

Risk Management for Canada and Canadians:

Report of the ADM Working Group on Risk Management

March 2000

Risk Management for Canada and Canadians:

Report of the ADM Working Group on Risk Management

<i>PREFACE</i>	i
<i>NOTE FROM THE CHAIR</i>	ii
1. INTRODUCTION	1
<i>1.1 Purpose</i>	
2. RISK MANAGEMENT TERMINOLOGY	2
<i>2.1 A Horizontal Perspective</i>	
<i>2.2 Key Terms</i>	
<i>2.3 Contextual Concepts</i>	
3. CREATING A FRAMEWORK	4
<i>KEY COMMON ELEMENTS</i>	
<i>3.1 A Decision-Making Process</i>	
<i>3.2 Incorporating the Public Element</i>	
<i>3.3 Precautionary Approach</i>	
<i>3.4 Constant Considerations</i>	
<i>3.5 Synopsis of the Framework</i>	
4. OBSERVATIONS AND NEXT STEPS	10
<i>NEXT STEPS</i>	
<i>4.1 A Government-Wide Risk Management Framework</i>	
<i>4.2 The Legal Context of Risk Management</i>	
<i>4.3 The Precautionary Approach and the International Context</i>	
<i>4.4 Risk Communications and Consultations</i>	
<i>4.5 Risk Management Training</i>	

Annex A: Risk Management in Public Policy: A Decision-Making Process

*Annex B: Background on the Working Group
Membership of the Working Group
Outside Experts Who Assisted the Working Group
Annex C: Ongoing Work in Government*

Risk Management for Canada and Canadians: Report of the ADM Working Group on Risk Management

PREFACE

One of the ongoing challenges facing the Public Service is to continually improve the way we do business, for the benefit of Canadians, in an increasingly complex and ever-changing environment. Unpredictability exists whenever and wherever decisions are made, whether of an administrative, operational, regulatory, scientific or policy nature. An effective risk management approach is an important tool to respond to this ongoing challenge.

Risk management involves Canadians in many different ways. Indeed, success in managing risk should result in improvements in the quality of government services and the effectiveness of public policy, for Canadians. It should also support a dialogue between Canadians and the Public Service on the nature of risk and how we can best operate in an environment of uncertainty and limited resources.

For these reasons, risk management merits a strong policy research and development capacity within the Government of Canada. As a horizontal policy issue, Departments and Agencies must work together to establish a community of interest, to identify a common language and, broadly-speaking, to share approaches to common challenges.

In producing this paper, the Assistant Deputy Minister Working Group on Risk Management has made an important step in stimulating horizontal policy work around the question of how decisions are taken, and risks managed, in the Government of Canada. This work complements noteworthy efforts that are underway within Departments and Agencies.

Our challenge is to use this report as a platform for further horizontal work to support ongoing efforts within Departments and Agencies to modernize and to increase the transparency of decision-making for the benefit of Canada and Canadians.

Mel Cappe
Clerk of the Privy Council

NOTE FROM THE CHAIR

The Assistant Deputy Minister Working Group on Risk Management began its work in the Fall of 1998. The participants saw the meetings and the deliberations on risk management as a tremendous opportunity to share expertise and best practices. It was in this spirit of co-operation and openness that the Working Group debated the key concepts as presented in this report.

Early in the process it became evident that approaches to risk management used in Departments and Agencies have developed at different rates and in different directions. Thus, the Working Group's primary objective was to identify common elements that are applicable across the Government of Canada. The report of the Working Group is clearly an important step in this direction.

However, for the members of the Working Group, the process of discussion and reflection were as significant as the report we have produced. In recognition of this, this report has been written with a view to stimulating further horizontal discussion. In particular, the framework described in this report reflects the fact that the ability to deal effectively with uncertainty occurs as part of the general process of making decisions. It is therefore applicable to all areas of government including operations, the application of science and policy-making. Because there is a public element to virtually all government decision-making, the public provides a central and legitimate input to this process.

The priority areas identified in the report reflect the horizontal nature of risk management and imply that, in addition to crucial work to be undertaken in line Departments and Agencies, there is an important and ongoing role for Central Agencies.

I would like to thank Working Group members who generously volunteered their valuable time and expertise throughout the process. Particular gratitude is also due to those from the academic and private sectors who contributed greatly to developing our understanding of risk management concepts at the formative stage of our work. A summary and membership of the Working Group is contained in Annex B.

Special thanks also go to Tony Campbell, whose tireless efforts greatly contributed to the quality of discussions and the organization of special events, and to Janine Sherman, for her invaluable efforts and creative energy in supporting me as Chair of the Working Group.

