



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO  
MINISTRY OF TRADE AND INDUSTRY

# *2nd Annual Caribbean Risk Management Conference*

**THE TRINIDAD AND TOBAGO RISK  
MANAGEMENT INSTITUTE (TTRMI)**

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OPENING REMARKS

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RADISSON HOTEL

Good morning to you all!

Thank you for inviting me to share some thoughts at this Annual Caribbean Risk Management Conference. The practice of risk management has been around for a long time, having started after World War II when it became associated with the use of market insurance to protect individuals and companies from various losses associated with accidents. Later, during the 1970s, the use of derivatives as risk management instruments arose as companies intensified their financial risk management systems. International risk regulation began in the 1980s and financial firms developed internal risk management models and capital calculation formulas to hedge against unanticipated risks. During the 1990s and 2000s early governance of risk management became essential, so much so that many private sector organisations included the position of chief risk officer among their ranks.

Despite its origins in the private sector, the practice of risk management is an indispensable tool for driving innovation, creating value and managing uncertainty in the public sector. The fundamental nature and consequences of risk apply equally to for-profit and not-for-profit organisations—risk in for-profit organisations is usually formalized as the uncertainty of financial returns, while in not-for-profit organisations, risk is usually formalized as uncertainty in achieving the organisation's stated quality objectives.

Risks, generally speaking, can be categorized as Strategic, Operational, Reporting or Compliance risks, all of which are unique and require specific tools and expertise to mitigate. In the case of the government, strategic risks are of the utmost importance and include economic, political and organisational risks.

## **RISK MANAGEMENT IN THE PUBLIC SECTOR**

The direct benefits of strengthening public-sector risk management align with this Government's goals of minimizing waste, eliminating fraud and mismanagement, as well as maximizing the chances of economic growth, greater diversification and increased investment, which are core objectives of the Ministry of Trade and Industry. Given the economic risks associated with lower energy prices and reduced government revenues, there is an urgent need to utilize the available tools needed to manage such risks. In other words, risk management protects and creates value – value that can allow the Public Sector to develop the right policies, focus on the right sectors and markets, and attract the right types of sustainable investment, that benefit all citizens.

Despite the best of intentions and an obvious benefit to practicing risk management, it is often more difficult for public-sector institutions than for companies as a result of:

- frequent leadership changes among the top managers in the public service
- managers who lack knowledge of risk management and business
- separation of operating budgets from program budgets
- lack of clear risk metrics
- complex procedural requirements

I will now describe a few examples of how the Government, the Ministry and some of its Agencies practice risk management despite the many difficulties in effectively doing so within the public sector.

## **PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)**

The practice of risk management as it relates to projects under the Public Sector Investment Programme (PSIP) is given significant consideration by the GORTT and by extension the Ministry of Trade and Industry and its implementing agencies. Specifically, all projects at the design stage must include a risk matrix and risk management plan. The Ministry strictly adheres to these requirements in its review of all project proposals, not simply because it is government policy, but because we have learnt the

value and importance of such an exercise in choosing the best projects given the internal and external environments, available resources, and how current and future events can impact on the viability of project success.

## **BUSINESS CONTINUITY MANAGEMENT**

Another example of Risk Management in the Public Sector is that of Business Continuity Management (BCM). BCM is a management process that identifies potential impacts that threaten an organization and provides a framework for building resilience and the capability for an effective response to safeguard the interest of its key stakeholders, reputation, brand and value creating activities. As an objective to establish standard BCM capacity and practice in the Public Service, all Ministries and Departments are required to develop Business Continuity Plans (BCPs) and Disaster Recovery Plans (DRPs) for their operations.

The BCM project has highlighted the vulnerabilities within the Ministry of Trade and Industry, and has provided clarity with respect to our critical business processes, the resources that we would require in the event of a business interruption and the human resources required to carry out these functions. The MTI has gained the benefit of developing strategies for the Trade Licence Unit (located in Barataria) and its main building (Nicholas Tower, Port of Spain) as well as a master strategy should these two locations be affected. Our Command Recovery Team, Core Team and Divisional Teams have been given clear directions on what needs to be done and templates to assist them, in mitigating risks (primarily environmental risks) and ensuring that systems are in place to allow for the running of critical activities and services provided by the Ministry.

