



Swale  
House  
Partners

Laura Robinson  
President

# SUPPORTING PFM with NATURAL RESOURCE RISK MANAGEMENT

2018 ICGFM 32nd Annual International Training  
Conference

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# Natural Resource Risk Management

Allows public financial managers to:

- Facilitate better outcomes across government
- Increase government revenue
- Reduce costs
- Obtain better information with which to make public finance decisions

# Agenda

- Convergence of PFM and Natural Resource Management
- Risk Management Overview
- Natural Resource Overview
- Risk Identification
- Risk Assessment
- Risk Treatment
- Control Structure Activity

# Convergence of:

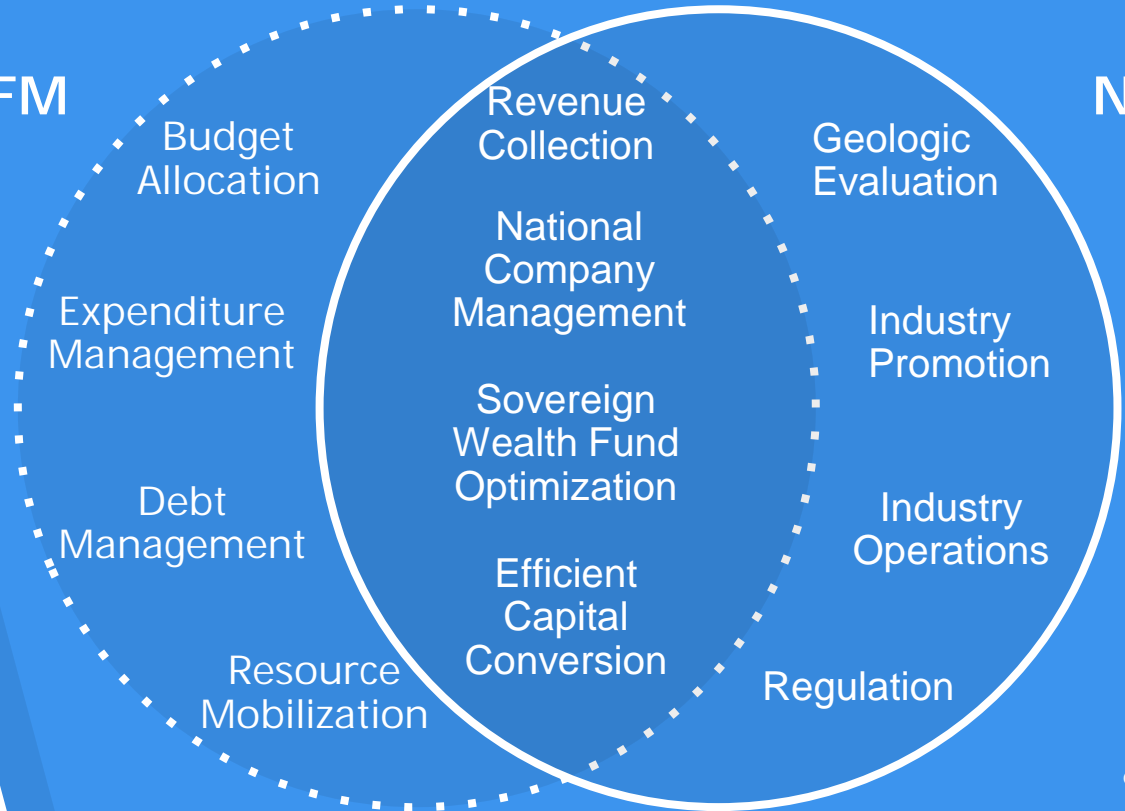
**PUBLIC  
FINANCIAL  
