

ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

A SYSTEMIC APPROACH TO THE MANAGEMENT OF RISK

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1. Background



The background: Risks are changing

- A succession of events (the South Asian Tsunami disaster, September 11, the SARS epidemic, the ESB-CJD crisis in Europe, hurricane Andrew, the Kobe earthquake and the Lothar storm to name a few) signal an ongoing **shift in the nature of major risks and in society's capacity to manage them.**
- Conventional risks look set to take on new dimensions due to **extreme weather conditions, further concentrations of population and wealth, increased interdependencies, etc.**
- New hazards are emerging, many of which are characterised by **extreme uncertainty** and the **possibility of extensive and maybe irreversible harm.**



The aim: Support OECD governments in reappraising risk management policies

- OECD IFP's work on risk, started in 2000, aims at **identifying the challenges** of managing risks in the 21st century, and **contributing to the reflection of Member countries** on how best to address those challenges.
- It has been developed in partnership with **fifteen governments** of OECD Member countries, **various international organisations and corporations**, and experts from different **academic disciplines**.
- The approach is
 - **future-oriented**,
 - **cross-sectoral**, and
 - **multidisciplinary**.



Building on OECD's experience in various risk sectors

- This work builds on **OECD's experience in policy design in a number of areas related to risk**: production and transport of hazardous chemicals; nuclear energy; information systems and networks security; biotechnology; food safety; sustainable development; etc.
- Examples of OECD initiatives on risk-related matters:
 - The 1994 Guidelines on Disaster Mitigation (OECD's Development Aid Committee)
 - The Working Party on the Insurance of Terrorism and Other Mega-Risks



Milestones

- **October 2000 – January 2003: The OECD Futures Project on Emerging Systemic Risks**
- April 2003: Publication of the Report *Emerging Risks in the 21st Century – An Agenda for Action*.
- **May - July 2003: The OECD Project on Large-Scale Disasters.**
- March 2004: Publication of the Report *Large-Scale Disasters – Lessons Learned*.
- **November 2003: Launch of the OECD Futures Project on Risk Management Policies in Selected OECD Countries**





2. Findings



1. A number of forces are modifying the risk landscape.

Driving forces

- Demography: population growth, ageing, migration, urbanisation
- The environment: climate change and its impact on natural disasters and infectious diseases
- Technology: connectedness, technological change
- Socio-economic developments: concentration, income disparities, shifts in regulation capacities



2. Resulting challenges for risk management

Critical issues

- Complexity
- Mobility
- Shifting public/private responsibilities
- Scale issue
- Uncertainty and precaution
- Social amplification of risks
- Diversity of stakeholders



3. Major Recommendations

These findings have led to a number of recommendations for action under five major headings:

- Adopt a new policy approach to risk management.
- Develop synergies between the public and the private sectors.
- Inform and involve stakeholders and the general public.
- Strengthen international co-operation.
- Make better use of technological potential and enhance research efforts.



4. The need for a holistic approach to risk management

A systemic risk is the combination of a hazard, vulnerabilities, transmission mechanisms, and responses.

Risk management considered from a holistic standpoint:

- Risk and vulnerability assessment
- Policy decision-making
- Framework conditions: laws, regulations, economic incentives
- Protection
- Alert and early warning
- Rescue
- Recovery enhancement
- Experience feedback and organisational change

Risk management is only as effective as the weakest layer and the weakest link between layers.





3. Risk management policy reviews



Risk Management Policies in Selected OECD Countries

Main features

- A pilot project
- A limited number of participating countries (8 to date)
- A common grid for analysing risk management issues, identifying best practices and, eventually, coming up with an international risk management toolbox
- Three phases:
 - Elaboration of a common methodology to conduct country case studies
 - Self-assessed and review of risk management policies
 - Cross-country report emphasizing best practices



What the project is and what it is not

It is:

- A review of selected policies in participating countries through a common grid, in order to identify best practices
- A forum for exchanging experiences with other countries
- Based on concrete case-studies, and issue-oriented
- Supported by the recommendations of the Emerging Systemic Risks report as guiding principles

It is not:

- An audit of risk management policies and organisations
- A comprehensive mapping of risk management rules and institutions.
- A benchmarking exercise



Examples of country case-studies

- Flood insurance and land-use patterns
- Floods involving Seveso-type industrial installations
- Urban floods
- Large-scale accidents in road, railway and metro tunnels
- Disaster information needs of ethnic minorities
- Risks related to ageing populations
- ICT security policy
- “Living” vulnerability assessment for critical infrastructures
- The overall policy framework regarding risk and vulnerability management

