmonization or other changes at EU or OECD level on Ireland's corporation tax regime could have a significant economy-wide impact.

(vi) Loss of Competitiveness

As a small regional economy in a single currency zone, Ireland is vulnerable to losses of competitiveness through wage and/or productivity developments that are out of line with those in the euro-area and beyond. In recent years, Ireland has made significant gains in competitiveness by reigning in labour costs, increasing labour productivity and improving cost competitiveness.¹⁰ However, there are signs that the period of relative competitiveness gains has come to an end, and that Irish relative cost competitiveness is currently dis-improving.¹¹ A risk remains that prices and wages could escalate to the point that they erode competitiveness when the Irish economy returns to stronger rates of growth.

¹⁰ European Commission (2014) *Macro-Economic Imbalances Ireland 2014*. European Economy Occasional Papers 181. Brussels, sec. 3.4.

¹¹ National Competitiveness Council (2014) *Cost of Doing Business in Ireland 2014*. Available at <http://www.competitiveness.ie/publications/2014/title,12039,en.php>

(vii) Human Capital

Future economic performance will critically depend on the quality of human capital. There are some short term risks associated with the skills gaps which are emerging between labour market requirements and the nature and level of available skills. For example, while there is still a high level of unemployment there is insufficient supply in labour market areas such as ICT. There is also a longer term risk that resourcing of the education and training system in light of demographic pressures, and reforms to the system, will not meet the skills requirements of a fast-changing labour market, negatively affecting economic performance and employment.

Environmental Risks

(i) Climate change & Adverse Weather Events

Scientific evidence indicates that the Earth's climate is changing and, without taking appropriate and early action, climate change will have potentially disastrous effects for many areas of the planet. Uncertainties remain in relation to the level and extent of these impacts, and how they will emerge in the coming decades. Notwithstanding these uncertainties, it is clear that Ireland will experience impacts. Projected impacts include increasing average temperatures; more extreme weather conditions including storms and rainfall events; increased likelihood of river and coastal flooding; water shortages; changes in types and distribution of species; and possible extinction of vulnerable species.

These changes could also have significant impacts on agricultural production through the inducement of drought conditions, alterations on seasonal and harvesting patterns and changes in biodiversity. International climate extremes could impact on the supply of cost competitive cereal and protein inputs.

(ii) Disruptions to Energy Supply

Ireland is completely dependent economically and socially on a secure energy supply – particularly on oil for transport and electricity for everyday life. Ireland imports nearly all of its energy needs, as indigenous energy production amounts to only about 14% of the total primary energy supply.¹² Ireland's status as an island on the periphery of Europe renders it vulnerable to disruptions to the supply of oil, gas or electricity. Such disruption could arise from natural disaster or geo-political change, as the recent crisis in Ukraine has highlighted.

(iii) Food Safety

A food scare could arise from contamination of an Irish food product or a significant outbreak of food-borne human illness associated with an Irish food product or the outbreak of a major disease in farmed animals. There would be an immediate short term impact of

¹² International Energy Agency (2012) *Energy Policies of IEA Countries: Ireland 2012 Review*. Paris: IEA.

food producers being excluded from certain markets as well as the more long-term effect of taking a long time to recover consumer confidence and market share.

(iv) *Appropriate Infrastructural Development*

Balanced economic growth is partly dependent on the timely provision of infrastructure in the right locations. If this does not occur, then there will be negative consequences for indigenous job growth and FDI opportunities. Investment is also needed to ensure continuity of supply of utilities such as water where headroom to cater for increased demand and/or any disruption of supply is extremely limited. A related risk pertains to the public acceptance of such infrastructural development. Potential projects can undergo rigorous planning and compliance processes yet still fail to gain the support of the communities in which they might be located.

