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SYMPOSIUM ON MANAGING RISK IN THE PUBLIC SECTOR

SUMMARY REPORT

38th Session of the Public Governance Committee
22-24 October 2008

The summary report on the Symposium on Managing Risk in the Public Sector, held 6 April 2008, is circulated to the Committee for information.

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37TH SESSION OF THE PUBLIC GOVERNANCE COMMITTEE
SPECIAL SESSION ON MANAGING RISK IN THE PUBLIC SECTOR

REPORT ON THE COMMITTEE'S SPECIAL SESSION

Managing Risk in the Public Sector

1. This report is based on presentations and discussions held at the OECD Public Governance Committee's Special Session on "Managing Risk in the Public Sector" (6 April 2008). It draws on the background document to the special session, supporting OECD papers and the substance of presentations made by experts from OECD countries and interventions from delegates.

Background

2. It is a traditional practice of the Public Governance Committee to use its meetings to explore cross-cutting issues of public governance which can inform the work programme of the Directorate. The topic chosen for the special session at the April 2008 meeting was "Managing Risk in the Public Sector".

3. The management of risk is integral to the performance of public sector agencies. However, it is a challenge to improve the governance processes by which risks are managed. The first step is to make these processes more explicit and open to analysis, and then to consider whether they incorporate effective practices. The aim of the special session was to explore member countries experiences with the development of processes for the management of risk in the public sector and to discuss how these processes could be improved.

4. Strategies for improving the management of risk by the public sector were discussed and country experiences were drawn upon around the following themes:

- The role of government in managing risks – this covered the various functions of government in managing risks, including preparing for crises and establishing governance practices for improving risk management and designing effective policy and strategic responses;

- Changing cultures – this included the attitudes to risk within government and the community, risk as a source of innovation, challenges to the achievement of culture change and obstacles to effective risk communication.

Introduction

5. OECD governments have come to recognise the critical importance of and need for an effective risk policy. Public servants deal regularly with risks in many public policy domains – economic, financial, health, safety, environmental and national security. With increasing frequency, officials face decisions about policies, programmes and services where future uncertainties are economically significant and unavoidable. Thus, they need to assess, appraise and manage risk in an overall effort to develop suitable policy responses. Moreover, in a context of growing complexity and interdependence, official are required take on the role of informing the public about the nature of risks and the inherent tradeoffs between specific policy choices.

6. The concept of managing risk in the public sector comprises a broad picture. Not only does it include the relatively technical processes of risk analysis and risk management, it also looks at how risk-related decision-making unfolds when a range of actors is involved. Risk policy requires co-ordinating and possibly reconciling between differing policy objectives, perspectives, goals and activities. Indeed, the problem-solving capacities of government administrations have often been inadequate for the major challenges facing society today. Risks such as those related to natural disasters, terrorism or critical infrastructures call for co-ordinated effort amongst a variety of government agencies. Building a policy capability to respond to these risks is clearly a very complex activity. It needs to take into account a range of factors including the historical background, the legal culture, as well as the value systems and public perceptions.

7. Despite this complexity risk management remains an area worthy of study. Many OECD countries have developed both implicit and explicit governance frameworks for developing policy solutions in the face of uncertainty and risk. However, key challenges remain in changing attitudes to risk within the public sector and in the public domain generally, and in better integrating risk management into day-to-day operations.

8. To examine these various issues around managing risk in the public sector, the Public Governance Committee held a one-day symposium on the topic at its 37th session on 17th April 2008. The symposium brought together member and non-member countries, as well as several distinguished speakers from government, non-government agencies and the media.

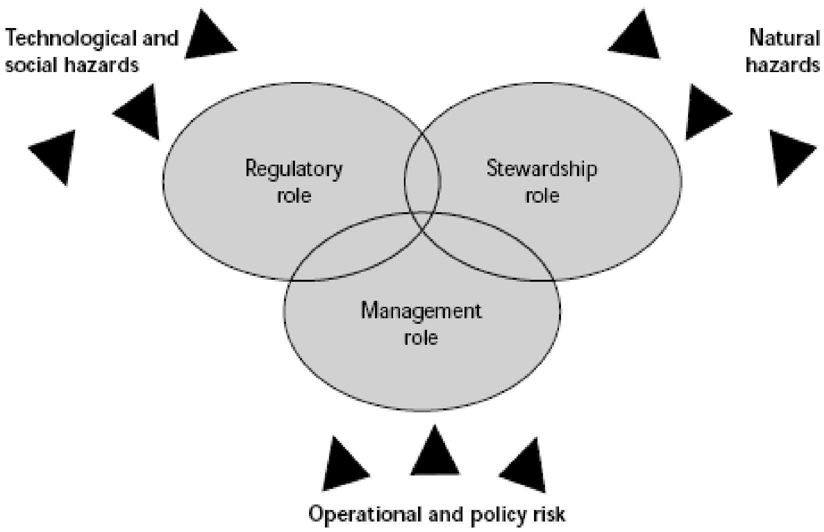
9. The symposium's agenda was structured to reflect a framework for considering facets of managing risk in the public sector. The framework covers diverse issues and is non exhaustive, particularly given the breadth and complexity of the topic. The first session focused on how risk management can support reform and innovation in the public sector, the second on the challenges for risk in the public sector, the third on the role of country risk officers in responding to and managing crisis, and the final session discussed risk communication and managing the message.

