

RESILIENCE IN THE GCC



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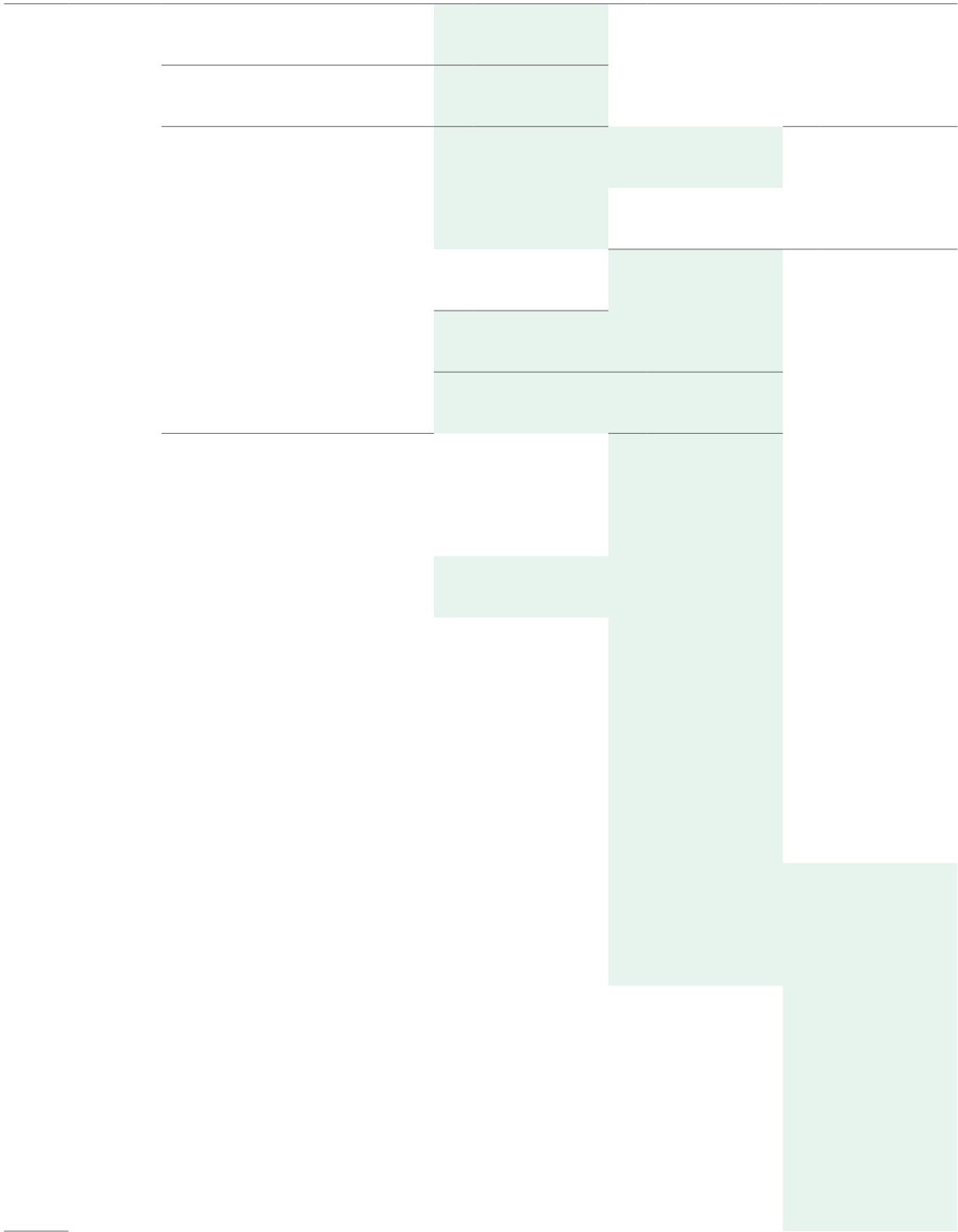


SUMMARY

Gulf Cooperation Council (GCC) countries experience an extraordinary array of risks that not only have the potential to disrupt societal wellbeing and economic activity today, but may also threaten the success of major economic transformations underway in the region. National leaders increasingly recognize the role that strong risk governance can play in building resilience, but this understanding needs to be turned into clear programs of action, involving government

RISKS AND EXPOSURES

Exhibit 1: Global and region-specific risks faced by Gulf countries – examples



THE MULTIFACETED RISK LANDSCAPE

Due to their pivotal location in the world, the harshness of the climate, and complex demographics, Gulf countries face an array of complex risks (see Exhibit 1). These include natural hazards (such as tropical cyclones), human-induced accidental risks (such as groundwater contamination), and malicious human action (such as terrorism). While some of these risks manifest themselves via sudden incidents, others can be characterized by their slow-burn escalation.

