briefing note 435 Feb. 2021

Global Risks 2021 briefing

Paul Somerville, Risk Frontiers

The World Economic Forum released its 16th edition of the Global Risks Report. This briefing summarises the main findings, concentrating on changes in perceived risks that have occurred in the past year. The main High Impact and High Likelihood Risks in 2021 are in two categories:

- Societal: Infectious Diseases (new high ranking)
- Environmental: Climate Action Failure, Biodiversity Loss, Human Environmental Damage, Natural Resource Crises, Extreme Weather (all are continuations of previous high ranking).

In the Technological category, there are two new risks that displace Cyberattacks and Data Fraud or Theft that were high in the past four years:

- "Digital Power Concentration, defined as 'Concentration of critical digital assets, capabilities and/or knowledge by a reduced number of individuals, businesses or states, resulting in discretionary pricing mechanisms, lack of impartial oversight, unequal private and/or public access etc.'
- "Digital Inequality, defined as 'Fractured and/or unequal access to critical digital networks and technology, between and within countries, as a result of unequal investment capabilities, lack of necessary skills in the workforce, insufficient purchase power, government restrictions and/or cultural differences.'

Regarding risk communication and combating misinformation, the report concludes that:

- "There is huge scope to enhance self-organized resilience at the community and national levels. For example, more can be done to understand—and therefore tackle—biases at the individual level regarding spread of misinformation. Better coordination among private sector technology companies and government can help to alert users to misinformation."

Among the highest likelihood risks of the next ten years are extreme weather, climate action failure and human-led environmental damage; as well as digital power concentration, digital inequality and cybersecurity failure. Among the highest impact risks of the next decade, infectious diseases are in top place, followed by climate action failure and other environmental risks; as well as weapons of mass destruction, livelihood crises, debt crises and IT infrastructure breakdown.

Climate change continues to be perceived as a catastrophic risk. Although pandemic lockdowns worldwide caused global emissions to fall in the first half of 2020, the experience of the 2008–2009 Financial Crisis indicates that emissions could bounce back. It is asserted that a shift towards greener economies cannot be delayed until the shocks of the pandemic subside. "Climate action failure" is the most impactful and second most likely long-term identified risk.

In the 5-10 year horizon, environmental risks such as biodiversity loss, natural resource crises and climate action failure dominate; alongside weapons of mass destruction, adverse effects of technology and collapse of states or multilateral institutions.

The top ten risks by Likelihood and Impact in five risk categories are summarized in the table below.