10. In her opening remarks, the Chair, Ms. Roberta Santi of Canada, identified some key features of risk management: that it can relate to crisis management, preventative actions and planned responses; it has formal governance features and structured processes for responding to issue-specific events; it can be used in open and inclusive policy making as part of the dialogue on tradeoffs in a resource-finite environment. Risk management is horizontal, touching all areas: policy, management and operations, and involves tools that actors in governments use intuitively every day. The central question raised was how should risk governance become a more conscious, formal practice within government?

The Role of Government in Managing Risk

11. The government has a wide and diverse role in managing public risks. The UK Strategy Unit (2002)[1] has provided a useful schema which identifies roles of government in handling risk and uncertainty: the *regulatory* role addressing potential technological and social hazards; a *management* role in relation to governments own business operations and; a *stewardship* role to protect individuals, business and the environment from risks imposed from the outside.

Box 1. Risk and the role of Government



Source : UK Strategy Unit 2002

12. Within the above spheres the different conceptions of risk policy can be broadly distinguished as follows: responding to and managing crises; the co-ordination and prioritisation of government business risks and; decisions on when and how to regulate. Each of the above areas is briefly outlined as follows:

- Risk and crisis - government has a stewardship role to reduce risks to the public from natural disasters, threats to national security, disease and widespread systemic risks. How governments organise their broad stewardship role cannot be allocated straightforwardly to any individual or agency. From a policy perspective, governments must have strategies to identify risks, to respond to public perceptions about emerging risks and to make decisions about what level in society those risks may be best managed. Various strategies are employed, including anticipating crises

[1] UK Government (2002) UK Strategy Unit, *Risk: Improving Governments capability to handle risk and uncertainty*. November 2002 www.strategy.gov.uk

and pooling risks that individuals cannot address by themselves, (for example third-party motor insurance) and applying arrangements to protect critical networks.

- Risks to government - governments have a role in identifying and addressing internal management risks which may affect government as a whole, as well as individual business units. These risks relate to the potential failure to achieve policy and operational goals, and have an impact on the budget and the achievement of service delivery objectives. Attending to this risk requires internal governance arrangements, accountability measures and other public management strategies. A particular challenge within this sphere is identifying and managing risk-risk tradeoffs, where the activities of one part of government increase the risks for another. Another challenge is balancing a culture of innovation with the prudent management of public resources.

- Risk and regulation - as the primary role of regulation is the amelioration of risks, an assessment of risk is a threshold issue for determining whether and how to regulate private activities. Risk is a key consideration in the selection among regulatory and non-regulatory approaches, for guiding the assessment of costs and benefits of regulation to reduce the burden of regulation in its design, and in developing models of enforcement and compliance. Risk assessment and risk management have an important place within regulatory quality management strategies and the better regulation policy agenda. The policy goal here is to help integrate risk considerations in regulatory decision making to reduce the economic and social costs of coping with risks by ensuring that regulation is proportionate, targeted and effective in achieving its public policy aims. [2]

13. The above schema is a useful simplification of the complexity of the government's role in managing risk. In practice, the above roles overlap to some extent and thus present co-ordination and governance challenges. For example, regulatory practices have to be responsive to the nature of external risks including those from natural hazards. The government's business management role has to deliver the human resource capacity to enforce regulatory compliance.

14. Government organisations need to be able to identify and communicate risks where they have wider effects than can be handled by a single agency and may impact on other agencies or the wider concerns of the country or state. This is particularly the case where there is a policy goal that requires co-ordination by more than one agency and may require a regime or system of responses rather than a single regulation or the actions of a single regulator. Within the public sector there are overlapping spheres of the regulatory, stewardship and management roles of government. This can place obligations on Ministers, and on risk management practices, to respond to challenges within any or all of these spheres.

[2] For an elaboration of the issues in risk and regulatory policy see OECD (2008) Risk and Regulation: Regulatory Systems and Tools to Manage Risk GOV/PGC/REG(2008)16

Box 2. Categorising State Sector Risks

In the Government of the state of Victoria, Australia, the Auditor General has identified a number of categories of state sector risk where risks may be joint or multiple, affect only one agency, a number of agencies, or the whole of government. Risks that have impacts that go beyond the interests of one agency require a systemic approach:

- Agency level risk: these can become risks to the state because of their size and significance, because of the wider impact of measures to manage them, or because of poor management by agencies.
- Inter-agency risk: if unmitigated by one agency, become risks for other agencies; and
- Statewide risks: are beyond the boundaries of any one agency and call for a response across agencies co-ordinated by a central agency.

