



RISK EVALUATION AND POLITICAL RISK ANALYSIS

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INTRODUCTION

- Risk is a situation in which the future outcome is unknown
- Risks can be both expected and unexpected
- Most commonly, risks occur due to changes in the cultural, economic, political, technological and geopolitical environment
- Specifically political risk is of significant matter, because it is interrelated with almost all other types of risks



EVALUATION OF RISK



- Positivist Perspective: using statistical analysis based on variables, experience and objective
- Contextual Perspective is based on the context on which it is used
- Risk is multidimensional, so analyst most commonly use the positivist perspective to evaluate risk

IDENTIFY RISK

- Firstly we need to identify the factors that may cause risk:
 - Cultural
 - Economic
 - Political
 - Technological
 - Geopolitical



MEASURE THE RISK FACTORS

- Investors have to measure those risks and their impact
- Important agencies that measure risks:
 - Moody's
 - Standard & Poor's (S&P)
 - Higher credit rating is considered a safer investment than a lower credit rating



RISK ANALYSIS AGENCIES

- In today's liquid society, risk analysis is a rising research subject, and many agencies have specific departments for that purpose
 - Economist Intelligence Unit (EIU)
 - Central Intelligence Agency (CIA)
 - Consulting Companies
 - Global Competitiveness Index

RISK ANALYSIS

MACRO- ENVIRONMENT

- Decisions, Changes, legal frameworks that are likely to affect all enterprises in the country

MICRO- ENVIRONMENT

- Analysis directed toward policies or changes that influence selected sectors of the economy or specific foreign businesses in the country

WHAT IS NEXT??



HOW DO COMPANIES DEAL WITH RISK?

- **Business Impact Analysis** identifies the most important operations of a business and evaluates for how long those operations may remain idle before they begin running again without inflicting significant damage to the business
- **Risk Assessment** identifying possible scenarios while forging preventing strategies. Usually all threats that display higher risk rates are the ones to cause interruptions. With Risk Assessment a company is provided with a path in order to deal with the uncertain and unstable future of an environment

POLITICAL RISK ANALYSIS

- Political decisions
- Political developments
- Socio-economic inequalities



SOCIETAL FRAGILITIES

- Economic
- Environmental
- Social





EFFECTS OF SOCIETAL FRAGILITIES

- Rise of antidemocratic regimes

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Democracy Not Found

Global Risk 2013

Risk and opportunity hotspots in key growth markets



assesses risks that have the potential to undergo change, and in particular government action, business activities or due to action by sub-state or other entities. The PRA 2013 also incorporates the Political Risk (Structural) Index, which assesses long term political risks, such as infrastructure readiness and societal resilience, which contribute to a country's long term growth environment. By analysing both dynamic and structural risks, the PRA 2013 thus enables businesses and investors to make an assessment of their exposure to a comprehensive range of political risks and take steps to mitigate them.

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For more information see www.maplecroft.com or contact info@maplecroft.com



Principal Insurance Coverage Type

Expropriation

Political Violence

Forced Abandonment

Business Interruption

Currency Restrictions

Political Risk (Dynamic) Index

Extreme Risk > 10.00

High Risk > 7.25

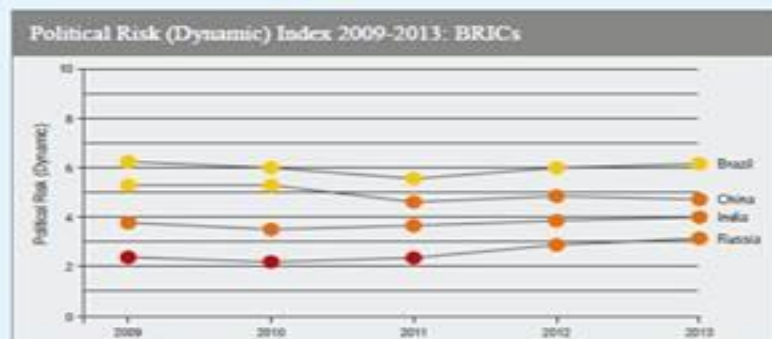
Medium Risk > 5.00

Low Risk > 2.25

No data

Political Risk (Dynamic) Index: Top 20 highest risk

Rank	Country	Rating
1	Somalia	Extreme
2	DR Congo	Extreme
3	Sudan	Extreme
4	Alghanistan	Extreme
5	Myanmar	Extreme
6	Libya	Extreme
7	Iraq	Extreme
8	C.A.R.	Extreme
9	Syria	Extreme
10	Yemen	Extreme
11	South Sudan	Extreme
12	Pakistan	Extreme
13	North Korea	High
14	Côte d'Ivoire	High
15	Zimbabwe	High
16	Nigeria	High
17	Russia	High
18	Chad	High
19	Burundi	High
20	Iran	High



POLITICAL RISK INDICATORS

- Domestic instability
- Foreign conflict
- Political climate
- Economic climate



CONCLUSION

- Companies need to engage in political risk analysis and evaluate it from different perspectives. Political risk is a cluster of risks like economic, social, cultural, and requires special attention and research analysis is order to overcome the possible difficulties that may occur and prevent potential disasters.

THANK YOU



QUESTIONS?

