

Report of the webinar of the GRM held on 17 June 2011, 11:00 (Geneva time)

Introduction

The fourth webinar of the UNECE Group of Experts on Risk Management in Regulatory System (GRM) was held on 17 June 2011, at 11:00 (Geneva time).

The goals of the webinar were to:

1. Approve the draft of the general recommendation “Risk Management in Regulatory Systems” (the text of the recommendation was sent out as a background document);
2. Discuss how the concept of susceptibility can be applied in risk management models;
3. Approve project specifications and initiate fund raising activities;
4. Exchange comments on OECD draft recommendation on Regulatory Policy and Governance (in particular on its risk and regulation part);
5. To initiate developing a specific recommendation on crisis management in regulatory systems and to discuss how alternative media could be used in situations of crises;
6. Discuss how the GRM will participate in the Annual Session of its parent body – the UNECE WP.6.
7. Discuss future work and approve the current priorities.

The [agenda](#) and a [recording](#) of the webinar are available on the UNECE Wiki and WebEx websites.

Moderator: Lorenza Jachia, Secretary of the UNECE WP.6.

Participants: Mr. Donald Macrae, Mr. Valentin Nikonov (Coordinators of the GRM)

Aurélien Cange-Coppin (UNECE WP.6, Switzerland), Mr. Alf Dolan (University of Toronto, Canada), Mr. C.J. Hendrix, Dr. Phil Kelly (Liverpool Business School,

UK), Mr. Peter Morfee (Ministry of Economic Development, New Zealand), Mr. Massimo Polignano (Esaote, Italy), Dan Roley (Caterpillar, USA), Mr. Paul Taylor (FERMA, UK), Mr. Paul Smith (UK), Mr. Olivier Testoni (ITU), Mr. Simon Webb (The Nicholas Group, UK).

Brief summary of presentations and discussions

Introductory presentation

The Secretary of the UNECE WP.6 opened the fourth webinar of the GRM by welcoming participants. As usual, participants then briefly introduced themselves.

In the introductory [presentation](#), **Ms. Lorenza Jachia** went through the agenda and showed how it reflected the progress made so far by the group as well as decisions made at the previous webinar. Also, Ms. Jachia introduced new subjects that were suggested by the Group members to be discussed at the webinar.

Draft recommendation “Risk Management in Regulatory Systems”

In his [presentation](#), **Mr. Valentin Nikonov** noted that the text of the draft recommendation was sent out as a background document. He stressed that the Secretariat aimed at addressing all the comments received at the previous webinars (that were mostly related to the use of terminology, alignment with ISO 31000, etc. – see [presentations](#) from the previous webinars). Mr. Nikonov showed a usual structure of the UNECE recommendations and then described the introductory part of the recommendation, which included the rationale for developing the recommendation and background on which it was based. He then showed how the reference model was changed to be aligned with ISO 31000, and how its description was transformed in order to fit the style of an official UNECE recommendation.

Mr. Nikonov concluded his presentation by saying that the draft would be uploaded on the WP.6 website, and then the document will be tabled at the Annual Session of the WP.6 in 2011.

Discussion

Mr. Paul Taylor said that the model was quite complex and that during the previous webinars the Group discussed that it would be useful to note that regulation may

not necessarily be the best response to a risk. Mr. Taylor suggested that the model included “pre-assessment of risk”, so that it would help to decide if regulatory approach was the right way to proceed.

Mr. Nikonov answered that although risk tolerance was included in the model as one of the risk treatment strategies (which implied no regulatory intervention), to better reflect the idea in the model this issue first should be discussed among the Group Coordinators and Mr. Taylor.

Mr. Donald Macrae added that this question raised a more important issue of the scope of the model. Risk Management can be perceived as a part of a broader process of policy making, and in this case the model was a part of a bigger process. The function which implied a decision whether regulatory approach was the right way may lie beyond the model.

Mr. Taylor suggested that the point was very important and should be clarified in the introductory section – that the model and the recommendation were parts of a bigger picture.

Mr. Nikonov said that the next draft of the recommendation would be presented as a background document for the next webinar.

The susceptibility issue of the risk model

The objective of **Mr. Peter Morfee’s** [presentation](#) was to discuss and get some understanding on the place and the role of the susceptibility concept as a component of risk assessment. Mr. Morfee referred to the [risk engine](#), a risk assessment tool used in New Zealand to “predictively indicate which electrical and electronic products justify increased regulatory intervention to improve market compliance”. The system applies the formula “Risk is equal to probability multiplied by consequences” for quantification of risk, an approach which is aligned with ISO 31000 and AS/NZS 4360 standards. Mr. Morfee introduced the key factors that were taken into account to determine estimates of probabilities and consequences for a given risk. Probabilities, e.g., were derived from looking at marketplace failures, consequences – from incidents and technical experience.