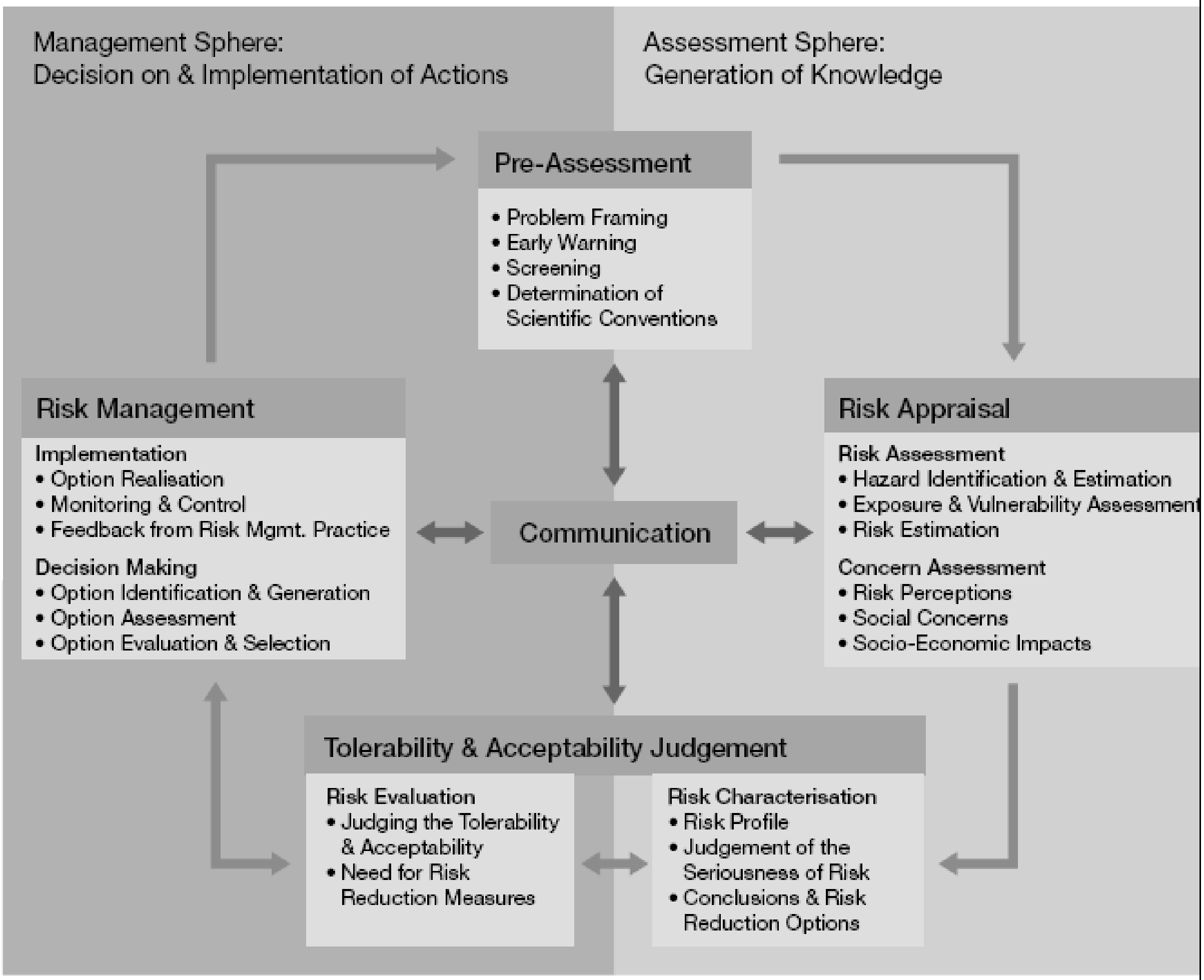
Source : Victorian Auditor General's Office (2004) [3]

Framing the challenges for the governance of risk in public policy

15. The International Risk Governance Council (IRGC) has developed a Risk Governance Framework to assist private and public sector managers to view the role of the administration of risk in an integrated manner. The framework provides a conceptual model for analysing and managing risk. As a conceptual model it is designed to be applied within the governance arrangements of governments and private organisations. The framework introduces the notion of risk governance deficits. It directs analysts to examine the features within an organisation's governance arrangement that can potentially lead to a failure to identify, assess or manage risks. The systemic approach promoted by IRGC is intended to overcome the vertical silos in risk communities, incorporates the factual and physically measurable dimension of risks with the socio-cultural dimensions, and integrates these within a risk governance framework.