Ruth Dantzer
Assistant Secretary, Social Development Policy

Risk Management for Canada and Canadians:

Report of the ADM Working Group on Risk Management

1. INTRODUCTION

1.1 Purpose

This report addresses the issue of risk management in the context of public policy by:

- highlighting the fact that risk management concepts apply broadly throughout government;
- serving as a resource for departments and agencies to help stimulate debate about the nature of risk in their sectors, and about the appropriate processes and capabilities for managing such risks;
- providing initial findings and recommendations on broad, overarching issues in risk management with relevance throughout government; and,
- tasking key departments and agencies with leadership roles to help advance risk management in priority areas.

The report first examines various criteria required to launch a discussion, i.e. terminology issues and risk concepts. It then presents a framework, created to integrate various key concepts and to provide a platform for discussing risk management from a wide range of public policy perspectives.

As a summary, the report makes recommendations for raising awareness of risk management as a public policy issue and for advancing the discussion of certain key issues.

2. RISK MANAGEMENT TERMINOLOGY

2.1 Horizontal Perspective

One of the key aims of the Working Group on Risk Management¹ was to explore *horizontal aspects* of risk management in government, i.e., *elements of risk and procedures for dealing with risk which are common to various government policy responsibilities*. Accordingly, in this report, risk management refers to the process for dealing with uncertainty within a public policy environment².

As a discipline, risk management has existed for a long time and has applications in numerous sectors (e.g. financial, transportation safety, health and environmental protection), and consequently there are many variations in the nomenclature. Over time, significant effort has been expended by agencies, scientists and standards organizations to develop clear definitions of the sometimes philosophical and sometimes scientific concepts surrounding risk, its measurement and management.

Through a review of such efforts, and the various models used in different sectors to describe risk management, it became evident that regardless of the labels applied in different sectors, significant commonalities exist in terms of the *process for dealing with risk* in the various models.

Accordingly, while it was determined that a *common understanding of key terms* would be necessary to pursue a horizontal perspective, it was also agreed that the use of *accessible, rather than specific, technical language* would best advance the development of a platform for the discussion of public risk management.

¹See Annex B for background on the Working Group.

²It should be noted that this is a general definition and while it includes the assessment of risk as a function of the decision-making process, it is not intended to prescribe a system for prioritizing specific risks.

Also of note is that in many international fora, *risk analysis* is used as the more comprehensive label, referring to an overall process for dealing with risk, including identification, assessment and implementation of measures. The use of *management* rather than *analysis* in this report is intended to reflect the general applicability of the concepts to be developed, not only in technical or science-based sectors, but also in other public policy areas.

2.2 Key Terms

The following definitions of key terms were agreed upon by the Working Group:

Risk

A function of the probability (chance, likelihood) of an adverse or unwanted event, and the severity or magnitude of the consequences of that event.

Hazard

A source of harm or action (situation) which is known to, or has the potential of, causing an adverse effect.

Hazard Identification

The identification, recognition or definition of potential agents or scenarios capable of, or known to cause, adverse effects or events.

Risk Communication

The interactive (two way) exchange of information and opinions on risk and risk-related factors (including the existence, nature, form, severity, or acceptability of risk and how they should be managed) among risk assessors, risk managers, consumers and other interested parties (stakeholders) in order to achieve a better understanding of risk, risk management, risk-related issues and decisions.

2.3 Contextual Concepts

In addition to the key terms outlined above, there are several important contextual aspects to bear in mind when considering risk in public policy decision-making:

- Risk exists throughout society and affects each person/entity at several levels (personal, professional, individual, group, etc.), often in competing ways. Much depends upon the *perspective* from which a given risk is viewed.
- Government, in serving the public interest, often deals with risk in various roles, e.g. as protector of rights and quality of life for its citizens or as a source of economic development, and typically has multi-dimensional concerns or viewpoints to consider.

S A key aspect of such multi-dimensional concerns is the economic overlay. It is a fact that limited resources will affect the range of options available. Moreover, it must be recognized that there is an economic relationship between the cost of any particular action and the cost of not acting, i.e., actions to avoid or minimize risks cannot be taken “at whatever the cost”. In practical terms, the implications of a given risk must be measured against the cost of addressing that risk, or directing resources to other priorities.

- Risk is often *undertaken voluntarily* (direct risk), but much is *imposed* or results from a spillover effect (third-party risk, e.g. second-hand smoke). This distinction is important because the ability to control a given risk will affect the means chosen to manage the risk.
- In a free and democratic society, where Ministers are accountable to Parliament, and thereby, to the public, *societal values and the public’s willingness to accept or tolerate risk* are relevant and legitimate considerations for public decision-making, whether or not they are consistent with a scientific assessment of the risk.
- *Tolerance for risk and the perception of control* over the activity generating a given risk appear to be linked (e.g. there is a relatively high tolerance for risk in the case of automobile travel where an individual is in control, versus airline travel where there is less direct control).
- Risk typically has a negative connotation, but there are also positive opportunities arising from risk-taking -- innovation and risk co-exist frequently.

