



Roinn an Taoisigh
Department of the Taoiseach

17 April 2019

Ms Eilis Fallon
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2
D02 XR20

Your Ref : PAC32-I-1386

Dear Ms Fallon,

I refer to your letter dated 5 April seeking information in relation to the whole of government approach to risk assessment.

The National Risk Assessment (NRA) is an annual exercise, which aims to ensure a broad-based and inclusive debate on the strategic risks facing the country. By identifying and debating these risks, the process aims to increase awareness and also provides a framework for Departments to consider mitigation actions and plans.

The NRA process for 2018 followed the approach developed since the first report was published in 2014. The Department of the Taoiseach worked with a cross-departmental steering group, including nominated representatives from all government Departments and including the Central Bank, the NTMA, the Revenue Commissioners and the OPW, to co-ordinate whole of government input into the Draft Report.

The initial Draft Report also reflected feedback from an open policy debate in April involving representatives from business, media, research and education institutions, civil society groups and the public sector. Following approval by the Government, the draft was laid before the Oireachtas and published for public consultation in May. During the consultation over 70 submissions were received, leading to some significant changes and updates to the narrative of the report. The final Report was published in July last year, was laid before the Oireachtas as per previous years and a copy was sent to you with my last correspondence.

As mentioned, the National Risk Assessment aims to provide a forum for Departments, and other stakeholders, to identify and consider strategic risks facing the country. In terms of whole of government risk management, the Department of the Taoiseach is responsible for the co-ordination of the report, thereby ensuring an annual horizon-scanning exercise is carried out.

The Table of Risks for 2018 (copy attached) underlines the multifaceted nature of the risks and their inter-connectivity spanning right across the whole of Government. I have also attached an overview of these risks, included in the introductory section of the 2018 Report, to provide a quick synopsis of these risks. The risks arising from Brexit have developed significantly and remain very prominent, while other risks include international uncertainty on tax and trade, climate change, access to a secure energy supply, and limits in our capacity to develop new infrastructure and skills. The risks also span the social sphere including risks linked to our ageing population and technological risks including growing concerns relating to cyber security.

The National Risk Assessment does not prescribe mitigation measures. Each Department is responsible for the risks that fall under their remit and the development of mitigation measures including appropriate policy responses.

New risks which were included in the 2018 Report were “Overheating in the Economy” and “Impact of Social Media on Public Debate”. “Overheating in the Economy” reflects the risk of growth rates continuing on their present trajectory and the economy potentially approaching its capacity limits, with related risks around the under-supply and lack of affordability of housing and risks to our competitiveness, as well as a tightening of the labour market, and infrastructure constraints. “Impact of Social Media on Public Debate” highlights the risks related to the lack of oversight of both social media users and their data.

The 2018 Report also included a “look back” piece, reflecting on the past four reports, since the first report was published in 2014.

I trust this information is helpful to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Fraser', written over a horizontal line.

Martin Fraser

Secretary General

*National Risk Assessment – Overview of Strategic Risks 2018***Overview of strategic risks for Ireland in 2018**

The national risk landscape has seen some significant changes since last year's report, with developments such as the departure of the UK from the European Union progressing and evolving, and implications of issues such as climate change continuing to evolve in terms of interpretation and preparations. The pace of technological developments means that this is a risk category which needs to be monitored closely, while infrastructure constraints, including implementation of newly-announced plans, and housing supply and affordability issues remain relevant, but evolving concerns.

One of the insights that emerged from this year's Open Policy Debate was around the tendency for longer-term risks to be discounted, for example climate change, funding for pensions, and the provision of critical infrastructure, and the associated risks of such cultural and societal behaviour and norms. It was felt that there is a need for greater awareness and understanding around these risks across both society, and the public sector, in order to motivate short-term actions towards gains which may not be seen until the medium, or longer-term.

A key aspect that is reflected in this year's report (and over previous years) is the multi-faceted nature of many of the risks discussed, and the inter-connections between these risks. The risks identified below are categorised, following the World Economic Forum approach, and for ease of consideration. However, given the potential for them to interact with each other in both predictable and unpredictable ways, this could be seen as somewhat limited and limiting. Environmental or health risks, for example, can have severe economic or social consequences, and risks around cyber security can pose threats across all five of the risk categories outlined here. A serious terrorist incident could have implications for revenue from tourism. Likewise, there are clearly both economic and social aspects and risks to the supply and affordability issues around the housing sector, as well as to infrastructure constraints, in addition to environmental aspects.

In particular, Brexit is an overarching risk which amplifies many of the individual risks listed. All risks should therefore be considered as part of the same multi-faceted environment and taken in the round, rather than in isolation.