Resource risks are felt particularly keenly, due to rapidly-rising demand for energy, food, and water in GCC states. First, growing domestic energy requirements may well undermine the potential for oil exports over time. Second, the region is highly dependent on food imports and also home to three major choke points – the Suez Canal, the Bab-El-Mandeb Strait, and the Strait of Hormuz – through which one-third of the GCC’s basic foodstuffs must pass.

Water constraints present a third strategic challenge. On the one hand, water depletion in countries currently exporting food to the Gulf raises questions about their sustainability as a supply source over the long term; on the other, without major water-usage efficiency gains, depletion of assets within the Gulf itself are a major concern. Groundwater reserves have been significantly reduced following years of misguided agricultural

practices, and the threat of groundwater contamination is ever present due to environmental misuse. Desalination, once presented as a future-proof solution, faces challenges of its own, with rising saline levels in the Gulf threatening to reduce desalination efficiency.

Health risks are also notable. Antimicrobial resistance, for example, is developing faster in Gulf countries due to over-prescription by zealous doctors, self-medication facilitated by over-the-counter antibiotic availability, and treatments where the required course of medicine is not completed.

Malicious threats remain equally prominent, driven by political instability in neighboring countries, as well as other socio-economic factors. Low levels of terrorism activity exist, but those are dwarfed by the cyberattacks targeting government and private sector organizations in some states.

The increased movement of people between geographies, uneven levels of awareness and education, and entrenched behaviors are accelerating the spread of risks that might otherwise be contained. Moreover, the historical links between resource insecurity (primarily food scarcity) and political/societal instability are a stark reminder of the potential for risks to cross boundaries between economic and societal domains.

THE RISK MULTIPLIER OF SOCIO-ECONOMIC TRANSFORMATIONS

While some Gulf petro-monarchies presciently realized in the early 2000s that their economic dependency on oil was unsustainable, the global recession of 2008 and the rout in oil prices in mid-2014 catalyzed their launch of far-ranging national economic transformation programs (see Exhibit 2). Qatar and Bahrain launched their “Vision 2030” and “Vision 2035” in 2008, followed by the UAE in 2010 with its “Vision 2021”. Saudi Arabia and Kuwait subsequently launched their own programs, “Vision 2030” and “New Kuwait 2035”, in 2016-17.

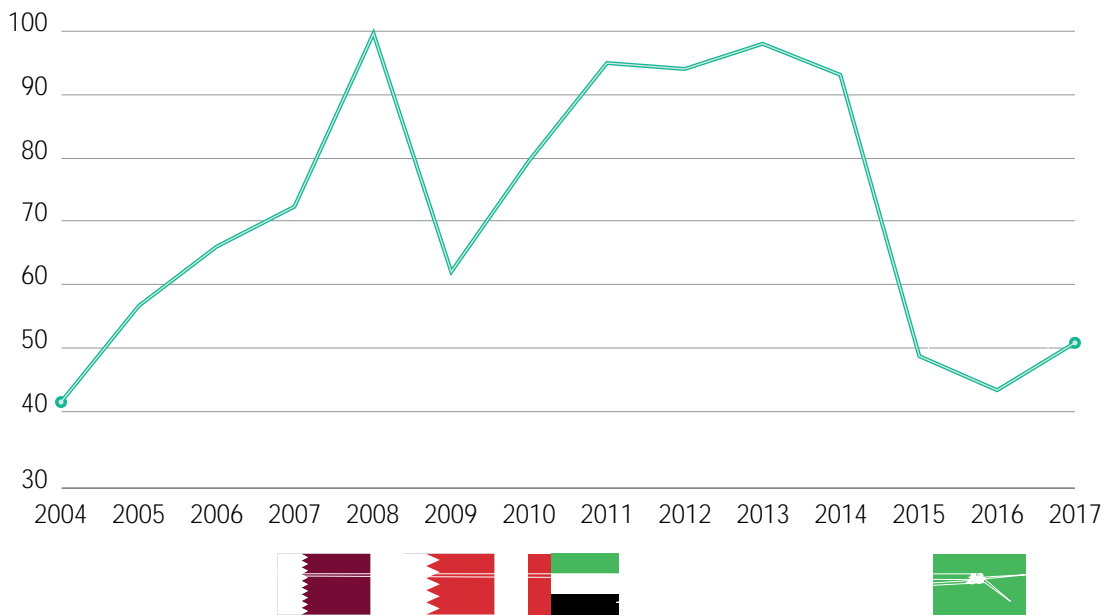
The success of these programs is critical to these countries’ long-term sustainability. The programs have, however, created new societal risks, through their attempts to rein in government expenditure. Energy subsidies, for instance, long considered to be the birthright of citizens, have been significantly reduced in the UAE, Oman, Kuwait, and Saudi Arabia in recent years. While the introduction of programs such as Saudi Arabia’s Citizen’s Accounts has, to some extent, compensated less well-off families for higher energy prices, this has not been