[3] 3. Auditor General's Office (AGO), Victoria Australia, Managing Risk across the Public Sector: Good Practice Guide 2004, p. 2.

Box 3. The IRGC Risk Governance Framework



Source: presentation from Christopher Bunting, Secretary General of the International Risk Governance Council Geneva.

16. The features of the risk governance framework are modelled on the classical risk approach of framing, assessing and managing risk in an iterative process, with communication as a companion to each step. The cycle is reproduced graphically here because it is illustrative of the many steps in a risk policy process. The challenge is to put the framework into a contextual application that is relevant to governments – that is, to robustly apply its application across a number of policy areas to improve government's responses to managing risk. In this respect the framework identifies certain aspects common to the nature of different classes of risks and it is useful in providing guidance on how government should develop their capacity and preparedness to anticipate and deal with risks. Examples of potential risk issues can be drawn from several cases within governments, the political and private spheres to illustrate how governance failures have lead to badly judged risk outcomes and how the application of facets of the risk governance framework can improve the government's capacity to address risk. The IRGC has built a strong background researching particular risk issues for government policy including the introduction of nanotechnology and genetically modified foods. In this respect, the work of the IRGC provides a useful

practical resource that will continue to expand as the IRGC applies its framework to a wider range of risks and government experiences.

17. In practice, the application of risk management frameworks across governments is very diverse. The Netherlands (NL) National Safety and Security Programme, is an example of an exercise in the integration of threat analysis and foresight, strategic planning and the development of preventative policy and response preparation. The strategy identifies five areas of critical interest to the NL: territorial security; physical security; economic security; ecological security and social and political stability. As a part of its application, multidisciplinary teams consider scenario planning around each of the themes to identify and score the potential impact and likelihood of events occurring. The range of potential events is then ranked and grouped according to their potential risk, and cost-effective response measures to reduce or remove the risk are identified and categorised.

18. Norway provides an example where the role of the public sector in managing risk is decentralised and agencies have a high degree of managerial flexibility. Reflecting on the Norwegian example, it is clear that disentangling the different responsibilities of government for managing risk should gives a basis for the discussion of the different governance elements that should be applied.

19. The Norwegian approach to risk management has three roles: the regulatory role, responsible for addressing potential technical and social hazards; the management role in relation to its own business operations; and a stewardship role to protect individuals, businesses and the environment from risks imposed from the outside. In Norway the regulatory role is sector based with little cross-cutting or national co-ordination of risk assessment. Concerning stewardship, each Ministry is responsible for emergency planning, risk management and risk handling within its own sector. For the management role, a delegated structure allows for agencies to exercise considerable responsibility. Despite the decentralised focus, the Norwegian government has developed key reference resources and processes for providing guidance on the management of risks in relation to each of the above roles.

Box 4. Risk Management In Norway

Regulatory

- Sector based
- Little cross-cutting national coordination on risk assessment

Stewardship

- Sector responsibility maintained in crises
- National co-ordination of planning
- Guidance and supervision in directorate

Management

- General requirements for risk assessment and handling in crosscutting regulations
- Central government agency provides guidance and training

Source : Presentation by Knut Klepsvik, Deputy Director General Ministry of Finance, Norway

20. Government and the public sector face risk in multiple dimensions but that they are linked. There are differences in the exercise of internal risk management controls and the management of risk to the public, but the functions cannot be entirely disassociated. Common elements include the need to have a capacity to identify and assess the potential costs of risks, a capacity to set risk priorities and the obligation to identify and set a level of risk-taking that is acceptable to the public.

21. In the United Kingdom a conscious policy has been adopted to apply a vertical and horizontal approach to the treatment of risk by regulators and policy makers. The UK Audit Office has been assigned responsibility to look at how to promote innovation and a more ordered approach to risk-taking, and to identify opportunities to address major challenges across government.

22. It is clear that there are two distinct and separate components to the risk discussion. On the one hand there is the preparation of the public sector to respond to and manage crisis events, such as natural disasters, and on the other, the capability, attitudes and approach of civil servants and policy makers to manage and control risk in an integrated role in their government functions. This latter function concerns communication and culture change, and is a theme which is returned to later in this paper.

23. In 1999 the strategic foresight group to the OECD Secretary-General started to look at the problems of major risks and their management. That analysis identified that large-scale disasters were imposing an increasingly heavy cost on OECD economies, and a greater spatial concentration of human activity and economic assets was becoming exposed to these major risks. The OECD report on *"Emerging Risks in the 21st century: An agenda for action"* (published in 2003), concluded that:

- governments were not well prepared to meet the big challenges posed by major risks in the 21st century

- risk identification and risk assessment were not sufficiently anticipatory;

- major risks facing society tended to be treated in a rather fragmented fashion; and

- in terms of preparedness and emergency response, governments tended to be locked in stovepipe systems of communication and co-ordination – good vertically, but not so good in terms of getting different departments and different levels of government to work together.