MANAGEMENT**

and

**NATURAL  
RESOURCE  
MANAGEMENT**

**PFM**

**NRM**



# Risk Management Overview

## Risk

is the  
impact of  
uncertainty  
on  
objectives

-ISO 31000 2009

## Risk

## Management

is the set of  
activities and  
methods to  
control risks

-Adapted from ISO 31000 2009

# Risk Management Overview



# Natural Resource

## Overview

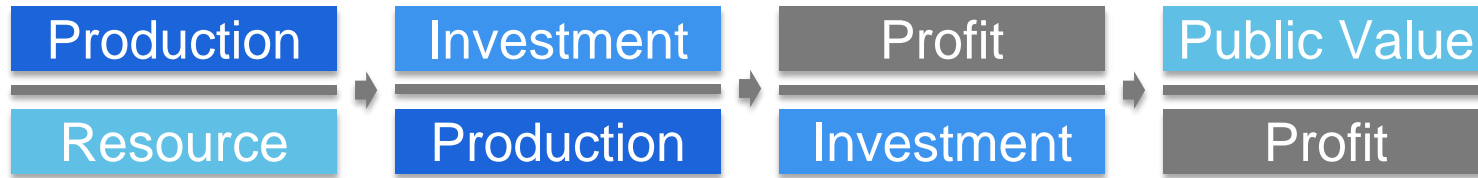
- § Natural resource revenue can represent up to 98% of fiscal revenue
- § With optimization plans, countries can increase resource revenue by 200%
- § The resource curse can devastate public value
- § Environmental damage can be catastrophic
- § Industry is uncertain

# Natural Resource

## Overview

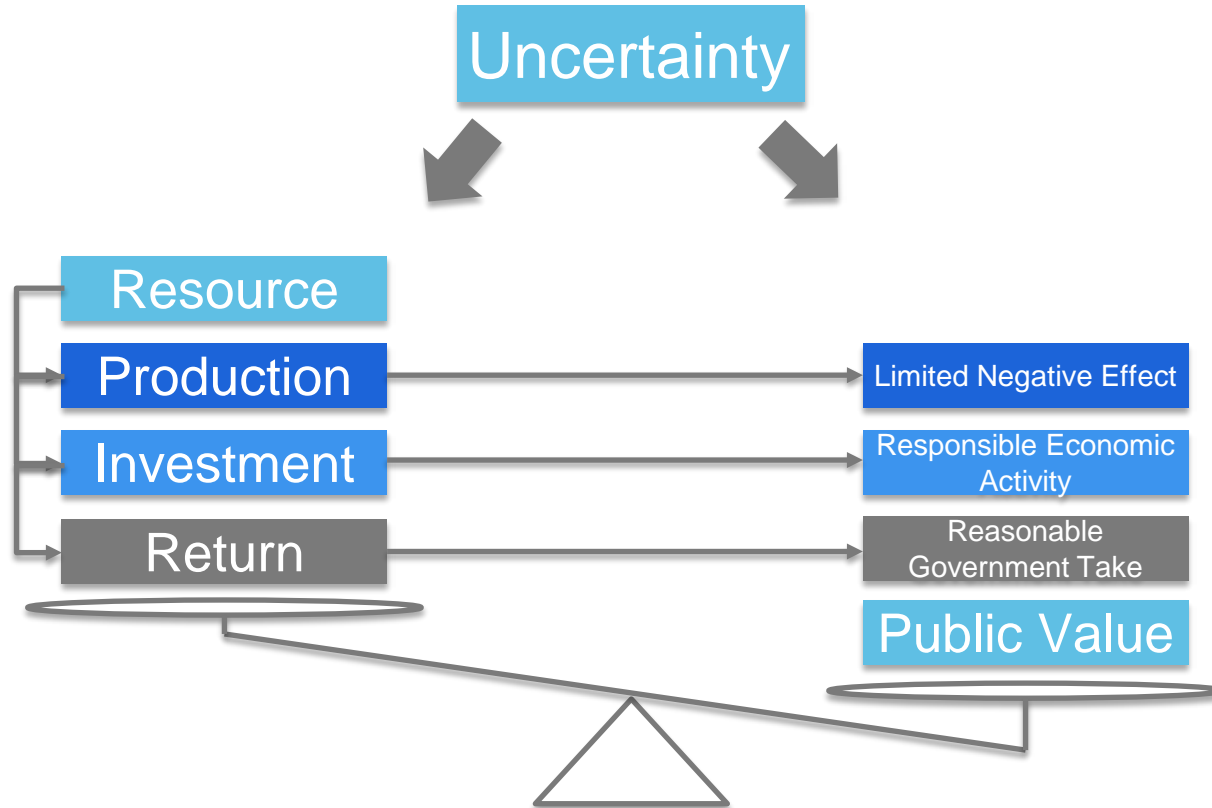
Objective:

Efficient Conversion of Resource to Public Value

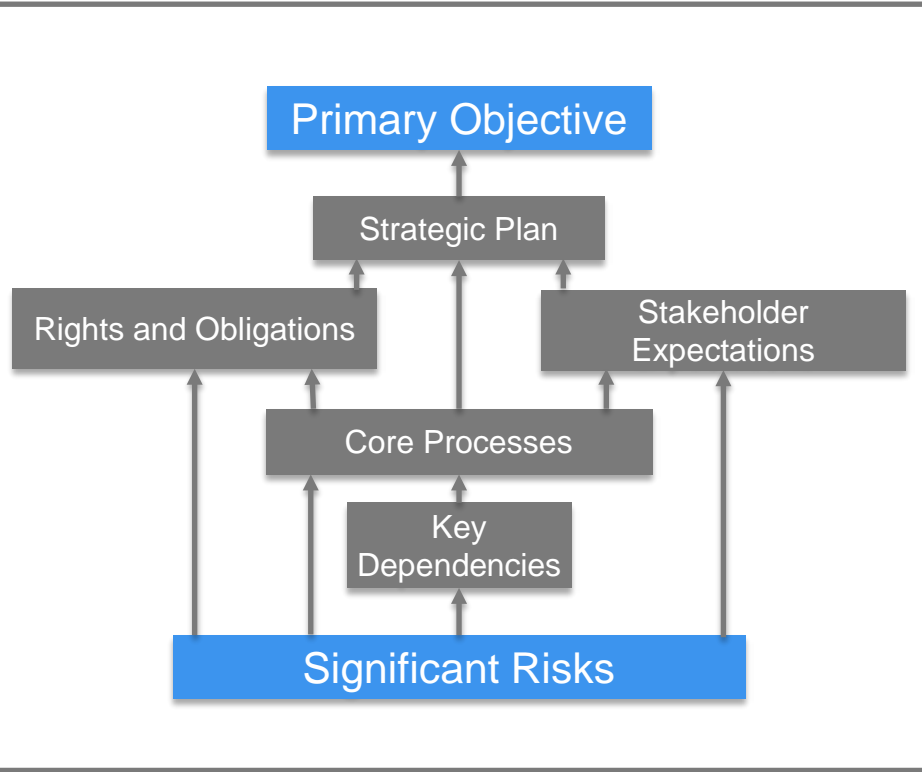




# Natural Resource Overview



# Risk Identification



## Significant Risks (ex)

Unidentified Resources

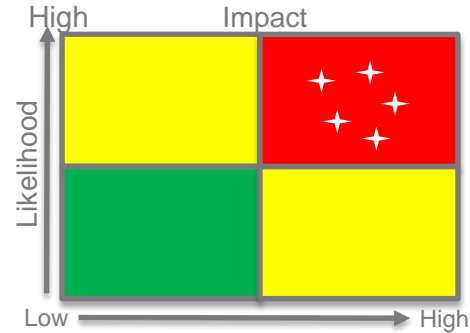
Inefficient Production

Inefficient Investment