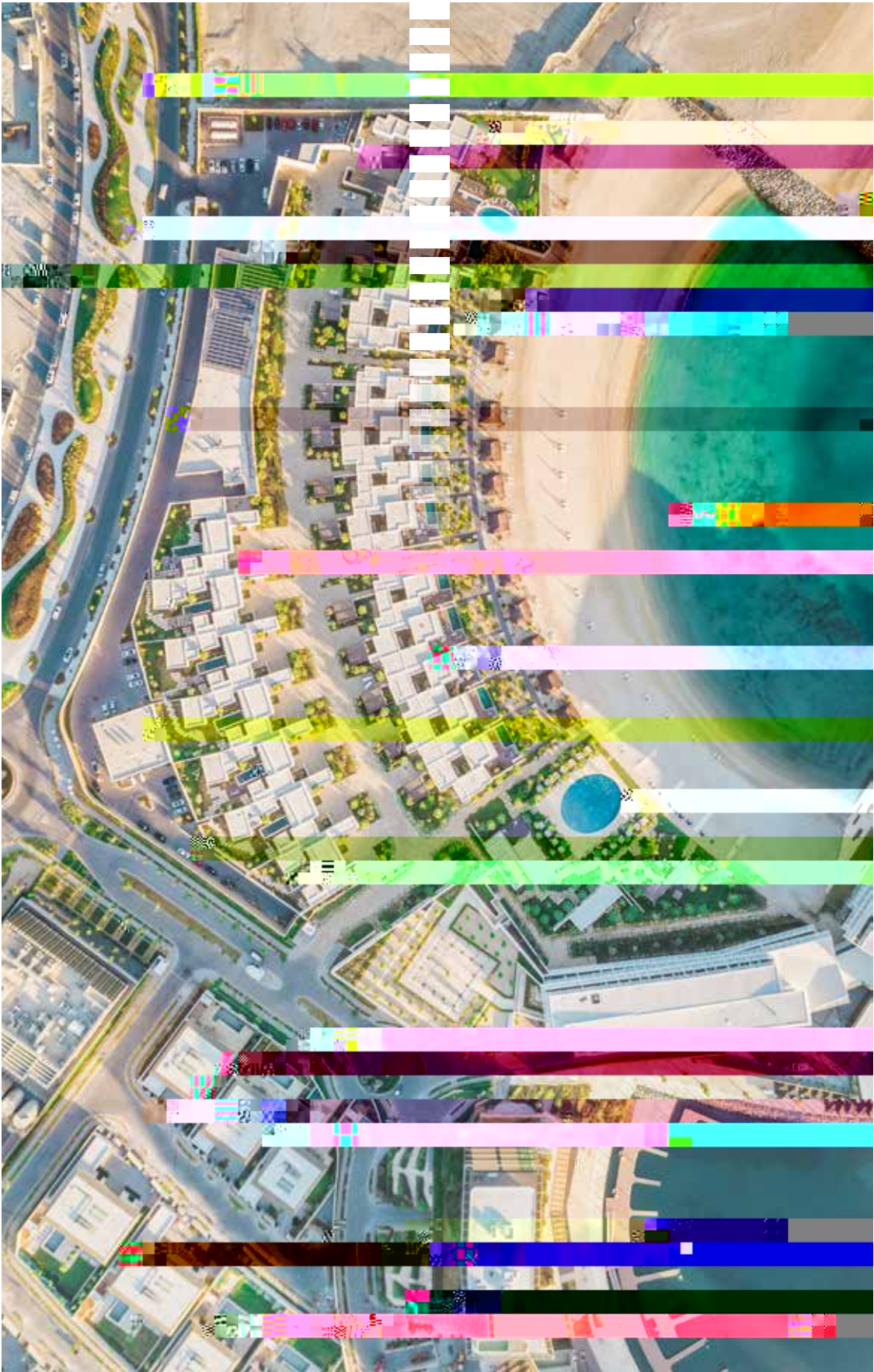
the case with public sector pay reform. In 2016, a three-day strike by workers of the Kuwait Petroleum Corporation took more than one million barrels per day off the market, representing more than a third of production. It does not take much imagination to envisage how such situations could be exploited by malicious actors with political agendas.