## **RISKS IN TRADE**

Developing mature risk management processes within the public and private sectors is of particular importance to this Government, and in particular the Ministry of Trade and Industry, as our economy creates interdependencies with our trading partners at the regional and global level, as we operate and compete in an increasingly inter-connected world. Foreign trade comes with opportunities and risks. Small and medium-sized companies develop foreign markets mainly with an eye to the opportunities and engage in only limited management of the associated risks. They justify this by having neither the necessary resources nor the experience required to do this. Success with foreign trade doesn't come as a matter of course – it is generally the fruit of hard work. This makes it all the more important to take the right steps to achieve these successes in the first place.

On the other hand, high volumes of trade, complicated structures of global supply chains, advances in criminal activities, and fear of terrorism have set challenges for governments worldwide. One commonly adopted approach to deal with these challenges is the exploitation of risk management principles and practices in the trade process. In this regard, this Government has recently approved a new investment loan to strengthen the country's Single Electronic Window for Trade and Business Facilitation. One of the distinct activities of the loan will include the procurement and installation of an advanced risk management system for the Customs and Excise Division and the regulatory agencies involved in trade, which we expect will lead to enhanced operational efficiencies thereby improving the local trade and business facilitation environment.

## **RISKS IN INVESTMENT**

Attracting the right investor and investment is key to sustainable development, especially in the Ministry's efforts to do so in the non-energy sector. InvesTT conducts extensive research on incoming investors using enterprise level tools and in-depth desktop research. For the sourcing of investors, FDI Markets, an online database that is updated daily, highlights investors who have indicated via recognised

media internationally or in regional markets that they have a propensity to invest in the near future either into our specific region or internationally.

For all incoming investors, a due diligence is done that includes pulling a report from Moody's and/ or Hoover's, which are internationally reputed rating and tracking agencies. Where information is not available from those sources, an internet search is supplemented by engagements with our missions abroad who are able to partner with Chambers and other associations in the target country to derive any data available on the investor.

InvesTT also maintains a list of investors who have failed due diligence and share that list with other investment related agencies in Trinidad and Tobago as well as with the Caribbean Association of Investment Promotion Agencies to prevent them from trying to circumvent their failed due diligence.

## **THE FUTURE**

This Government is well aware that not only is it affected by risk, but can in turn affect risk through its policy decisions and record of transparency and implementation. In other words, a nation's stability is determined by two things: the political leadership's capacity to implement the policies they want even amidst shocks and their ability to avoid generating shocks of their own. A country with both capabilities will always be more stable than a country with just one. Countries with neither are the most vulnerable to political risk. I would like to reassure everyone that this People's National Movement government is actively managing the present economic and social risks in such a way that the negative effects to the citizens and the private sector are minimized, especially the most vulnerable in our society, as well as implementing policies that raise the profile of Trinidad and Tobago, attract investors, promote entrepreneurship and job creation.

## **CONCLUSION**

By its nature, risk management comes under scrutiny only when it fails. The consequences of faulty risk management are newsworthy, but the daily successes of robust risk management are not—thus making it difficult for risk management to be given the prominence it deserves. While such efforts are important steps in the right direction, much work remains to ensure long-lasting and robust risk management in public-sector institutions. The task is arguably harder in the public sector than it is in the private sector. However, I am confident that with the continued efforts of the Trinidad and Tobago Risk Management Institute to promote the development of a risk management culture locally and share applicable and practical methods of doing so. In this regard, the local public sector will be able to not only mitigate risk, but raise its productivity, increase its innovativeness and become a paragon of efficiency and success.

Before I end, I would like to remind you all here today that risk management is much more than avoiding the negative. As Norman Marks (your feature speaker today) so succinctly and insightfully put it: "Truly effective risk management is about making the right decisions every day, and optimizing outcomes in the face of uncertainty about what might happen. How confident are you that people are making intelligent, informed decisions that consider what might happen in the future—not only what might go wrong, but what needs to go right—and how that decision might affect achieving the objectives of the enterprise?"

Think about that. We need to change how we perceive risk management and we need to act upon it now. Given our current realities, we do not have the luxury of choice. The biggest risk of all is not taking action.

I thank you.