Reduction of Public Value

Low Commodity Price

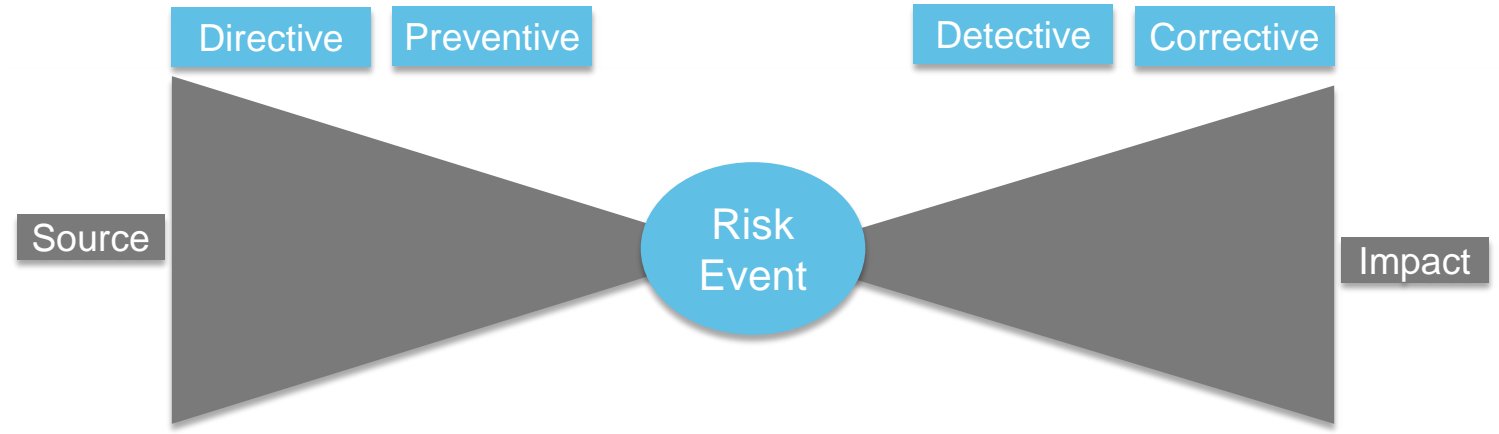
# Risk Assessment



Risk	Likelihood	Impact	Frequency	Velocity
Risk A	Red	Red	Green	Green
Risk B	Red	Red	Yellow	Green
Risk C	Red	Red	Red	Green
Risk D	Red	Red	Red	Red
Risk E	Red	Red	Yellow	Red