24. Developing a capacity to respond to emerging risks can itself be a key source of innovation. In some OECD countries, risk identification and risk assessment have become more forward-looking, and the tools and institutional arrangements that they use are becoming more sophisticated. Risk maps are being used to provide a much better sense of the probability and geography of specific hazards and their likely cost and to help prioritise resource allocation. Some governments have begun to develop a much more holistic "all-hazards" approach to risk. Examples include the creation of the Disaster management Committee in Japan, and the latest moves in the UK and Netherlands towards overarching national security frameworks.

25. This also reflects improved communication and co-ordination across government departments and different levels of government. Recent changes to the Italian Civil Protection Department and the creation of the Civil Protection Committee bring together key actors from across the public and private spectrum.

26. Increasing attention is being paid to internalising the "lessons learned" from disasters so that these can be fed back effectively into the risk management process and some countries are institutionalising their approaches. For example, the Swedish Centre for Lessons Learned was created in

2001/2002 and purpose-built to draw out continually the lessons to be learned and applied from major incidents and accidents.

The general experience of OECD Countries

27. Despite the apparent merits of a coordinated approach, research across OECD reveals that governance arrangements for the management of risk tend to be fragmented. In advance of the symposium, countries were surveyed on the question of: where is responsibility for risk located, i.e. in a particular ministry, or at the centre of government? Is there an explicit policy on risk assessment and management? Do governments provide guidelines or guidance to assist agencies in identifying risks, undertaking risk assessment, risk management and risk communication? And do these guidelines impose binding obligations for risk assessment and risk management? The basis for these questions is that risk is a complex issue for governments; some policies can present risk-risk trade-offs, and have intra - and inter - agency consequences. In this context it is interesting to identify the extent to which governments have implemented co-ordination and governance processes to improve risk identification and management and reduce the costs of risks.

28. The response from each country assists in understanding the existing overarching governance arrangements in member countries. The responses revealed that government risk policy covers a number of policy domains, broadly corresponding to the model for the separation of risk functions identified above: civil protection and protection from natural disasters, financial management, and regulatory management. For most governments, responsibility for these policy domains is usually reflected in separate administrative structures. Decentralization is the most common model; agencies are structured with the responsibility and accountability for managing their portfolio risks. Where general guidance is issued within governments on how to manage risks, it is usually confined to two areas: financial management practices and the management of financial risk and, less commonly, guidance on regulatory management practices.

29. The co-ordination of disaster responses is clearly a key issue for governments, but generally risk assessment and management is a not a separated and centralized function of government. Agencies have frequently developed their own model practices, but integrated risk management approaches across government are not the norm. However, some country experiences suggest that there is at least the potential for governments to increase the overarching guidance provided in some areas using a principles-based approach. This suggests that there is a need for careful assessment of where and how this centralized model has been applied and an empirical analysis of the nature and effectiveness of these practices.

Country Risk Officer: Do OECD countries need a "risk officer" to better manage risks?

30. The corporate world has provided the example of the corporate risk officer as one answer to ensuring more coordinated approaches to risk, and some countries are applying this centralised model natural disaster risk and crisis. However, there are key differences in the role of a country "risk czar" and to the model of a corporate risk officer within a private agency. The example of the Italian Department for Civil protection and the experience of Italy demonstrate the particular benefits of co-ordinating the strategic planning and response of neighbouring countries. It illustrates that key differences with the private sector are the large and co-ordinated capacity that a country risk officer requires to be effective, and the broad authority needed to take action in times of crisis. The level of preparedness that is necessary to respond to risks such as forest fires, active volcanoes, floods, landslides and bio-terrorism demand different resources to that which is ever likely to be required within a private corporate body.

31. Furthermore, a country risk officer need not be a single individual as is the case in the corporate world, but could be a collegial committee. In crisis circumstances, co-ordination with neighbouring

countries is critical and a country risk officer must have the support of the government and the formal commitment of other critical players to take control of key assets in the event of a disaster. The control of information and the communication of risk issues are vital for controlling public reactions and consolidating trust and confidence. An essential function of the country risk officer is to be seen to be acting on the crisis rather than simply talking about the crisis. Country experiences demonstartes that significant costs can follow from not having prepared an effective crisis management organisation in anticipation of potential disasters.