Geo-Political Risks

(i) *Changing Distribution of Global Influence*

As a result of globalisation, the geo-political environment in which Ireland finds itself is under constant change. There are significant changes afoot not only regionally where the landscape of the European Union is being reconfigured but also globally where there is likely to be significant shift of power to countries in the East and South. These shifts will necessitate both an intensification of diplomacy in the traditional seats of power to maintain Ireland's interests as well as deepening engagement with Asian, African and Latin American countries, if we are to protect our interests and promote our trade, tourism and investment.

(ii) *Changes within the EU*

Ireland, as a small country outside military alliances, has long adhered to the creation of a strong rules based international order as the best way in which to protect our interests and promote our values. Ireland has long seen participation in the European Union as one of the principal ways of upholding such a rules-based system. Therefore, any threats to the EU and to European interests can be considered as threats to Ireland. Both national security and Ireland's social and economic well-being will be affected by the global and regional environment and the risks that it throws up. These can vary from international terrorism, energy security issues, migration as well as many more.¹³ Issues like these can only be dealt with on a collective basis which requires that Ireland act in concert with others. There could for example be unpredictable ripple effects on the Russia\EU relationship flowing from recent events in Ukraine. The need for strengthened multilateral institutions beyond the EU itself in order to maintain peace and security as well as trade has also been demonstrated by these events.

¹³ See Department of Defence (2013) *Green Paper on Defence*. Available at <http://www.defence.ie/WebSite.nsf/grnPaperE>

In addition, it is likely that there will be further institutional change within the EU.¹⁴ The impact of the current recession has provoked a reassessment of the economic and financial architecture underpinning the euro area. The common approach to the area's economic governance —as embodied in the vision of a strong banking union—suggests the need for stronger institutions at the centre and more emphasis on understanding spillovers. In the light of recent and ongoing developments to the East of the EU, broader political and security issues may well come more to the fore in the next period. Any push for further EU integration could provoke a counter reaction from some member-states and their electorates. But in any case there will be a significant challenge, including in the shape of possible changes to the EU institutions and its treaties.

(iii) *Uncertainty over UK's relationship with the EU & outcome of Scottish Referendum*

The British Prime Minister has promised a referendum on British membership of the European Union in 2017 if the Conservative Party wins a majority at the next general election in 2015. If the so-called 'Brexit' option is taken, it could introduce profound uncertainty into Anglo-Irish relations. Similarly, the outcome of the Scottish referendum on independence could introduce an element of instability into Northern Ireland.

(iv) *Terrorist Incidents*

Since 9/11, states have become more conscious of terrorist attacks. Like other countries, Ireland could be negatively affected by terrorist incidents, depending on the location of such incidents and their wider impact. There is also the possibility, that a state like Ireland would be used as a 'hub' from which attacks can be launched into mainland Europe. Extreme disruption would be extreme likely in the wake of such incidents which would be in all likelihood a short-term reaction. More damaging might be the long-term response of reputational damage to Ireland as a safe and secure destination. Similar levels of disruption could be experienced if there was a breakdown in international peace and security or a major pandemic particularly if in a region central to Ireland's economic interests or to its supply of fuel or natural resources, or in which there is a major Irish or EU population.

The Good Friday Agreement has delivered a stable peace process that commands overwhelming cross community support. Nonetheless, so called 'dissident' republican and loyalist groups, with very limited levels of support, remain intent on disrupting the progress which has been achieved. Accordingly, there is a requirement for continued vigilance. There is also the possibility that external events could destabilise the situation within Northern Ireland.

¹⁴ For example, see European Commission (2012) *A blueprint for a deep and genuine economic and monetary union Launching a European Debate*. Com 2012/0777.

Social Risks

(i) Persistence of Structural Unemployment

Unemployment is one of the symptoms of the depth of Ireland's economic recession. Although the unemployment figures have been reducing, they are still too high and there is a fear that some of those who are long-term unemployed may not be able to find work. Although it is the youth unemployment rate which has elicited the most commentary – understandably when it stands at nearly 25% - it is important to remember that people aged 25-44 make up over half of the overall number of unemployed, at just over 130,000.¹⁵

With over 170,000 people on jobseekers' welfare payments for more than 12 months, of whom nearly 100,000 are on the register for more than 3 years, there is a risk that this group may not share in the employment recovery, and that high levels of long-term unemployment will persist for some time. This could have significant consequences for the individuals concerned, their families and their communities, and for increased levels of social spending. For the same reasons, it is important to encourage higher participation rates among those in receipt of other working age social welfare payments and to address the issue of jobless households.