# Risk Treatment

## Controls



Directive

Directions in support of the objective

Preventive

Prevention of negative events/ Support of positive events

Detective

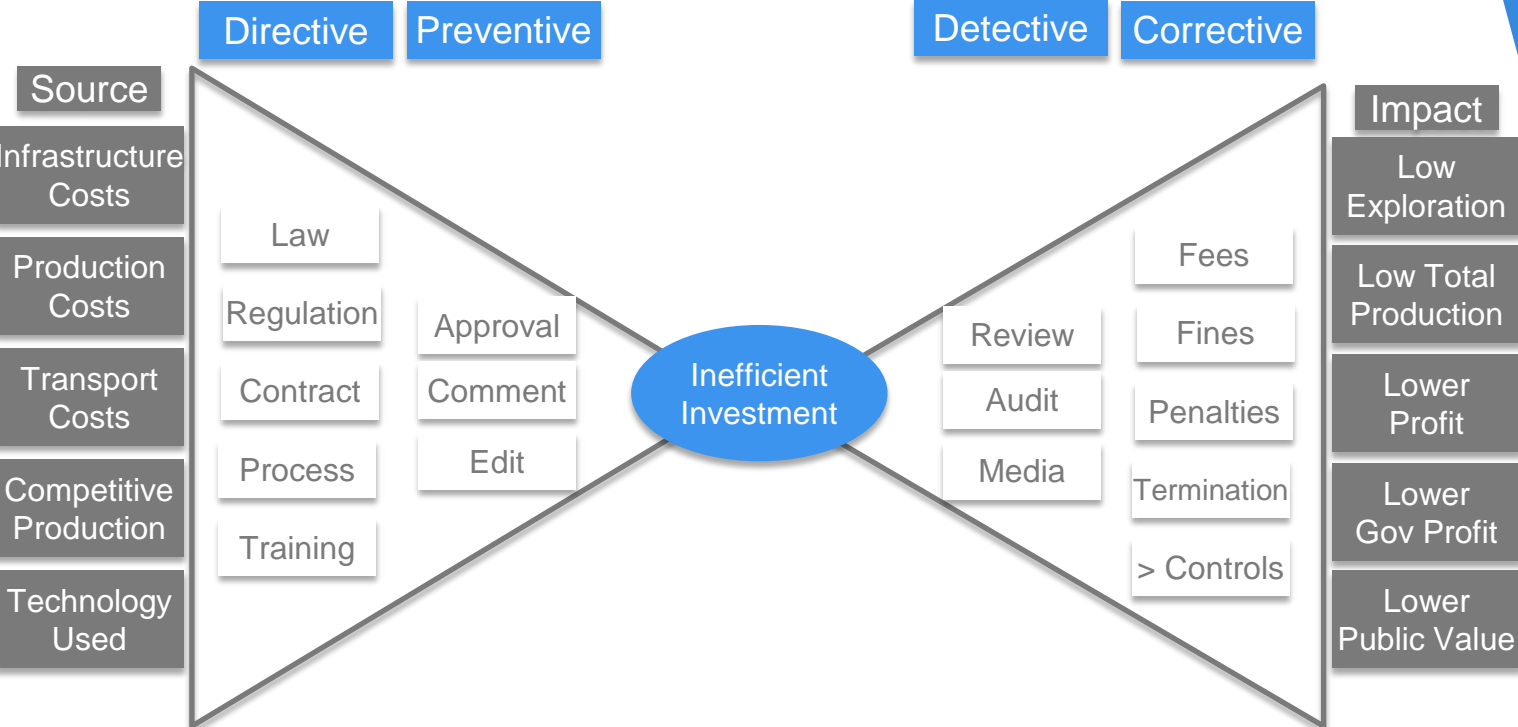
Detection of event occurrence

Corrective

Correction of event impact

# Risk Treatment

## Controls Example:



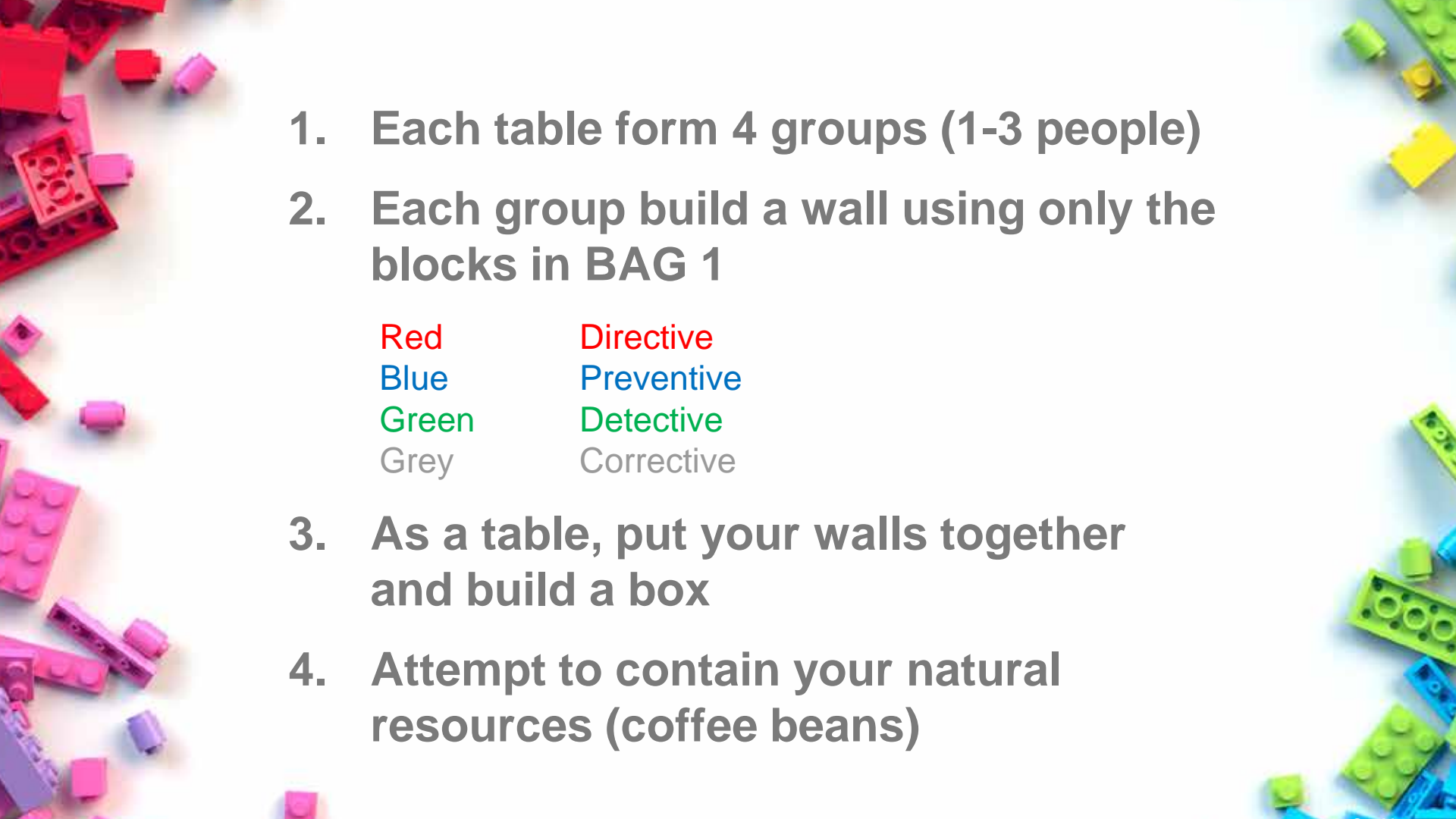
# Control Structure Activity



**Introduce yourself to the  
colleagues at your table**

**Open BAG 1 and take out the  
Legos**

**We are now going to manage risk  
for a country with  
newly discovered natural  
resources**

- 
1. Each table form 4 groups (1-3 people)
  2. Each group build a wall using only the blocks in BAG 1