Box 5. Shortcomings in the Diversified Approach to Risk Management

- no holistic framework risk management legislation
- sector (stovepipe) legislation and responsibilities
- limited risk management cycle thinking
- insufficient cross-sector risk management, common goals and cost-benefit assessment
- unclear relationships between roles on different levels (local level implementation – bottom-up approach)
- no designated horizontal coordination at different levels
- limited inspection, assessment and evaluation in relation to targets
- underdeveloped horizontal/systemic evaluation and learning of lessons from incidents

Source: Presentation from Mr Ulf Bjurman, Senior Advisor on Civil Protection and Crisis Management (Sweden)

32. Of course, this level of authority raises issues of accountability for the country risk officer, the best location of the country risk manager within the administration, and the important question of how to maintain an effective risk response capability in times of relative calm. The case of France provides an example of a country with an efficient national civil protection facility, that also promotes the benefits of planning and coordination with other countries, including neighbouring Italy.

33. During the management of crises, the control of information is critical to avoid panic, and careful observation has to be made of the message that is being delivered by certain information sources (including the media) in order to avoid unnecessary unrest and disruption to emergency procedures. Maintaining public trust is critical to the country risk officer's credibility.

34. However, the country risk officer role with overarching responsibility is not a universal function and there is a general need for good governance arrangements and leadership training for public servants. In many countries, there is a deficit in the capacity of public servants to manage and coordinate all aspects and complexities of an emergency situation of significant proportions. Addressing this capability gap requires focussed training programmes.

35. Some significant shortcomings that countries face in a diversified approach include: "stovepipe" sector-based legislation and responsibilities, fragmented risk management cycle thinking, a lack of common goals, unclear horizontal relationships without designated co-ordination, and limited post-incident systemic evaluation. The Swedish National Centre (NCO) provides an example of an agency given the task of analysing and disseminating information about incident responses to influence risk management strategies. On the basis of a statistical inquiry and analysis of incidents, the NCO concluded that the priority setting of the government was not always well aligned with those risks of significant consequence

to society. However, it identified a number of examples of the effective institutional underpinning of risk management policy in Sweden were identified. These included the formal role of municipal councils in identifying and preparing action plans for risks, and the oversight and co-ordination role of central government. In the case of Sweden, the role of the country risk officer was described as a public one, promoting appropriate access to information and citizen engagement in identifying vulnerabilities and risk planning.

36. Following the OECD report on *Emerging Risk in the 21st Century*, the OECD continues to provide a forum for members to exchange experiences on managing risk and to evaluate the effectiveness of their systems. Nine OECD countries are participating in a project to develop a common assessment methodology for identifying best practices and constructing a risk management toolbox. The participating countries are Canada, Norway, Denmark, Sweden, United Kingdom, United States, Italy, France and Japan. The country case studies are concerned with natural disasters, critical infrastructure and the protection of vulnerable segments of the population.

37. As part of this project, further work is planned on innovation in country risk management, to examine practices at a central government level to prioritise investments in activities to mitigate of large-scale disasters. Hazards under study include: large-scale natural disasters, major terrorist attacks, pandemic disease, technical accidents and major disruptions to the financial system. Research work is being undertaken with participating countries to identify how risks are assessed and prioritised, with a final report due in late 2008.

Changing cultures; supporting reform and innovation in the public sector

38. Judgement about risk is a key factor in determining whether or not to regulate. An assessment of potential risks is the basis for government intervention in the lives of its citizens, and the culture of policy making in the public sector is integral to how this assessment will be measured. The public seeks the protection of the state from the consequences of hazards, but public demand for protection by the government is not made with a full awareness of the costs and tradeoffs of government actions. Not all risks to the public can be efficiently reduced by government action, the good intentions may be undermined by a culture of risk aversion and a fear of trialling and learning. In addition, the policy-making systems within government can work against flexible and adaptive behaviour.

Box 6. Promoting culture change in government from the outside

The United Kingdom Risk and Regulation Advisory Council (RRAC) works with civil servants and Ministers upstream of regulation to develop understanding of the theory and practice of risk-related regulation and decision making in government. The RRAC aims to promote experiential learning and to be a catalyst for improving the networks and "conversations" of decision makers, but it is not an option-forming body in relation to specific risk decisions. It operates from outside government to counter the incentives towards risk aversion. Topics within the work plan of the RRAC include the scope for government intervention to prevent obesity and the culture of risk aversion in policing. The approach of the RRAC is to identify evidence of the problems and to bring together a community of practice utilising web-based tools for communication.

Changing culture is a complex problem, and one of the difficulties for the RRAC is identifying critical success factors. The RRAC has set the goal of a visible improvement in the management of risk and in public confidence, and a demonstrable shift in the culture of policy making. Risk can be a key source of innovation and stimulate the search for best practice responses, and the RRAC aims to engender this as a cultural approach in the public service, among politicians and in the wider community.