Mr. Morfee noted that some of the factors used in the model could be recognized as related to susceptibility, including “product is likely to be used by unsupervised

children”, “product used in the circumstances where the user is not able to readily disconnect themselves with normal physical reaction to electric shock or burns”. Also, in the EU Risk table there was a consideration of the ability of a user to recognize a particular fault, which had a role of a probability factor.

Mr. Morfee said that when developing the NZ risk engine it was found that susceptibility fitted into the consequence factors, though in some cases it may also fit into the probability series (as in the EU system).

Mr. Morfee raised the following questions: 1) if susceptibility was an independent factor, how could it be integrated into a Risk Assessment system calculation? 2) how the various factors that make it could be kept distinct from the other factors of Probability and Consequence?

Discussion

Ms. Jachia thanked Mr. Morfee for the presentation and opened the floor for comments.

Mr. Macrae characterized the questions raised as being “tricky” and noted that susceptibility as a factor was a good challenge for checking the consistency of the risk engine model, since it was not easy to fit it in. Mr. Macrae then explained to the audience his point of view - why susceptibility seemed to be more like a probability factor

Mr. Morfee said that in many cases susceptibility could be a consequence factor and consequences for a certain part of community may be different from other. The question to be still considered was how susceptibility should be treated: was it a separate factor that one takes into account when deriving probability?

Ms. Jachia said that that was another area that the Group could consider, and that there were many questions - like terminology – that should be further discussed. Mr. Nikonov then added that this area should be covered in one of specific recommendations of the Group.

Mr. Taylor noted that it was important whether the Risk Engine took into account inherent or residual risks; susceptibility to a big extent depended on controls implemented to mitigate the risk and on the characteristics of the user involved. The main question was, however, which controls should be implemented so that the level of susceptibility would be reduced for a certain group of people.

The Group then agreed to further discuss this issue.

Project proposals and fund raising

Mr. Nikonov [presented](#) two project proposals developed by the Secretariat: “Training for regulatory stakeholders” and “Event-driven Risk Management Forum”. These documents were developed on the basis of the previous discussions of the project concepts within the Group. Mr. Nikonov noted that these projects should be perceived as steps in more complex projects aimed at implementing recommendations developed by the Group, which was the “end result” of the work of the GRM. Also, these projects would allow the Group to establish a trust fund which would cover general expenses and allow organizing meetings of the Group. When proposals are approved, the Secretariat will prepare a plan for searching for potential donors. Proposals will be sent out for approval as background documents for the next webinar.

Discussion

Ms. Jachia emphasized that trainings described in the business proposals were expected to aim at a particular regulatory system, at a particular sector. She suggested that such trainings should start in the sectors in which WP.6 runs its sectoral initiatives.

Mr. Macrae supported business proposals and provided evidence on market demand for such kind of projects. He asked the Group members to share any ideas on potential donors that the members might have.

OECD Recommendation

Mr. Macrae [made an outline](#) of the draft recommendation developed by the OECD and noted that OECD is looking for comments on the variety of items, including risk and regulation. After presenting some specific questions raised in the OECD recommendation, Mr. Macrae emphasized that OECD is looking only at one part of the regulatory process, which is “rule making” (e.g. no implementation), although “enforcement of regulatory compliance strategies” is mentioned in 9.5. Mr. Macrae said that the scope of the OECD recommendation is complementary to the range of activities

undertaken by the GRM; specifically, the GRM goes further looking at conformity assessment and market surveillance.

Mr. Macrae suggested that the Group should discuss the ideas that the GRM might have to send to OECD as comments.

Mr. Morfee raised the issue of pre and post market control, saying that risk assessment processes and tools that are used to determine pre-market intervention can give advice on which tools should be used in post-market control, and these tools are different. Pre-market and post-market controls should interact with each other.

Mr. Taylor noticed the overlap between the OECD and GRM activities and suggested that the GRM tried to coordinate activities in this domain so that two organizations don't go in "slightly different directions".

Mr. Olivier Testoni supported the comments on potential overlaps between OECD and the GRM and suggested the GRM further investigates risk-management related experiences of various governments.

Ms. Jachia made a brief overview of the OECD publications covering the risk management issues and expressed her view that the level of generality of the work of OECD and UNECE in the field was different, since the work of the GRM was very much determined by the WP.6 mandate.

In this context, Mr. Testoni shared with participants the highlights of the UN workshop on ERM. Ms. Jachia asked whether ERM materials could be shared with the GRM.

Mr. Dolan made a comment on the level of consistency in the use of risk management terminology and said that he would send his comments by e-mail.