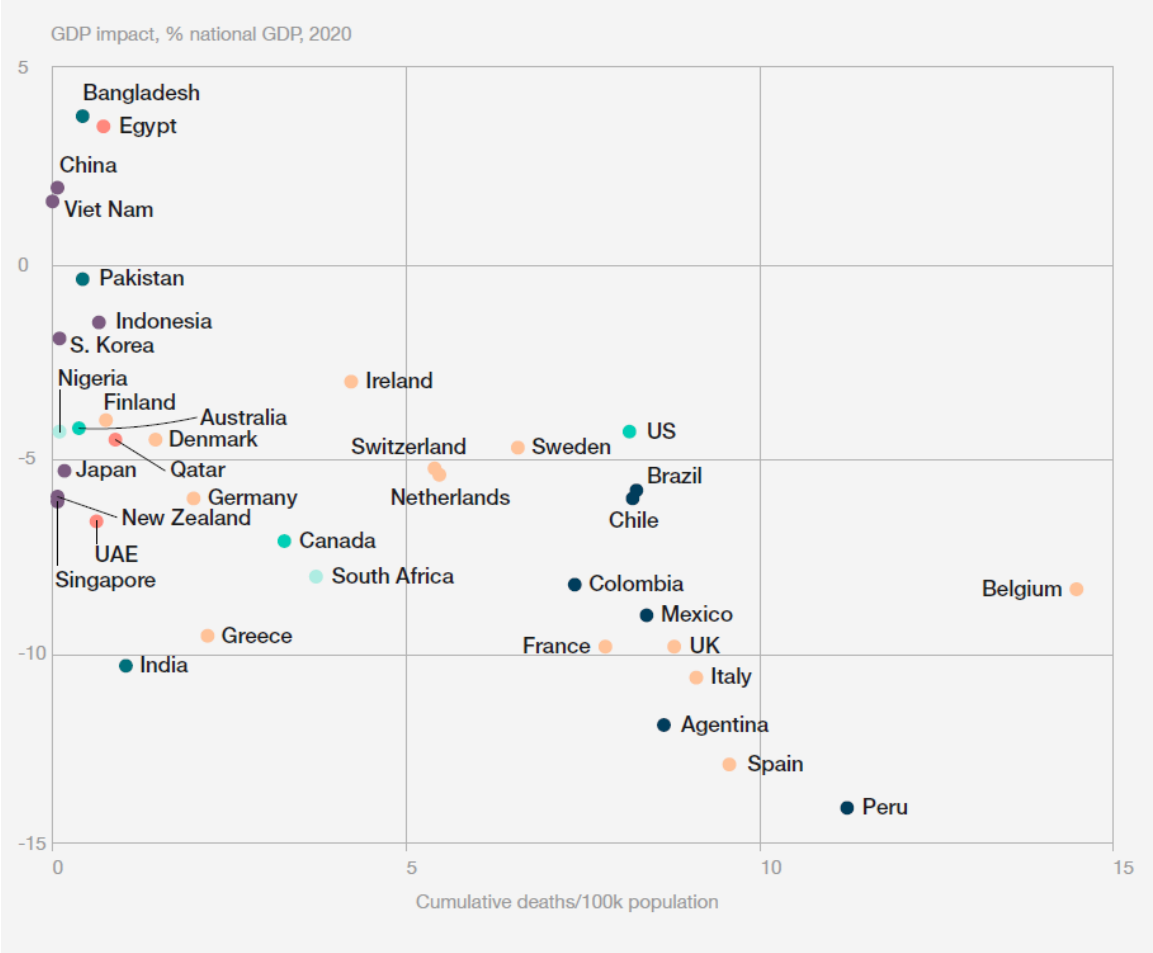
Impact of the COVID Pandemic

Figure 6.3 from the report, reproduced below, shows GDP Impact as % national 2020 GDP on the vertical axis, and the cumulative deaths per 100,000 population on the horizontal axis, colour-coded by region. The report does not comment on the remarkable trends shown in the chart, which include the relatively low impacts in Asia, Africa and the Middle East, and the high impacts in parts of Europe and the Americas (it is unclear why Australia is marked as a North American country). It would be interesting to know how the World Economic Forum would have predicted these results of the pandemic using concepts such as resilience.

- With the benefit of hindsight, the report does address the outcome using a set of criteria that embody resilience. It states that the assessment of national-level responses have varied, given different starting points: income level, health system maturity, geographic and demographic characteristics, culture and type of political regime. However, in many instances, there have been counter-intuitive impact results; few experts would have ranked the impacts on Bangladesh and Belgium as low and high end members respectively. Nonetheless, they conclude that early lessons can be drawn in five areas: governmental decision-making, public communication, health system capabilities, lockdown management and financial assistance to the vulnerable. They point out that these areas are interdependent: a weak performance in one area has spill-over effects elsewhere. Excerpts of the report's assessment of these outcomes are quoted as follows:

- **Governmental decision-making**. In the early days, with imperfect and evolving information, all governments understandably struggled to balance health security with economic impact and community sentiment. However, some countries subsequently proved more able than others

to formulate clear strategies and adapt them as new information became available. Countries that already had a pandemic high on their risk registers could appreciate the different dimensions of the risk, the key considerations and mitigation options and the evidence needed to inform decisions. While some were able to put the lessons from stress tests and table-top exercises into practice, others failed to apply previously developed response strategies. Some also failed to appreciate lessons learned in other countries once the pandemic had begun, losing valuable time to build capacity, understand vulnerabilities and develop contingencies. This lack of understanding grew more complicated as strains mutated and emerged with higher levels of transmissibility."



- **"Communication with populations.** Governments that most successfully sustained popular confidence in 2020 were typified by regular and consistent public reporting, transparency about the limits of knowledge at any given time, and visible alignment between politicians and experts in areas such as epidemiology and behavioural science. Behaviour tended to be more chaotic where governmental messaging lacked clarity, measures seemed discriminatory, national and local leaders espoused different agendas and competing narratives sowed doubt exacerbated by misinformation on social media."

- **"Health system capabilities.** Many countries made extraordinary efforts to expand health system capacity in the first wave of the pandemic—for example, by delaying elective care, reallocating medical professionals, and building whole new temporary hospitals. However, in addition to PPE shortcomings, health systems also often overlooked the challenge of controlling infections in high-impact facilities such as care homes, where age and poor health gave rise to high numbers of deaths. In many cases, there was also insufficient forethought paid to chronic exhaustion among health system personnel, as subsequent waves of the pandemic coincided with the need to attend to other conditions that had worsened during lockdowns. Many countries struggled with testing, tracking and contact tracing, even though these were seen as critical to keeping outbreaks under control and economies open. Such systems were often slow to identify where infections were spreading: from international travel, meat packing facilities, large social gatherings or accommodation for migrant construction workers."

- **"Lockdown management.** National lockdowns had some successes: for example, the shielding of vulnerable individuals often worked well in advanced economies, with public-private collaboration ensuring delivery of food supplies. However, disruption of schooling and workplaces caused a wide range of impacts in countries of all income levels, including an exacerbation of digital divides. After the gradual opening up of economies caused cases to rise again, many governments were reluctant to revert to extended nationwide lockdowns, instead trying short (two-to four-week) "circuit breakers" or more nuanced local restrictions (such as curfews, hospitality closures, bans on inter-household mixing and travel constraints). The timing and conditions for the deployment of these measures, and their prospects of success in controlling the spread of the virus, generated fraught policy discussions, and mixed outcomes resulted in some governments returning to more restrictive national approaches."

- **"Financial assistance for individuals.** Lockdown measures caused a sharp downturn in economic output, endangering jobs and businesses. Wealthier countries sought to define and deliver relief packages for the most-affected groups and supported employers in their efforts to retain employees. However, the phasing out of support will leave many businesses with difficult employment decisions. Rapidly rising unemployment in the second half of 2020 began to put additional pressure on other welfare system provisions and exacerbated mental health challenges. Developing economies with limited public finances often faced the difficult choice between lockdowns with no or little financial assistance for those who lost their livelihoods and keeping their economies open at the risk of rapid spread of the virus and overwhelmed health systems. In many economies, informal markets also complicated the distribution of financial assistance."