GRM in 2021: Report on activities of the Group

Recommendation V “Addressing risk of product non-compliance in international trade”

ITC/UNECE Guide on integrated risk management at the border

Mr. Donald Macrae
Mr. Valentin Nikonov
Joint Coordinators of the UNECE GRM
UNECE GRM – more than 10 years of (remote) work

“The GRM aims at an improved management of hazards that have the potential to affect the quality of products and services, and/or cause harm or damage to people, the environment, property and immaterial assets”

“Developing and sharing best practice as regards the use of risk management tools in regulatory activities”
GRM Chair, Members and way of work

• GRM Chair: Mr. Stephen Naundorf
  • German Federal Chancellery, Better Regulation Unit
  • Chair of the OECD’s Regulatory Policy Committee

• Broad and diversified membership
  • Experts from 13 countries
  • 46 experts in the list
  • Around 15 active members

• Way of work
  • Bi-monthly webinar
  • 6 virtual meetings in 2021

List of members of GRM (as of 25 January 2021)

Chairperson
Stephan Naundorf (Federal Chancellery, Better Regulation Unit, Germany)

Coordinators
Donald Macneil (Independent consultant)
Valentyn Nikonenko (Independent consultant)

Active members
1. Rolf Altar (Humboldt University of Berlin’s University of Governance, Germany)
2. Gulnara Bonu Abiaka (Ministry of Industry and Technology, Turkey)
3. Victor Brik (Belarus)
4. Floriana Blaise (OECD)
5. Vnycholos Usmanov (European Economic Commission)
6. Victoria Chepelaeva (European Economic Commission)
7. Sabine Christiansen (Institute for Advanced Sustainability Studies (IASS), Germany)
8. Michael Chepko (Secretary of the Ministry for Technical Regulation, European Economic Commission)
9. Selim Cunache (Ministry of Industry and Technology, Turkey)
10. Ronald Cormier (Fisheries and Oceans Canada, Canada)
11. Alex Dalk (President, Global Institute for Risk Management Standards, G3100, France)
12. A.M. Delan (University of Toronto, Canada)
13. Greene Drake (Committee on conformity assessment, ISO)
14. Leoni Drulkein (AFNOR)
15. Mike Elliott (Birkbeck University, United Kingdom)
16. Vign Eroyvon (European Economic Commission)
17. Julian Fisher (ERNIA, US)
18. David Harlen (Conformity Assessment Board, IEC)
19. Lucy He (Ministry of Economic Development, New Zealand)
20. Paul Hopkins (Institute of Risk Management, United Kingdom)
21. Vitali Harewich (Belarusian State Institute for Standardization and Certification)
22. Marianna Kartmer (Saint Iren (OECD))
23. Philip Kelly (Liverpool Business School, United Kingdom)
24. Andrei Klimov (European Economic Commission)
25. Bidasara Kobyakov (European Economic Commission)
26. Marko Kozak (Risk Award Limited, United Kingdom)
27. Pierre Lauguen (Independent Consultant)
28. Sean Mac Curair (International Organization for Standardization (I)
29. Viral Mahendra (International Electrotechnical Commission (IEC))
30. Pablo Malilla-Gil (Cabecio Sustainable Investments)
31. Justin McCarthy (PRMIA)
32. Atul Saxena (Chairman, Mirror Technical Committee ISO 31000, UK)
33. Andrew E. Minskewicz (Kelley/Dwyer & Warren LLP)
34. Shiraan Mirachi (Ministry of Economy and Industry, Israel)
35. Peter Morfit (Ministry of Economic Development, New Zealand)
36. Osman Norrestam-Aars (Ministry of Industry and Technology, Turkey)
37. Didier Olozas (Tatra Banka)
38. Mike Plass (OECD)
39. Alexander Rankin (TSO Solution Ltd, United Kingdom)
40. Mikhail Rogov (RusRisk, Russia/Russia Federation)
41. Ivanu Roman (Associazione Italiana Professionisti della Sicurezza, Italy)
42. Arman Shakhikaryan (European Economic Commission)
43. Edward Smith (Coalition Clean Baltics)
44. Mike Webb (The Nicholas Group, United Kingdom)
45. Carolyn Williams (Institute of Risk Management (IRM), United Kingdom)
GRM in 2021: methodology and recommendations

**New initiative:** addressing risks related to application of Artificial Intelligence and Machine Learning tools in regulatory frameworks