Geopolitical risks

Given our position as a small, open economy, Ireland is extremely vulnerable to geopolitical changes and as such, careful vigilance is required in identifying potential risks from external sources at an early stage. Ireland's close trading relationships with countries such as the US and the UK mean that we are particularly at risk of negative consequences stemming from developments in, or affecting, those countries. While such developments are largely outside of our control, it is important to be as prepared, and aware, as possible.

Since last year's National Risk Assessment was published, the risks for Ireland emerging from both Brexit, and policy changes in the US have continued to intensify.

In terms of Brexit, intensive and sustained engagement at an EU level has taken place over the past year which has ensured that Ireland's unique issues and concerns have been fully understood by the EU27 and have been to the fore of the EU's negotiating approach to date. There is wide support for the position that nothing is agreed until everything is agreed, including on the backstop and the other Irish issues. Analysis and research has continued to improve our understanding of the trade and other risks for Ireland potentially arising from Brexit. Research commissioned by the Department of Business, Enterprise and Innovation found that while the Irish economy is expected to grow out to 2030, Brexit produces a dampening effect in all scenarios. New Brexit-related concerns raised through this year's process relate to potential specific risks around judicial cooperation and law enforcement.

Developments in US trade policy, in particular an increased emphasis on protectionist policies, and the growing threat of a global trade war, have given rise to a further intensification of risks around geopolitical stability. As the US is Ireland's largest trading partner and export market, the risks for the Irish economy are therefore significant.

In addition, the stability and future direction of the EU is an ongoing concern, with a continued rise in populism noted in countries like Austria and Italy, and significant amounts of debt remaining in some EU economies, including Ireland, with related risks around the sustainability of the euro zone.

Economic risks

While the Irish economy continues to perform strongly, there are a number of factors that present significant risks. Ireland is highly exposed to changes in global economic and trading conditions and significant movements in major exchange rates, particularly in terms of its trade performance. While many of Brexit's economic impacts will not emerge until after the UK's exit, Brexit's contribution to sterling's devaluation and heightened volatility is already creating challenges for exporters. And while Irish importers may have benefited from currency fluctuations to date, their future exposure is significant. The specific Brexit-related risks for vulnerable sectors of the economy is also discussed, with the agri-food, pharma-chem, manufacturing, printing, and services sectors highlighted as those likely to be most affected.

As mentioned in the geopolitical context above, concerns that the US is pulling back from globalisation and free trade and implementing a more protectionist trade policy approach are becoming more pronounced. The past year has seen the current US administration's withdrawal from numerous international agreements, as well as the introduction of new import tariffs. Tariffs on both Chinese and EU imports were met with retaliatory tariffs, further raising concerns of a potential trade war, with global ramifications.

On the domestic front, this year's Report discusses the risk of overheating in the economy if growth rates continue on the present trajectory and the economy potentially approaches its capacity limits. This is identified as a new economic risk this year, and is linked to risks around the under-supply and lack of affordability of housing (discussed in the Environmental risk category), related risks to our competitiveness, as well as a tightening of the labour market, and infrastructure constraints.

Concerns around international tax changes, which could have potentially negative impacts on foreign investment in Ireland, also continue. In addition, as in previous Reports, it is noted that Ireland's economy and employment is heavily influenced by a relatively small number of multinational corporations (MNCs), concentrated in a few enterprise sectors, and the potential risks around this are discussed in Chapter 2.

Social risks

A new social risk that has emerged since the publication of the 2017 National Risk Assessment is around the influence of social media on public debate, with emerging concerns around the accessing and use of personal data by third parties. This is particularly pertinent in light of ongoing investigations in the US and the UK around election manipulation. This risk was of particular importance in the context of the referendum on the Eighth Amendment in Ireland. Questions are also raised in this year's report around the sustainability of traditional media, both in Ireland and globally.

The report also sees a new amalgamated risk encompassing risks around *An Ageing Population including pensions and health system challenges*. This reflects the challenges that come with an ageing population, on top of existing health system and pensions capacity issues in an Irish context. Expectations around public expenditure continue to be a concern as the economic recovery continues and expectations increase for additional resources to be made available for a wider range of social priorities. Risks around human capital and skills needs remain, with this year's report noting concerns around the static participation rate, as well as the need for the education and training system to ensure it is responding to both current and future skills needs, for both new and existing labour market participants. In addition, it is noted that supply issues regarding housing, healthcare and childcare could undermine the attractiveness of Ireland as a place to live and work, leading to difficulties in attracting valuable foreign talent, and returning emigrants.