Source: (Presentation from Mr Rick Haythornthwaite, Chair of the United Kingdom Risk and Regulation Advisory Council)

39. To respond to risk aversion in society, governments must have a conception of its nature. Risk aversion is a social phenomenon that can lead to call for government intervention without a consideration of the costs. Quite understandably, the public can be guided by feelings of dread of potential hazards, rather than the calculation of potential risks. Public anxiety is easy to engender by, for example, sensational news reports, but can be very hard to allay by government. A further factor to consider is that the public may be *responsibility* averse, and opportunities for compensation may be seen as a windfall. A challenge to government therefore is to improve the public's understanding of the issues associated with particular risks so that citizens can make a better assessment of the implications and demand - or accept - more efficient and effective government responses.

40. This creates communication challenges for government. One of the challenges of risk communication is that strategies to improve information through greater scientific evidence may in fact emphasise uncertainty and lead to increased confusion. This can undermine trust, and governments find it difficult to provide assurance other than through greater intervention. "Risk entrepreneurs" -- actors who profit from risk in areas such as litigation, insurance, standard setting and the media -- all have a role to play in promoting better risk responses, but the balance of influence of these actors needs careful and systematic analysis. Consideration needs to be given to whether a particular risk is best mitigated by the government or should be accepted by the community. For example, very few people are killed by falling trees, yet potentially costly measures may be called for to remove the threat of falling trees. Politicians have to respond to these demands and so they are also risk entrepreneurs. However, since an enlightened risk position has the inherent potential for failure, their own positions may also be put at risk.

41. The challenge for governments is in how to move from regulation towards a more empirical/communicative approach, and how governments should respond to, and sometimes resist, calls for regulation. Many risk issues within governments are interconnected and involve multiple layers of government. The "risk appetite" within government tends to lean towards a "zero tolerance" risk approach, and this raises communication issues about how to engage with the community. It is necessary to develop risk management at a cultural level that is visible and politically responsive. Ensuring that the public administration has the correct capacity and skills to transition to and embed a new approach to risk is also important.

42. In Sweden for example, all public managers are charged with the function of managing risk across government. However, because risks are necessarily diverse, a cross-cutting approach to improving the capability of public servants to manage risk generally is required. Treating risk in one area as a specific variable to be handled by a special program works when the risk is confined, but it may also have its own risks where the amelioration of risk in one area creates risk for another area of government.

43. The structure of government, whether in a federal or unitary state, will present particular challenges for managing risks. Disaster response agencies in Germany have equipped themselves with a comprehensive database of potential risks and developed schools for training public servants in the co-ordination of risks. In each sector there is an elaborated strategy for responding to risks but there is no overarching strategy across government. In 2002 Canada embarked on a cultural change initiative to make all public servants risk managers. The strategy focussed on introducing new ways of approaching risks, changing the language of public servants and where they focus their attention. This was based on a program of capacity building and setting up a dialogue between the government and its administrative services.

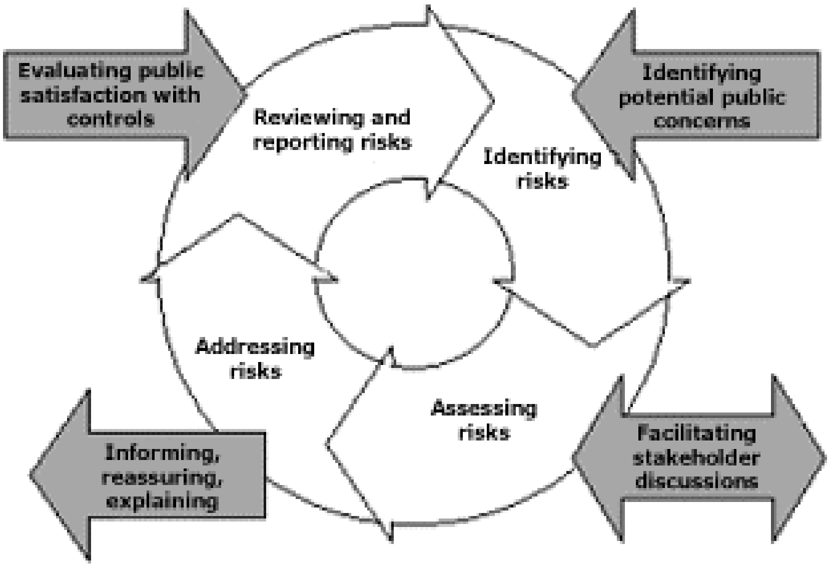
44. In some ways governments have demonstrated a good capacity to respond to crisis management and can draw on very good example of how to build this technical capacity. Perhaps, therefore, a greater challenge is to change the culture of risk management within the public sector so that there is a preparedness to promote innovation. This may need broader consultation to provide new ideas about how government can respond to particular issues, and to acquire knowledge about what can and cannot be done to solve problems. This will depend upon a commitment to innovation within government and a better capacity to appreciate the linkages between systems and the implications of decisions, and involve the participation of decision makers including the parliament and the executive.