**Common Regulatory Objectives** on Cybersecurity (with IEC): no updates

**Crisis Management Survey** based on revised Recommendation P

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GRM in 2021: field projects

No field projects in 2021

Monitoring the implementation of GRM recommendations in the context of SDG 14
GRMin 2021: Contribution to international risk management activities/cooperation

Contributed to the development/provided comments:

- United Nations Committee of Experts on Public Administration’s (CEPA) strategy guidance note on risk management frameworks;
- UNIDO Initiative on Quality Infrastructure for Development Index;
- OECD Best Practice Principles on International Regulatory Cooperation;

Reported to the Plenary Session of the ISO TC 262 “Risk Management”

Participated in UN/CEFACT Plenary (Recommendation V)

Strengthened cooperation with ITC
Accomplishment of the initial plan and priorities for 2022

(a) raising awareness of regulatory authorities with respect to Recommendation V and the ECE-ITC guide on *Managing Risk for Post-Pandemic Trade: Guide for Border Regulatory Agencies*;

(b) developing training materials and guidance documents on the implementation of the draft recommendation on the management of product non-compliance risks in international trade, based on Recommendation V and the Guide;

(c) establishing cooperation through the secretariat of WP.6 with trade facilitation bodies, international organizations working in the field, and with customs authorities;

(d) systematizing best practices in the management of risks related to the application of AI technologies in regulatory systems;

(e) systematizing best practices in reviewing safety regulations;

(f) promoting the work of GRM through field projects and trainings; and

(g) establishing and strengthening liaisons with other risk management organizations through the secretariat of WP.6.
Recommendation V “Addressing risk of product non-compliance in international trade”
Risk of product non-compliance in international trade

- Dangerous pests?
- Dangerous pesticides?
- Non-compliant shipment?
- Smuggling?
- Spoiled products?
Bottom 5 measures with lowest implementation rate

Based on implementation commitments by all WTO Members

- Art. 7.4 – Risk management (Today: 59.8%)
- Art. 8 – Border Agency Cooperation (Today: 59.1%)
- Art. 5.3 – Test procedures (Today: 55.8%)
- Art. 7.7 – Authorized operators (Today: 55.0%)
- Art. 10.4 – Single window (Today: 45.1%)

Legend:
- Developed members
- Category A current commitments
- Category B current commitments
- Category B future commitments
- Category C current commitments
- Category C future commitments
- Unknown

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Optimizing border compliance time and costs while maintaining regulatory requirements

Customs risks and risks of product non-compliance in international trade

Import compliance is a key element of an enforcement framework, crucial to SDGs (Rec T)

Management of non-compliance risk is essential for setting priorities in market surveillance and import compliance (Rec S)

Efficient management of risks at the border: main challenges

- Individual risk management capacity of every regulatory agency
- Integration of risk management systems of border control agencies

Central role of Customs (IT)

WTO TFA, TBT and SPS Agreements, WCO Risk Management Compendium
## Optimizing border compliance time and costs while maintaining regulatory requirements

**Integrated risk management strategy**
- All non-compliance risks within one system
- Overall border compliance time and costs as metrics

**Harmonized – cross agency – criteria for evaluating different non-compliance risks**
- Common denominator for very different risks
- Based on regulatory objectives linked to SDGs

**Strengthening the role of import compliance in market surveillance**
- Building individual risk management capacity of each border control agency:
  - Approaches of Recommendation S
  - Annex I: a reference model for targeting non-compliance at the border
- Integrating risk management systems of product regulators and the Customs:
  - Methodology
  - Data
  - IT resources
  - Risk management expertise
  - Applying compliance rules at the border
  - Annex II: a reference model of an integrated system
- Both Annexes reference the UNECE/ITC Guide
ITC/UNECE Guide on integrated risk management at the border

Detailed Guidance on the implementation of Recommendation V
Import compliance within an integrated system

- Methodological integration
- IT integration
- Shared HR resources in risk management
- Integrated border management

Import inspections are prioritized according to the level of non-compliance risk

- Profiling and targeting techniques applied for evaluating incoming shipments on the basis of non-compliance risk
- Inspections and sampling plans proportionate to risks of incoming shipments

Regulatory systems support SDGs and are risk-based: risk management on a regulatory system level

- Regulatory requirements, conformity assessment and market surveillance:
  - Proportionate to risks they were set out to address
  - Balanced among themselves

Formal risk management applied within regulatory agencies

- Objectives and principles of risk management understood by personnel
- The basic risk management process established and applied
- Risk management tools are used for choosing risk treatment strategies