Without key institutional mechanisms to mitigate and prepare for such risks, there is a higher likelihood that catastrophic incidents will take place and that otherwise manageable events

will get out of control. Given the pace of change, complacency and slow progress are not options. Strong risk governance is an essential building block in the edifice of government, demonstrating through both actions and perceptions that national leaders are acting in their citizens' best interests. Moreover, displaying an awareness of key risks, and developing programs and capabilities to mitigate them, can nurture the confidence of current and prospective investors (domestic or foreign), as well as directly contributing to national resilience.

Exhibit 2: Launch of national economic visions and oil price evolution











THEORY AND PRACTICE OF COUNTRY RISK GOVERNANCE IN THE GULF

National risk governance requires an extensive effort to identify, assess, mitigate, and prepare for all risks, irrespective of their

Traditional national security issues in the Gulf have dominated the risk discourse in the region. This is reflected not only in the focus of national security structures of states, but also in the absence of more broadly conceived risk management arrangements. When it comes to non-security risks (such as ones that are not driven by defense, intelligence, or politically motivated threats), most states remain anchored to the relief-centric model. While some have begun to institute a broader approach

to governance, progress has been uneven. Moreover, the large role played by the public sector in Gulf countries, whether as the prime employer of citizens or as the owner and operator of public infrastructure, has led to bureaucratic inefficiencies. These are often instigated by hierarchical constraints that impede fast decision making and provide for lower transparency than exists in Western countries.

Exhibit 3: Gulf countries' institutional structures for risk and emergency management

COUNTRY	STRUCTURE	COMPOSITION AND GOVERNANCE	RESPONSIBILITIES
BAHRAIN 	<ul style="list-style-type: none"> National Committee for Disaster Management (NCDM)* National Emergency Control Center (NECC) 	<ul style="list-style-type: none"> Inter-ministerial committee, headed by Chief of Public Security Reporting to Minister of Interior 	<ul style="list-style-type: none"> Coordinating observation, prevention/mitigation and preparedness Coordinating response to emergencies (NECC)
KUWAIT 	<ul style="list-style-type: none"> High Committee of Civil Defense (HCCD) Higher Emergency Committee (HEC) 	<ul style="list-style-type: none"> Inter-ministerial committees, chaired by Deputy Interior Minister (HCCD) and Interior Minister (HEC) 	<ul style="list-style-type: none"> Coordinating preparedness Coordinating response to emergencies (HEC)
OMAN 	<ul style="list-style-type: none"> National Committee for Civil Defense (NCCD)* National Disaster Management Center (NDMC, within NCCD) 	<ul style="list-style-type: none"> Inter-ministerial committee, chaired by Royal Omani Police Inspector General Reporting to Sultan 	<ul style="list-style-type: none"> Conducting observation, prevention/mitigation, preparedness Coordinating response to emergencies (NDMC)
SAUDI ARABIA 	<ul style="list-style-type: none"> Permanent Emergency Committee (PEC) National Command Center (NCC, within MOI) 	<ul style="list-style-type: none"> Inter-ministerial committee, headed by Director General of Public Security (Interior Ministry) Reporting to Minister of Interior 	<ul style="list-style-type: none"> Coordinating preparedness in the form of emergency plans Coordinating response to emergencies (NCC) – but more of a dispatch center
UNITED ARAB EMIRATES 	<ul style="list-style-type: none"> A dedicated risk management entity is understood to be considered Civil Defense Committee (CDC within MOI) 	<ul style="list-style-type: none"> N/A CDC inter-ministerial committee 	<ul style="list-style-type: none"> Conducting observation, prevention mitigation, preparedness Coordinating response (NCSO) – but more of a dispatch center
QATAR 	<ul style="list-style-type: none"> National Crisis and Emergency Management Agency (NCEMA)* National Operations Center (NOC - within NCEMA) 	<ul style="list-style-type: none"> Chaired by National Security Adviser; under jurisdiction of Supreme Council for National Security Reporting to President 	<ul style="list-style-type: none"> Coordinating observation, prevention/mitigation, preparedness Coordinating response to emergencies (NOC)

