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and Standardization Policies session****Thirty-third session**

Geneva, 23–24 November 2022

Item ... of the provisional agenda

Group of Experts on Risk Management in Regulatory Systems**Report on activities under the Group of Experts on Risk
Management in Regulatory Systems****Submitted by the sub-group chair***Summary*

This document presents the main results achieved by the Group of Experts on Risk Management in Regulatory Systems (GRM) as of July 2023, reports on the progress in the completion of its project plan and presents priorities for 2024.

Mandate

At its thirty-second session, the Working Party on Regulatory Cooperation and Standardization Policies (WP.6) mandated the secretariat and the GRM to continue to report on an annual basis on these activities.

Proposed decision 1:

“The Working Party adopts the report of the Group of Experts on Risk Management in Regulatory Systems. It requests the ECE secretariat and the Group of Experts to continue to report on an annual basis on these activities”.

I. Introduction

1. Risk management in regulatory systems is a key aspect of reducing non-tariff barriers to trade and ensuring that the products entered onto the market are safe for consumers and the economy. Since its establishment in 2011, the Group of Experts on Risk Management in Regulatory Systems (GRM) has been considering how risk management can contribute to efficient regulatory framework, essential to the achievement of the WP.6 goal of reducing technical barriers to trade. The GRM aims at 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. The GRM works towards this goal by developing and sharing best practice as regards the application of risk management tools in regulatory activities and international trade.

2. This report provides a summary from the annual meeting of this group during the WP.6 Forum on 25 May 2023. At the annual meeting, Ms. Alexia Davison was elected chair of GRM for a one-year period; Mr. Donald Macrae and Mr. Valentin Nikonov were elected Vice Chairs for a one-year period. The annual meeting was attended by 44 experts, 16 of which were women (36%). The GRM also held five virtual meetings between September 2022 and July 2023.

II. Report on progress of activities 2022-2023

3. GRM has made good progress on the activities which were defined in the WP.6 Programme of Work (PoW) for 2023 (ECE/CTCS/WP.6/2022/12).

- (a) In support of paragraph 14(a), the GRM jointly with International Trade Centre (ITC) launched the publication on *Managing Risk for Safe, Efficient Trade: Guide for border regulators* (see ECE/CTCS/WP.6/2021/INF.1) at the UNESCAP Asia-Pacific Trade Facilitation Forum. The publication includes guidance on the implementation of the WP.6 recommendations T, S and V.
- (b) In support of paragraph 14(b), the GRM has launched the survey on the application of crisis management principles described in Recommendation P during the COVID-19 crisis¹.
- (c) In support of paragraph 14(c), GRM has launched a project aimed at improving the efficiency of risk management application in international trade procedures “Integrated risk management in single window systems”. The launch meeting was held on 6 March 2023, the draft questionnaire to single window operators was developed and presented at the GRM Annual Session.
- (d) In support of paragraph 14(d), GRM enhanced cooperation with customs authorities of Georgia, Mexico and Nigeria, as well as with North America Plant Protection Organization and DG TAXUD of the European Commission (see next section on return on experience/best practices).
- (e) In support of paragraph 14(e), the UNECE has a category A liaison with ISO Technical Committee 262 “Risk Management”; progress on the work of this ISO committee is reported back to the GRM on a regular basis in order to ensure compatibility of deliverables.

¹ The survey is available online at: <https://forms.office.com/Pages/ResponsePage.aspx?id=2zWeD09UYE-9zF6kFubccADkRDjCNmhOhrEQlaZ6ZKJUMlpCR0k5TFZJMDkwTFdSSFHTUROR0IMVC4u>

III. Impact and implementation

A. Return on experiences / best practices

4. GRM seeks to verify the implementation of its guidance by regulatory authorities. To this end, it organized a webinar on “Risk Management in Regulatory Systems” on 25 May 2023 as part of its second annual meeting to review how the principles of recommendations S and V are applied by customs authorities and product regulators to address the risk of product non-compliance at the border and in post-market surveillance.² Some of the highlights on return on experiences and best practices follow.

5. For systematically addressing all non-compliance risks within border management procedures (as outlined in Recommendation V), Customs authority of Georgia integrates requirements of technical regulations from relevant state regulating agencies into risk criteria within the risk management system operated by the customs authorities for evaluation of incoming shipments. An integrated risk management system for border control includes processes for sanitary, phytosanitary, veterinary and food safety.

6. The integrated risk management system of the **Nigerian Customs Services** was introduced into the Nigeria Integrated Customs Information System (NICIS) in 2012. As Recommendation V calls for governments to establish/strengthen cooperation among product regulators (whose products are involved in international trade) and customs authorities in assessment of shipment according to product non-compliance risks, the customs authority established such cooperation (including with product regulators who are not physically present at the border) to ensure that various risks of product non-compliance are included into an integrated system of customs and that inspections of incoming shipments are performed at the border or importer’s premises (including, in certain cases, by the customs authority and not by a product regulator). Allowing risk evaluation and shipment clearance be performed by the customs authority according to the compliance rules or algorithms developed by or in collaboration with product regulators is one of the options for such cooperation, according to Recommendation V.