(ii) Implications of demographic change

It is estimated that the over-65 population will increase by nearly 220,000 people over the next decade. An ageing population over the coming decades will require an increased public outlay on pensions (as well as implications for private pension provision), healthcare and long-term care provision. At the same time, the share of the population tasked with financing this increased expenditure is set to contract. This has clear implications for the sustainability of the public finances.¹⁶

(iii) Increases in Chronic Diseases

Chronic diseases are the leading cause of death and morbidity in developed countries. The rise in childhood obesity and other trends can be seen as an indicator of future rises in chronic diseases. It is estimated that three quarters of healthcare expenditure relates to chronic diseases. The economic burden is considerable not only for the health system but also in terms of families and society as a result of reduced income, early retirement, an increased reliance on social care and welfare support and diminished productivity and absenteeism. The World Health Organisation in Europe has estimated that the 10-15% increase in chronic diseases will reduce a country's GDP by an order of 1% over the next decade.

¹⁵ Central Statistics Office (2014) Quarterly National Household Survey, Quarter 4 2013. Available at http://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2013/qnhs_q42013.pdf

¹⁶ Department of Finance (2013) *Irish Stability Programme. April 2013 Update*. Dublin.

(iv) Social Cohesion

It has often been noted that Ireland's reaction to successive budgets delivering fiscal consolidation has not been as polarised as in other countries. One explanation is the tradition of social cohesion that exists in the country, while research has shown the strong influence of social transfers in mitigating the impact on poverty levels. However, there is always the risk that such cohesion could be undercut if inequalities increase in Ireland as economic growth resumes, possibly as a result of changing labour market patterns associated with globalisation and industrial change. Social cohesion also may be threatened by persistent low levels of public trust and confidence in public institutions within Ireland, which have been impacted by the recent crisis.¹⁷

(v) Migration and Integration

Recent years have seen a new wave of emigration from Ireland with the CSO estimating that net outward migration of Irish nationals stands at about 35,000 per annum.¹⁸ Concerns have been expressed that Ireland is losing some of its most dynamic and skilled members of society when it needs them to power its recovery.

A related, but different, issue concerns the integration of migrants who have come to Ireland. Over a generation, Ireland has changed from a largely ethnically homogenous society to a much more multi-ethnic one, a transformation which is reflected in rural as well as urban communities. Census 2011 disclosed that 12% of the population were born outside the State. This has happened in a very short time-scale and without any of the upheaval which has occurred in other countries with such dramatic movements of the population.

The challenge for the future is to ensure that this picture remains a positive one - as a driver of economic activity but equally to ensure that social cohesion is maintained. As the experience in other countries in this respect clearly demonstrates there are major socio-political challenges to achieving this public policy outcome; failure to do is a significant risk.

Technological Risks

(i) Cyber Security

At a national level, there is clear recognition that the internet (broadband) is a key enabling infrastructure for our continued economic growth and prosperity. Being small in size and relatively geographically isolated does not protect Ireland from being a target for cyber-attacks. Traditional motivations for cyber-attacks (ego, financial, ideological or political and state sponsored) remain the same, while the tools utilised to carry out attacks (use of compromised websites, malware, botnets, denial of service) get more sophisticated in line

¹⁷ See Edelman Trust Barometer: Ireland Results at <http://www.edelman.ie/edelman-ireland-trust-barometer-2014/>

¹⁸ Central Statistics Office (2013) *Population and Migration Estimates April 2013*.

with emerging technology. A specific risk for the public service is theft or compromising of data collected by the public service which would reduce confidence in public service administration and the use of technology for public services.