Inequality, particularly in relation to income, remains a concern in this year's report. The link between income inequality and the rise of populism and erosion of public trust remains relevant. A related risk discussed in this year's report is the concern around 'fake news' or disinformation, and implications for public trust in institutions.

Risks around large-scale migration at the EU level continue to be relevant, with new potential migration-related risks discussed in the context of Brexit. In addition, while the, relatively recent, increase in Ireland's immigrant population has happened without any of the social upheaval experienced in other countries, the need to maintain this level of social cohesion as further generations of migrant communities emerge is noted. International examples point to potential negative consequences if this is not achieved.

Environmental risks

Housing continues to present a significant challenge for Ireland, both in terms of meeting the current demand, as well as a growing concern around the affordability of housing, in particular in urban areas. This risk also has social risks, as well as economic implications for Ireland's competitiveness and ability to attract foreign direct investment (FDI).

Similarly, risks around infrastructure constraints persist, and could impede Ireland's ability to attract labour and investment. This risk is related to the risk of overheating in the economy, discussed under Economic risks, and related risks to Ireland's competitiveness, and value for money in terms of State capital investment. Risks around capacity constraints which could prove challenging for the full implementation of the Government's National Planning Framework (NPF) and National Development Plan (NDP) (Project Ireland 2040) are apparent particularly in terms of both institutional capacity, and capacity in the economy including skills constraints (particularly in the construction sector). In addition, the risks around public opposition are discussed. These challenges could hinder the implementation and delivery of projects under the NPF and NDP, with the associated risk of contributing to price inflation if these constraints are not alleviated in order to ensure infrastructure constraints are addressed in a sustainable way.

The risks around climate change & biodiversity continue to be developed in this year's Report. In addition to ongoing concerns around the erosion of Ireland's biodiversity, there are significant risks for Ireland in terms of failing to implement appropriate policies and provide the long term pricing signals to encourage investment and behavioural change. These are the necessary core elements if Ireland is to meet both international climate change targets and begin the process of transitioning to a decarbonised economy. The report also notes the need to define our approach to carbon neutrality for agriculture in a way that supports the achievement of our climate targets and decarbonisation goals; and to make investments to develop new and innovative economic opportunities, for example in the bioeconomy.

Climate change and the need for a secure and diverse energy supply both present significant challenges for Ireland in terms of achieving national and international targets, mitigating our emissions and adapting to the effects of a changing climate. The cost of delayed action is

discussed as a major factor in this risk, including the non-compliance charges and loss of economic development opportunities. Given the high percentage of energy imported from the UK, and Brexit-related implications, investment in climate change mitigation will be vital in reducing Ireland's reliance on these imported energy supplies.

Technological risks

Under the Technological risks category, cyber security is discussed as a major concern, with potential risks from a disruption to critical information networks remaining significant. The risk of job loss through automation continues to feature as a disruptive technology trend. This risk intersects with the *Human Capital and Skills Needs* risk under the Social category, in that significant re-skilling will be required to adapt to technological changes and take advantage of new job opportunities that arise, with related capacity and forward-planning demands for the education and training systems.

In addition, contamination as a result of fallout from a nuclear accident remains a risk, with obvious risks to public health and well-being arising, as well as the potential for negative economic impact for Ireland in the case of such an event occurring.

*National Risk Assessment – Overview of Strategic Risks 2018***TABLE OF RISKS 2018**

Strategic Geopolitical Risks	
GEOPOLITICAL	Departure of the UK from the EU
	Instability in Northern Ireland
	Future direction and stability of the EU
	Changing distribution of global influence and move away from a rules-based system
	Terrorist incidents and armed conflicts
Strategic Economic Risks	
ECONOMIC	Overheating in the Economy
	Changes to international trading environment
	International Tax changes
	Impact of Brexit on vulnerable sectors of economy
	Reliance on multinational corporations' and sectoral concentration
Strategic Social Risks	
SOCIAL	Human capital and skills needs
	An Ageing Population including pensions and health system challenges
	Expectations for Public Expenditure
	Social cohesion and political stability
	Migration and integration
	Impact of Social Media on public debate
Strategic Environmental Risks	
ENVIRONMENTAL	Climate Change & Biodiversity
	Ensuring an affordable, sustainable and diverse energy supply
	Infrastructure constraints
	Food safety and Animal disease
	Supply and Affordability of Housing
Strategic Technological Risks	
TECHNOLOGICAL	Cyber security
	Disruptive technology trends
	Anti-Microbial Resistance
	Nuclear contamination