# Economic and Social Council

## Economic Commission for Europe

Steering Committee on Trade Capacity and Standards

**Working Party on Regulatory Cooperation
and Standardization Policies session**

**Thirty-fourth session**
Geneva, 26(pm)–28 August 2024
Item 3 of the provisional agenda
**Group of Experts on Risk Management in Regulatory Systems**

# Report of activities under the Group of Experts on Risk Management in Regulatory Systems 2023–2024

## Submitted by the subgroup Chair*

*Summary*

This document presents the main results achieved by the Group of Experts on Risk Management in Regulatory Systems (GRM) as of April 2024, reports on the progress in the completion of its project plan and presents priorities for 2025.

*Mandate*

At its thirty-third 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 (ECE/CTCS/WP.6/2023/2, paragraph 25, decision 8).

*Proposed decision*

"The member States adopted the *Report of the Group of Experts on Risk Management in Regulatory Systems 2023–2024* (ECE/CTCS/WP.6/2024/4). They requested the secretariat and the Group of Experts to continue to report on an annual basis on these activities. Member States also emphasized the critical importance of extra-budgetary funding to support capacity building in this area. They called on donors and development partners to consider providing additional funding for undertaking follow-up work on this topic."

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\* This document is submitted under the responsibility of the subgroup Chair. This document has not been edited by a professional editor.

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## I.   Introduction

1.      Risk management in regulatory systems is a key aspect of reducing non-tariff barriers to trade and ensuring that the products entering 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 frameworks, which is essential to the achievement of the Working Party on Regulatory Cooperation and Standardization Policies (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 of activities from July 2023 to May 2024. At its fourteenth annual meeting on 2 and 3 April 2024, the membership of the GRM confirmed the continuation of appointment of Alexia Davison of the United Kingdom of Great Britain and Northern Ireland as Chair, Donald Macrae of the United Kingdom as Vice-Chair and Valentin Nikonov of Israel as Vice-Chair.

## II.  Report on progress of activities 2023–2024

3.      The GRM had four working meetings during this reporting period on 14 September 2023 (30 participants/9 women), 30 November 2023 (18 participants/5 women), and 15 February 2024 (16 participants/5 women). It held its fourteenth annual meeting on 2 and 3 April 2024 (65 participants/26 women).

4.      The GRM has made good progress on the activities which were defined in the WP.6 Programme of work (PoW) for 2024 (ECE/CTCS/WP.6/2023/14):

(a)      In support of paragraph 14(a), the GRM participated in the development of the publication *The Basics of Quality Infrastructure for Trade* (ECE/TRADE/478) and the chapter on risk management. It is further working on the finalization of a new publication on the basics of risk management for regulatory systems;

(b)      In support of paragraph 14(b), the questionnaire on the implementation of *Recommendation P on Risk Management in Regulatory Systems* has been prepared and an initial draft circulated. Many government agencies are still taking stock of the response to the COVID pandemic and are not yet ready to respond; it will be re-circulated towards the end of the year;

(c)      In support of paragraph 14(c), the initial draft of the paper on integrating risk management within single window systems has been finalized and shall be presented to the annual session (see ECE/CTCS/WP.6/2024/5);

(d)      In support of paragraph 14(d), the GRM has analysed the possibility of launching a project in support of SDG 14 (on life below water) and R*ecommendation T on Standards and Regulations for Sustainability* and has decided to defer this to a later date;

(e)      In support of paragraph 14(e), the GRM experts have actively participated in the work of the project on *Regulatory compliance of products with embedded artificial intelligence or other digital technologies* and have ensured that the risk management aspects were taken into consideration;

(f)      In support of paragraph 14(f), the GRM actively participated in the November 2023 annual meeting of the International Organization for Standardization (ISO) Technical Committee on Risk Management (TC262) and have actively engaged with the leadership of this group. It has also actively engaged with the Professional Risk Managers' International Association (PRMIA). It has also engaged with the International Trade Centre (ITC) and their capacity building efforts. See sections III B and C below.

# III. Impact and implementation

## A. Return on experiences/best practices

5.      The Vice Chair of GRM reported on implementations of risk management in several economies. *Recommendation S on Applying Predictive Risk Management Tools for Targeted Market Surveillance*[1] recommends that governments create lists of products classified by risk and how to predict the non-compliance risk of a product. Greece's Ministerial Decree No. 118632 sets out a methodology for assessing the risk of a product when non-compliant and has an annex with 36 pages of product categories and sub-categories already classified by high, medium, or low risk. Additionally, recognizing that authorities need to efficiently allocate limited resources, it has been proposed in Greece to have two local government inspectors working two days a month per region to cover the eleven out of thirteen Regions with no market surveillance presence. The government inspectors can report on local market conditions, which vary greatly between regions, enforce recalls, and carry out very specific inspections when needed.