(ii) Pandemics

Pandemics are unpredictable but recurring events that can cause severe social, economic, and political stress. Historical evidence shows us that pandemics have the potential to cause death and illness on a significant scale and to disrupt normal social and economic activity. International exercises and experience indicate that a pandemic has the potential to significantly disrupt economic and social life with the possibility of energy and food supply shortages.

(iii) Nuclear Contamination

The potential contamination of Ireland as a result of fallout from a nuclear accident is a risk albeit one of low probability. Apart from the obvious risks to public health and well-being, the potential for impact on Ireland's agricultural production, particularly reputational risk, is significant. This could arise in the event of consumer resistance to even miniscule levels of radioactivity in the food chain and Ireland's competitors portraying Ireland's food products as unsafe were contamination to occur.

(iv) Technological Change

Given the pace of technological change, it is highly likely that some businesses and products could become obsolete relatively quickly. Given the relatively concentrated nature and structure of the enterprise sector in Ireland, this could pose the risk of an abrupt shock to employment prospects in certain sectors.

(v) Anti-microbial resistance (AMR)

The rise in antimicrobial resistance (AMR) is recognised at global and European levels as one of the greatest potential threats to human and animal health with possible serious consequences for public health, animal welfare and the agriculture and food sectors. The advances achieved as a result of antimicrobial drugs are now seriously jeopardised because of the emergence and spread of resistant strains of microbes against which an increasing number of these types of drugs are ineffective. AMR already represents a significant human health threat and contributes to increased morbidity, mortality and healthcare costs. If AMR continues to rise, it will become increasingly difficult and expensive to control and treat infections in medical care and more difficult to maintain animal health and welfare.

Dealing with Risks

When considering the list of potential risks outlined above, it's important to remember that:

- Risks are inherent to all activities and are faced by all countries, organisations and individuals and cannot be avoided. What matters is that there is an awareness of these risks and this is used to inform intelligent policy-making.
- There are also upside risks, the potential that events will prove more favourable than the central forecast or expectation. These aren't captured in this document, but provide a balance to the risks which are identified here.
- In some cases it can be useful to distinguish between the risk itself and the drivers that may give rise to the occurrence of the risk.

The risks facing Ireland identified above are all being addressed through policies and actions being taken across a range of different Government Departments and Agencies.

For example, the Government Task Force on Emergency Planning, chaired by the Minister for Defence, is the top-level structure which gives policy and direction, and which co-ordinates and oversees the emergency planning activities of all Government departments and public authorities. The Office of Emergency Planning (OEP) supports the Task Force. The OEP refines and develops the arrangements that exist in the relevant lead Government Departments, assists in continuously improving them through review and revision and to generally provide the basis for an increased confidence in the emergency planning process.

In 2012, the OEP produced *A National Risk Assessment for Ireland*. This document catalogues the various hazards which may cause direct harm to members of the community, the environment or to the physical infrastructure, or which may be potentially damaging to the economic and social infrastructure.¹⁹

The OEP's Risk Assessment is mainly about civil emergencies and does not examine some of the risks identified above, mainly those that fall into the economic, social and geo-political categories. However other institutions are now developing capabilities for effectively dealing with some of these kinds of risk.

For example, the Department of Finance has developed a greater focus on strategic objectives and monitoring of the risks to the Irish economy and its sectors. It has enhanced its risk capabilities and embedded a risk management and control culture throughout all areas of activities and its governance structures. There is now systematic consideration of the nature and magnitude of the risks that face the economy as a whole rather than focusing exclusively on risks arising in particular sectors. A risk committee reviews these risks on a regular basis, scores them in terms of their importance and highlights what measures need to be taken to mitigate the risks in question. Specific action plans are put in place, monitored and reported to senior management.

¹⁹ Available at

<http://www.emergencyplanning.ie/media/docs/A%20National%20Risk%20Assessment%20for%20Ireland%20Published.pdf>

The Central Bank's primary focus regarding risks to financial stability is achieving and maintaining the stability of the financial system. The Central Bank is currently developing a macro-prudential framework for Ireland in line with the recommendations of the European Systemic Risk Board and building on the policy and analytical work that is already on-going within the Bank to ensure the stability of the financial system.