Maturity
Formal risk management applied within regulatory agencies

• Chapter 1: Integrated Risk Management as a Trade Facilitation Measures
  • International trade and risk management
  • Increasing level of non-compliance risks
  • Current status of risk management implementation in border control
  • National risk management strategy and implementation roadmap

• Chapter 2: Principles of risk management
  • The need for formal risk management in border control
  • Overview of risk management
  • Criteria for evaluating risk treatment strategies
  • Risk management in WTO agreements
Regulatory systems support SDGs and are risk-based

- Risk management in regulatory systems supporting SDGs
- Regulation as a proportionate risk mitigation tool
- Regulatory requirements and non-compliance risk
- Market surveillance as a building block of a regulatory system
- Import compliance as a building block of market surveillance

CHAPTER 3 BUILDING RISK-BASED REGULATORY FRAMEWORKS IN SUPPORT OF SUSTAINABLE DEVELOPMENT GOALS

3.1 Non-compliance risks and the SDGs
3.2 Turning the SDGs into regulatory objectives and defining the risk criteria
  3.2.1 SDGs and regulatory system objectives
  3.2.2 Embedding objectives of economic operators into regulatory system objectives
  3.2.3 Impact on SDGs as risk criteria
3.3 Identification and assessment of risks to SDGs
  3.3.1 The objective of risk identification
  3.3.2 Developing taxonomies for risk identification
  3.3.3 Risks of economic operators as risk identification source for regulators
  3.3.4 Identifying risks using categories of impact on SDGs
  3.3.5 Identifying risks across regulatory objectives and SDGs
  3.3.6 Applying taxonomies of other regulatory authorities
  3.3.7 Scenario analysis
  3.3.8 Stakeholder involvement
3.4 Prioritizing risks to SDGs
  3.4.1 Evaluating an impact of a risk
  3.4.2 Evaluating probability of a risk
  3.4.3 Evaluating the significance of risk: developing a consequence/likelihood matrix
3.5 Building regulatory frameworks in response to risks
3.6 Regulation as a risk mitigation tool
  3.6.1 Regulation: the essential building blocks
  3.6.2 Making regulatory requirements proportionate to risks
  3.6.3 Choosing conformity assessment procedures
  3.6.4 Choosing market surveillance activities to minimize the risk of non-compliance
3.7 Challenges of market surveillance and enforcement: regulatory requirements, dangerous and non-compliant products
  3.7.1 An overview of the market surveillance challenges
  3.7.2 A compliant product can be dangerous: the concept of the non-compliance risk
  3.7.3 Import compliance as a form of post-market control
Import inspections are prioritized according to the level of non-compliance risk

Chapter 4: Methodology for building a risk-based targeting system in import compliance
Import inspections are prioritized according to the level of non-compliance risk

- Applying the reference model to different types of non-compliance risks at the border
- **Chapter 5**: targeting and addressing customs risks
  - Best practice in customs risk management
  - Sources of information and probability factors for Customs risks
  - Building risk profiles
  - Information systems
- **Chapter 6**: addressing the risk of product non-compliance
  - International experience:
    - New Zealand Risk Engine: non-compliance risk of electrical appliances
    - US FDA PREDICT: addressing food safety risks
    - Australia CBIS: plant protection
    - European Union: food, feed, animal health and plant protection
    - European Union: manufactured products
  - Applying the reference model for targeting product non-compliance risks: a case study
  - Risk-based sampling
Import compliance within an integrated system

- A step-by-step process for building an integrated system
- Leading role of Customs
- Integrated framework and the Single Window
- Detailed description of the reference model in Annex II of Rec V
Integrated risk management framework

Information on the incoming shipment

Integrated profiling system

Compliance rules for shipment evaluation (Regulator 1)

Compliance rules for shipment evaluation (Regulator 3)

Probability of non-compliance
Level of harm
Red light 1

Probability of non-compliance
Level of harm
Red light ...

Probability of non-compliance
Level of harm
Red light N

Integrated inspection:
Documentary checks
Visual checks
Physical checks (sampling)
1. Integrated risk management as a trade facilitation measure

2. Choosing best actions in response to risk: principles of risk management

3. Risk-based regulatory frameworks in support of SDGs: integrating import compliance

4. Methodology for building a risk-based targeting system in import compliance

5. Best practice in targeting customs risks

6. Best practice in the management of product non-compliance risks

7. Building an Integrated Risk Management Framework

8. Compliance strategy for business

Methodological integration
IT integration
Shared HR resources in risk management
Integrated border management

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