Red

Directive

Blue

Preventive

Green

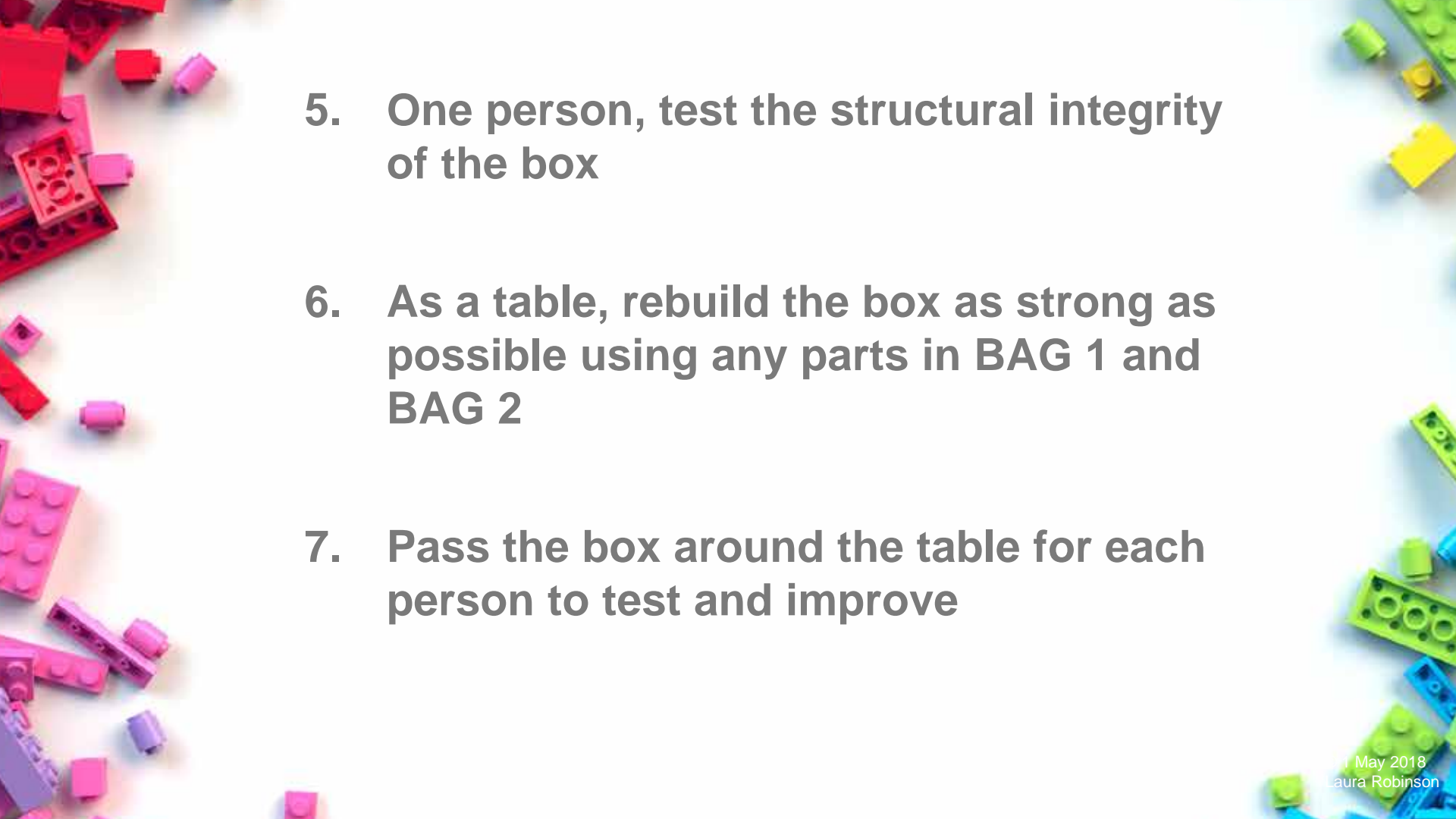
Detective

Grey

Corrective

3. As a table, put your walls together and build a box
4. Attempt to contain your natural resources (coffee beans)



- 
- 5. One person, test the structural integrity of the box**
  - 6. As a table, rebuild the box as strong as possible using any parts in BAG 1 and BAG 2**
  - 7. Pass the box around the table for each person to test and improve**

The slide features a white background with scattered, colorful LEGO bricks in the corners. The top-left corner contains a cluster of red and pink bricks. The bottom-left corner has a mix of pink, purple, and red bricks. The right side of the slide is decorated with a vertical strip of green, yellow, and blue bricks. The text 'Activity Discussion' is centered in a large, grey, sans-serif font.

# Activity Discussion

# Conclusion

By participating in and supporting natural resource risk management activities, public financial managers can:

- Facilitate better outcomes across government
- Increase government revenue
- Reduce costs
- Obtain better information with which to make public finance decisions



Swale  
House  
Partners

Laura Robinson  
President

# Thank you for your attention

Questions?

You can find me at  
[Laura.Robinson@SwaleHP.com](mailto:Laura.Robinson@SwaleHP.com)

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**Laura Robinson**  
*President, Swale House Partners*