Macro-prudential policy tools can be used to address risks to financial stability. The new EU banking legislation introduces a range of these tools across Europe. These include tools such as a range of capital buffers to address both cyclical and structural risk, requirements for large exposures, public disclosure requirements, liquidity requirement and risk weights for targeting asset bubbles in the property sector. The Central Bank is working on developing this toolkit and adapting it for Ireland.

Many other Departments are leading the response to specific risks elaborated in this document. For example, the Department of Communications, Energy and Natural Resources has lead responsibility for dealing with risk to energy supply; the Department of Health leads the cross-departmental response to the issue of chronic diseases; and the Departments of the Taoiseach and Foreign Affairs and Trade have responsibility for leading policy in relation to the European Union and international relations.

Government has also ensured that there are a number of distinct policies that will help to address and mitigate some of the specific risks highlighted in this document. The Action Plan for Jobs, overseen by the Department of Jobs, Enterprise & Innovation and the Department of the Taoiseach, is a key component of the Government's response to the crisis of unemployment and is bearing fruit with a consistently downward trend in the numbers out of work. The Pathways to Work policy recognises that long-term unemployment is a major risk and aims to address both structural unemployment and the skills gap. The National Climate Change Adaptation Framework, introduced by the Department of Environment, Community and Local Government, provides the policy context for a strategic national adaptation response to climate change in Ireland and is designed to help people reduce the disruption to their lives from the impacts of climate change.

Governance of Risk Management

Preparation of this draft National Risk Assessment has raised a number of issues in relation to how Ireland identifies and deals with national risks:

- while there are risk assessment processes and policies in place across Departments and Agencies, including through the Office for Emergency Planning, this is the first time a more broadly-based Assessment has been attempted encompassing the full range of risks;
- preparing a draft National Risk Assessment has itself been a useful process, facilitating discussion which should itself help inform policy development; this reinforces the value of an open and transparent process of identifying risks;

- many risks emerging through the process are, by their nature, cross-cutting and have impacts which go beyond any one sector or policy area; this has implications for how we carry out the risk assessment process and subsequent policy-making;
- while this document is largely concerned with identifying risks, it is important that future work attend to ensuring that nominated risks are adequately addressed. This will have implications for ensuring that there are appropriate institutional processes in place to deal with risks. The absence of such an architecture would itself constitute a risk and requires work be initiated on the governance of risk management (see below).
- the process of identifying and dealing with national risks highlights the need for consistent and good quality data across the public service and for continued development of capacities in analysis and policy-making

Next Steps

The Government has agreed to following next steps in taking forward this process of a National Risk Assessment:

- (i) The draft list of risks identified above is being published for consultation and debate; as part of this, interested parties are invited to make contributions to the Department of the Taoiseach by the 30th June at nra@taoiseach.gov.ie. This will allow the National Risk Assessment, and the list of risks included to be refined and developed.
- (ii) Departments will continue to lead the processes in place for mitigating and/or responding to the risks identified, and if it is considered necessary, the Government will ensure that new processes are established to deal with mitigation of risks which have emerged through the process.
- (iii) To commission a review of governance of risk management across Government to advise on establishing a more systemic approach which can be incorporated into Ireland's National Risk Assessment process. This will inform a more systematic approach to identifying and managing broad risks at a strategic national level as a complement to the work already underway in different Departments\Agencies.
- (iv) Reflecting the importance of continuing to develop our capacities in analysis and policy-making in this context, it is also intended to explore proposals for research to review experiences in comparator countries to establish whether there are any additional structures or procedures which might usefully be considered to further improve the quality of the Irish economic and policy-making process;
- (v) A steering group representative of Government Departments will oversee these next steps and take responsibility for taking forward the National Risk Assessment process on the lines outlined above.