6.      *Recommendation S* encourages the coordination of market surveillance authorities and sharing of non-compliance risk related data. A common problem for market surveillance is getting injury data related to products. In Latvia, hospitals and medical centres are beginning to record the data that market surveillance authorities need to determine the relation between the injured/ill people and products. A broken arm is not just a broken arm if caused by a product.

7.      *Recommendation V on Addressing Product Non-Compliance Risk in International Trade*[2] calls for governments to establish/strengthen cooperation among product regulators and customs authorities in assessment of shipment according to product non-compliance risks. These challenges are exemplified by the online market which transcends national markets. Kosovo's[3] Market Inspectorate targets the couriers that deliver the goods bought online since they ought to be able to identify the importer/distributor. They also work with Central European Free Trade Agreement on cross-border issues with fulfilment centres. Also, Kosovo has good collaboration with Customs and have direct access to their Automated System for Customs Data (ASYCUDA) to get data, in addition to Safety Gate, the European Union's rapid alert system for dangerous non-food products.

8.      Armenia joined the Eurasian Economic Union (EAEU). The EAEU's market surveillance regime covers food products as well as non-food products and is building its own Safety Gate. EAEU member States like Armenia are additionally subject to technical regulations at the stage of production. However, due to the free movement of goods created by a free transit corridor with Georgia, Armenian Market Inspection lacks the control point on monitoring products that come at the border. In keeping with *Recommendation R on Managing Risk in Regulatory Frameworks,*[4] Armenia has established a risk-based inspection system with robust methodologies Their Market Inspection has developed innovative approaches such a quick-response (QR) code system for businesses, starting with petrol stations, that gives customers access to that business's compliance record.

9.      Recognizing the need of promoting coherent, consistent, efficient, effective and systemic application of risk as outlined in *Recommendation R*, the Gulf Cooperation Council (GCC) Standardisation Organization (GSO) — composed of Bahrain, Kuwait, Oman, Qatar Saudi Arabia, and the United Arab Emirates — has developed the Gulf Conformity Mark (G-Mark) as a quality mark for goods traded in the Gulf. Currently, the G-Mark applies to low voltage goods and toys. The G-Mark is accompanied by a QR code, where the packaging allows it, which gives the consumer access to significant data about the product. GSO has accredited notified bodies in 55 countries who can certify foreign goods with the G-Mark.

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[1]  See: http://www.unece.org/fileadmin/DAM/trade/wp6/Recommendations/Rec_S_en.pdf
[2]  See: https://unece.org/sites/default/files/2023-10/ECE_CTCS_WP.6_2021_05_EN.pdf
[3]  This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence
[4]  See: https://unece.org/fileadmin/DAM/trade/wp6/Recommendations/Recommendation_R_en.pdf

## B.	Implementation

10.	During the fourteenth annual meeting, the representative of the ITC explained that in the risk management space, it is currently working to modernize risk management systems to mainstream new information and communication technologies in the field, enhance integrated risk management through border agency collaboration, and supporting capacity-building/experience-sharing. She emphasized that they have hosted workshops in Jordan, Nepal, Pakistan, Papua New Guinea, the Philippines, Sri Lanka, and Uzbekistan.

## C.	Relation with other organizations' work

11.	During the fourteenth annual meeting, the representative of the ISO/TC262 emphasized the impact of the ISO Standard on Risk Management (ISO 31000) with the committee having nearly 400 members with over 100 mirror committees. The committee is currently working on a revision of ISO 31000, which will, among other things align with United Nations Sustainable Development Goals (SDGs). This will include providing toolkits and inputs into other standards to become more risk aware on their effect on SDGs.

12.	The representative of the PRMIA explained that it is focused on financial services risk management with specifically on training, certification programs, and research. He emphasized the importance of the Basel Accords,[5] resilience, and the impact of artificial intelligence in risk management.

# IV.	Pertinence of the topic today

13.	Risk management aims to safeguard against hazards that stem from the quality of products and services – or lack thereof – that have the potential to cause harm or damage the health and safety of consumers and the environment. Additionally, in international trade, the efficient application of risk management is a prerequisite to reduce non-tariff trade costs, as 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 by the international community (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.[6]

14.	The European Union Artificial Intelligence Act also reflects the pertinence of this topic. It takes a risk-based approach for regulating artificial intelligence systems dividing up the systems into different categories based on their level of risk – unacceptable, high, limited, and low. The Act highlights the need for risk management with requirements for developers to actively mitigate risks to protect European Union citizens.[7]

# V.	Future directions

15.	The GRM suggests continuing activities 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 as well as tracking their impact.

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[5] See Basel 1: https://www.bis.org/publ/bcbs04a.pdf, Basel 2: https://www.bis.org/publ/bcbs107.pdf; Basel 3: https://www.bis.org/publ/bcbs188.pdf

[6] See WTO Trade Facilitation Agreement Database: https://tfadatabase.org/en/measures/article-7-4

[7] See EU AI Act: https://www.europarl.europa.eu/doceo/document/TA-9-2024-0138_EN.pdf