Source: Oliver Wyman. * signifies a dedicated entity.

Exhibit 3 provides a high-level view of the risk and emergency coordination institutions in Gulf states. This yields three main observations:

1. Risk and emergency management remains the prerogative of the Ministry of Interior in most countries (Bahrain, Kuwait, Oman, and Qatar). Due to the Ministries' original mandates focusing on "traditional" security risks, this tends to skew the focus away from a comprehensive view of risks at the highest level of government.
2. Despite their name, risk and emergency management committees vary in levels of capability. In Qatar and Kuwait, they are simply inter-ministerial committees; in Oman and Bahrain (as well as in Saudi Arabia and the UAE), they are dedicated entities with staff. The UAE model allows for in-house subject-matter experts and the continuous support and monitoring of resilience-building measures across stakeholders.
3. Emergency response coordination is linked to the broader risk management structure only in the UAE, Oman, and Bahrain. Other countries are therefore unable to leverage the relationships and knowledge built in times of peace (risk management) during times of crisis (emergency management).

The United Arab Emirates' dedicated risk management entity, which hosts an emergency response coordination center and is overseen by the highest inter-ministerial council in the country, makes for a winning combination in the region in terms of institutional maturity for resilience. The National Crisis and Emergency Management Agency (NCEMA) is governed by the Supreme Council for National Security, which plans and implements the country's overarching national security framework and is chaired by the UAE President.

Qatar and Oman have been conducting comprehensive national risk assessments and complex scenario-planning exercises; both have launched National Resilience Programs. In Oman, the National Committee for Civil Defense (NCCD) is responsible for building the national risk register, which covers cyclones and floods, earthquakes and tsunamis, and industrial, transport, climate, and health risks. It coordinates 18 ministries, the armed forces, and police and civil defense bodies. Guiding the efforts of a National Emergency Management Center that reports to it, it is chaired by the Inspector General of the Royal Omani Police (who reports to the Sultan).

Recognizing the importance of mitigating national risks through multi-stakeholder coordination, Saudi Arabia is expected to establish a national risk unit in due course. Kuwait stands at the lower end of the spectrum, having a largely reactive, or relief-centric, approach. It has nonetheless expressed its intention to implement the recommendations under the Sendai framework through its Fire Services Directorate.



A. DEDICATED AND STAND ALONE RISK MANAGEMENT UNITS

The primary role of risk management units is to coordinate resilience-building efforts across government. They may also engage with the business sector at a high-level and have an advocacy function across society more generally. One key activity is the development of a National Risk Assessment involving subject-matter experts, which can enable governments to understand the risk landscape and appreciate the potential damage from individual risks and knock-on effects.



ABOUT THE GLOBAL RISK CENTER

Marsh & McLennan Companies' Global Risk Center addresses the most critical challenges facing enterprise and societies around the world. The center draws on the resources of Marsh, Guy Carpenter, Mercer, and Oliver Wyman – and independent research partners worldwide – to provide the best consolidated thinking on these transcendent threats. We bring together leaders from industry, government, non-governmental organizations, and the academic sphere to explore new approaches to problems that require shared solutions across businesses and borders. Our Asia Pacific Risk Center in Singapore studies issues endemic to the region and applies an Asian lens to global risks. Our digital news services, BRINK and BRINK Asia, aggregate timely perspectives on risk and resilience by and for thought leaders worldwide.

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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