Risk Communication and the role of the public sector: Managing the Message.

45. Effective risk communication is fundamental to effective systems of risk assessment and management, but it is extremely difficult to achieve. Commentators frequently observe that there is a crisis of trust in government as well as increasing public demand for intervention and leadership. The public are both concerned about significant risk issues, such as the implications of climate change, crime and financial market volatility, and sceptical about the government's capacity to find solutions. The credibility of government to find effective solutions is only believed up to a point. Accordingly, the environment in which governments must manage risk communication is made more complex because of its ambiguous position. This makes imparting information, let alone changing public attitudes, a profoundly challenging task. Despite this critical challenge, only a few jurisdictions have accorded the role of risk communication full and senior status in the administration.

46. Before we can assess the design of risk communication regards behavioural risk we need to map governments' capacity to shape risk behaviour; to understand for example, how to persuade individuals to reduce hazardous activities such as drink driving, and smoking. The message that is promoted by the government is received alongside, or in competition with, messages from other sources. In this environment the message itself is hampered by an intellectual crisis in society which means that people may simply not know what sources of information to trust. Furthermore individual behaviour cannot be easily predicted by rationalist models. Public behaviour exhibits evidence of non-rational dimensions, and increasingly individuals seek their own information from the Internet and other sources that may or may not have a basis in fact and in some cases may be distinctly non rational.

Box 7. The role of Risk Communication



Source : Presentation by Dr Christine Hemming, Assistant Director, Better Regulation Executive, United Kingdom

47. Given this understanding of the public audience, it is important to consider who is speaking for the government; is it politicians or public officials? It is important for the message to be confident, but within governments in liberal societies confidence is lacking. Messages about risk are inherently value laden, but a lack of harmony in the values expressed in political and official voices will hamper communication. "Open government" may not necessarily be more credible government, and practical experience of the "freedom of information" legislation in the UK has in some cases engendered cynicism in the use of the process. Scientific information is often too specialised to be understood by people. An emphasis within government on contracting out services devolves responsibility and may make risk communication more difficult.

48. A particular dilemma is presented by the social characteristics of public understanding. There is, in general, a lack of expertise in appreciating the mathematical probability of outcomes and a special focus on issues that appear concrete, personal and immediate. In addition, the media can sensationalise issues. Governments cannot reasonably influence the free media without being accused of being illiberal; however there may be potential for improving the role and function of the media through better training of journalists in probability assessment. In the end, the alignment of the political message with the technical message is vital, but achieving this remains problematic.

49. Despite the inherent challenges, risk communication nevertheless plays an important role in the cycle of risk management. The United Kingdom government has articulated principles of risk management intended to promote openness, transparency and public involvement in decision making, and to demonstrate that action is proportionate to the risk and decisions are evidence based. The goal is to communicate that risks can also be an opportunity to focus on the potential benefits that come from risk taking. Risks do not always result in negative outcomes and, where possible, people who willingly take risks should also accept the consequences of those risks.

50. However, risk communication has its dilemmas. Frank communication can also result in panic responses. Risk communication can degenerate into a spin strategy and the public can simply become inured to good counsel through information overload. Interpreting scientific language and choosing terminology carefully can help improve communication.

Conclusions by the Chair

51. Summing up the session, the Chair drew out several interesting conclusions. The session had successfully demonstrated that risk management is complex and multi-faceted, and the group had explored a broad range of country experiences, some sector-specific and others government-wide.

52. Countries' approaches to risk management are clearly evolving and increasingly being embedded into government decision-making processes. It was agreed that risk management is a whole-of-government issue that extends beyond the responsibilities of any individual entity – it is trans-sectoral, national and transnational in its implications, and it requires strengthened co-ordination across organisations and an outward-looking mindset. Risk management has a reputational dimension and depends on trust in government – the credibility of governments is at stake if it is not well handled. In addition, risk is not just about mitigating negative outcomes, but can be usefully viewed as a potential opportunity for promoting innovation.

53. In general, the discussion reflected two different perspectives: the broader strategic approach of the public sector linked to the goal of innovation, and the management of, and response to, emergencies. Both are government responsibilities but will require different strategies.

54. There is a need for capacity building within government to enable public servants to acquire new skills of risk management and cultural change, and the community could benefit from a public service with a more open culture of public sector risk-taking. This implies both the ability to identify opportunities and to take risks and also to bear the consequences of those decisions if goals are not attained. Two-way communication with citizens and other stakeholders on risks is crucial; the greater the uncertainty, the more consultation is needed.

55. Risk management remains a key issue for the Public Governance Committee, whether as a stand-alone activity or as an integral part of other outputs in the work programme, or both.