7. Recommendation V underlines the central role of the Customs authorities in border management and generally high level of data processing infrastructure available at the Customs. It calls for governments to ensure that processes required for management of product non-compliance risks are integrated into processes aimed at addressing customs related and trade disruption risks. The risk management system run by the National Customs Agency of Mexico was developed in 1989, when a 10% random inspection principle was applied, to become a risk intelligence-based system, integrated with the single window. The system implements profiling techniques for evaluating the probability of non-compliance based on risk factors such as importer status, level of risk of the port of provenance, consistency of the shipment characteristics with previous activities of the importer, and others (which is consistent with the reference model of described in Annex A of Recommendation V).

8. **The European Union** (EU) is running a project to smoothen digital cooperation between customs and market surveillance authorities in the framework of the Regulation on the EU Customs Single Window (Regulation (EU) 2022/2399). By 2025, this project will enable market surveillance authorities to get real time data from customs systems at clearance into market surveillance authorities’ systems via the European Commission Information and Communication System on Market Surveillance (ICSMS) system in order to coordinate checks on products compliance and safety and provide data for risk management. The project will contribute, according to the principles outlined in Recommendation V to risk analysis at EU level on imported products from a market surveillance and customs perspectives.

² The event webpage contains all of the presentations and bios of the speakers. See: <https://unece.org/info/Trade/WP.6-Meetings/events/375802>

9. **The North American Plant Protection Organization (NAPPO)** has put together several tools and resources to facilitate the implementation of risk-based sampling, including a training module for inspectors, videos and a publication of the proceeding of the first international risk-based symposium, among others. NAPPO has also published a “Risk-Based Sampling Manual”³ in two parts and in English and Spanish which contains methodologies and information that could help regulatory authorities developing sampling plans proportionate to risks of incoming shipments and thus facilitate trade.

10. **WorkSafe New Zealand** (the regulatory authority responsible for electrical equipment safety) runs a risk engine which allows setting priorities for both market surveillance including premarket controls based on the evaluation of the probability of non-compliance and the consequences of non-compliance of products within the scope of responsibility. Recommendation S presents a generalized model of Risk Engine, applicable to any type of product.

11. The **Hellenic Ministry of Development** applies risk assessment tools for setting priorities in market surveillance of industrial products. They underlined the importance of collaboration between customs and market surveillance authorities which radically improves the effectiveness of market surveillance. Consistent with the approach described in Recommendation S, products are classified as low, medium and high-risk level based on risk assessment, which incorporates factors such as number of potential users of the product category, vulnerable user groups, inherent risk of the product category, and others.

B. Implementation

12. During the reporting period, recommendations developed by the GRM were implemented by ITC through a series of workshops on risk management in customs control (based on the publication *Managing Risk for Safe, Efficient Trade: Guide for border regulators*) in Uzbekistan and the Philippines.

13. ...

C. Relation with other organizations’ work

14. GRM Vice Chair made a presentation of the publication *Managing Risk for Safe, Efficient Trade: Guide for border regulators* at the UNESCAP Trade Facilitation Forum on 31 August 2022.

IV. Pertinence of the topic today

15. In international trade, efficient application of risk management is a prerequisite to reduce non-tariff trade costs: it helps reduce redundant or sequential border controls that cause delays and impose unnecessary costs on traders. The role of risk management in trade facilitation is widely recognized (risk management is referred to in the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), Technical Barriers to Trade Agreement (TBT) and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS)); at the same time, it remains to be one of the least implemented trade facilitation measures.⁴

16. On 17 May 2023, the European Union published a press-release “EU Customs reform: a data-driven vision for a simpler, smarter and safer Customs Union”.⁵ The article underlines

³ See: <https://www.nappo.org/english/learning-tools/Resources-and-Learning-Tools-for-Risk-Based-Sampling>

⁴ See WTO Trade Facilitation Agreement Database: <https://tfadatabase.org/en/measures/article-7-4>

⁵ See: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2643

the importance of a risk management approach, assisting Member States to prioritize risks and coordinate their checks.

17. ...

V. Future directions

18. GRM suggests continuing in the same direction: developing tools for improved risk management in international trade (as described in Recommendation V) while continuing its work on methodological support for the implementation of all other recommendations developed by the GRM.

19. GRM also suggests to resume its work on some of the activities of previous years, such as risk management in the context of SDG 14 (a work item that was the basis for the development of Recommendation T).

20. In addition, in light of new technological developments, such as digital transformation and artificial intelligence, the GRM finds it important to develop risk management tools that could contribute to the regulatory approval of products for which standard conformity assessment procedures are not applicable.