Mr. Nikonov referred to the history of risk management work in OECD and suggested that the Secretariat prepares an official letter on behalf of the Group with comments and an outline of the main results of the GRM work in the field. Thus, the GRM could contribute to the development of the OECD recommendation.

Mr. Macrae supported this idea.

Developing a specific recommendation on contingency planning

Ms. Jachia reminded the participants about the plan to develop a specific recommendation on contingency planning and introduced Mr. C.J. Hendrix, who was invited to make a presentation on the use of alternative media in a situation of crises.

Mr. Hendrix made a presentation on how the Office for Coordination of Humanitarian Affairs (<http://www.unocha.org/>) used new (alternative) media when responding to crisis situations. Mr. Hendrix showed how information from alternative sources (e.g. social networks) was used to monitor the situation with refugees during the crisis in Libya. He also raised important questions to be considered when using alternative media in a situation of a crisis, e.g. how we can trust the data from social networks, and many others.

Mr. Hendrix also mentioned the “UN global pulse” project which aims (among other things) at minimizing a time lag between an actual start of a crisis and when official data becomes available. For example, in the case of the financial crisis, when household statistics take a long time to be collected and analyzed, several signs of a crisis could be used to close the information gap (e.g. “flashing” can indicate financial stress). Mr. Hendrix finished his presentation by outlining specific problems, such as intellectual property, individual privacy, to be considered when using such tools.

Discussion

Mr. Simon Webb thanked Mr. Hendrix for a fascinating presentation and asked whether alternative media and tools were starting to become a part of the “official crisis picture”.

Mr. Nikonov noted that the presentation covered one of the spheres that had seen substantial change recently and that it for sure would be considered in policy making and in many other spheres. Examples of how alternative media worked in crisis management proved that it was an interesting subject to work on and that the GRM could bring official attention to these issues.

Mr. Dolan joined the discussion by saying that it was not easy to get hard data out of the “alternative” sources. Still information from social networks and etc. was a part of the world and one has to recognize and use it in crisis management.

Ms. Jachia raised a question on how alternative media tools can be used in industrial crises. She mentioned that although there was plenty of unverified information in social networks, in some cases people were coming to trust this information more than official information.

Mr. Macrae said that the information from alternative media can be used also as disinformation either intentionally or not and that this also should be taken into account. Participants agreed that use of alternative media was an important issue in crisis management and that it should not be ignored.

Plan of actions on developing a recommendation on crisis management in regulatory systems

Mr. Webb introduced the concept of developing a specific recommendation on crisis management. Contingency planning (as this function is referred to in the recommendation draft) should be seen as both a behavioral and training issue. The recommendation should emphasize that it is important to have trained and experienced people organized to react to the failure situation as much as it is to make a detailed contingency plan. Moreover, an over detailed contingency plan can constrain the ability to think creatively and quickly on how to respond to a particular crisis situation. This could be one reason for overregulation. The GRM should promote an approach to interpret “contingency planning” broadly, with training, behavior, adaptability, as well as contingency planning (drafting the plans) itself being its key components.

Ms. Jachia thanked Mr. Webb and said that the Group could start drafting the recommendation on the basis of the previous discussions and that the recommendation draft would be presented at the next webinar.

The GRM at the Annual Session of the WP.6

Ms. Jachia [presented](#) the agenda of the 2011 [Annual Session of the WP.6](#) and introduced the concept of the workshop “Traceability: a tool for managing risks” (which will be held during the Annual Session). Ms. Jachia invited the members of the GRM to participate in the session and to make presentations on various risk-management related issues.

Planning further work based on the list of priorities

Mr. Macrae made a short overview of the progress made by the Group in various fields of its activities. Developing two recommendations and approving them at the Annual Session, working on business proposals and running respective projects remain important goals of the Group, as many others described in the [list of priorities](#).

Decisions¹

1. To hold the next webinar of the GRM on 15 July 2011, 11:00 Geneva time.
2. To prepare the next version of the draft recommendation “Risk Management in Regulatory Systems”:
 - a. To make introductory statements that risk management in regulatory systems is a part of a bigger process;
 - b. To include into the model a function related to identifying if there is a need for a regulation.
 - c. To stress test the reference model (by, for example, applying it to tobacco regulation in Europe);
3. To request Secretariat to invite members to express their views and to prepare a letter to OECD with the GRM’s comments on Draft Recommendation on Regulatory Policy and Governance.
4. To request the Secretariat to prepare the draft of the recommendation on contingency planning.
5. To send out business proposals as background documents for the next webinar.
6. To investigate governments’ activities in the field of risk management.
7. Coordinators to prepare project proposals (to be presented at the next Webinar).
8. To plan presentations on how risk management concepts and standards are applied in different sectors.

¹ Some decisions in this list are those made at the previous webinar and not discussed