3. CREATING A FRAMEWORK

With an understanding of key terms and risk management concepts, the next step was to develop a basis for exploring issues of interest to government policy-makers -- a context in which to discuss, examine, and seek out inter-relationships between issues associated with making public policy decisions in an environment of uncertainty and risk, i.e. a framework of public risk management.

- The first step to creating such a framework was the identification of common elements; issues with relevance to a variety of perspectives in government.
- The next step was the presentation of such elements in a manner that would stimulate discussion, facilitate comparisons and, where feasible, provide for the development of consistency in approach to public risk management.

KEY COMMON ELEMENTS

Through horizontal analysis of the public policy environment surrounding risk management, several key elements were identified as influencing the development of a platform for discussion :

- Managing uncertainty occurs within the *process of making decisions*. How that process operates, and what considerations feed into it, are key to the ability to deal effectively with uncertainty.
- There is a *public element* to virtually all government decision-making, and it is a central and legitimate input to the process.
- Uncertainty in science, together with competing policy interests (including international obligations) has led to increased focus on the *precautionary approach*.
- A decision-making process *does not occur in isolation* -- the public nature and complexity of many government policy issues means that certain factors require active consideration at each stage of the process.

Each of these elements, and their role in creating a framework of public risk management, is reviewed in more detail in the sections which follow.

3.1 A Decision-Making Process

The process of making decisions is quite standard, regardless of the context or sector considered, and this is perhaps the *most fundamental linkage* between the various perspectives across government. Emphasis on various points in the process may vary, as may the type, rigour or extent of actions considered, but the *overall process is invariably the same*. These are the six basic steps:

- identification of the issue;
- analysis or assessment of the issue;
- development of options;
- decision;
- implementation of the decision; and,
- evaluation and review of the decision.

These steps can be as applicable to individual decisions about major purchases as they are to the development of a policy position on the privatization of airports or safety standards for children's toys. How each step is managed and what considerations are fed into them will vary, but this *process* forms the basic structure of the framework for

public risk management.

3.2 Incorporating the Public Element

In a policy environment where Ministers' accountability to Parliament/the public, and the role of public servants in serving the public interest, are fundamental to the operation of government, *recognition and understanding of public concerns* is critical to the resolution of issues.

To present this concept within the decision-making process, the assessment step is developed into *two contexts*: empirical and public. They are separate processes, but it should be noted that *neither context works alone*.

- In a public risk management framework, input from both the empirical and public contexts of assessment ensures a more complete range of information is available, thereby leading to the development of relevant and effective policy options.
- It should also be recognized that the development of policy options inherently involves difficult trade-offs and the need to balance competing objectives and priorities, often leading to second-best solutions when viewed from a singular perspective.

Moreover, *either context can trigger attention to an issue*. Often, consideration of public concerns can increase (or, conversely, limit), the range of possible policy options. As an example, consider recycling. Public sentiment was so strongly behind the idea that it became environmental policy even in the face of technical, economic assessments that indicated it was an idea ahead of its time.

3.3 Precautionary Approach

The precautionary approach is an increasingly important element of public policy. As a method, or means, of dealing with uncertainty, it forces a conscious risk management decision (to act, or to *not* act) more frequently. In this sense, the prevalence of the precautionary approach itself reinforces the need for a risk management framework in public policy.

While the approach means different things depending upon the context, one well-known definition exists in respect of environmental protection policy, where Principle 15 of the Rio Declaration states:

“In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are

threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”

This definition indicates that a lack of knowledge about possible risks of a given situation is not an excuse to avoid action, with certain caveats.

How this approach might be defined and applied in other sectors where scientific uncertainty exists is still unclear. It appears that its application will likely vary depending upon the *severity of the risk, as well as the nature of the sector*, or policy area (e.g. more stringent applications where human health and safety is at risk).

There is a great deal of work evolving throughout the world as various countries and trading partners seek to develop agreements and guidelines on how the approach may be interpreted and applied in a manner that:

- *serves domestic interests* (according to societal values and priorities);
- *is consistent with international obligations* established through trade agreements or otherwise; and,
- *is flexible* enough to have relevance in different policy areas.

For its part, Canada supports the Rio Declaration and Principle 15 has been incorporated into the *Canadian Environmental Protection Act (1999)* and several other federal and provincial statutes and environmental policies, but a comprehensive position on applying the approach more broadly requires wider attention within government.

In the framework on public risk management, the precautionary approach is presented as affecting both the development of options and the decision phases. While the approach is clearly linked to scientific analysis, (it cannot be applied without an appropriate assessment of scientific factors and consequent risks), it may also be impacted by international considerations and, ultimately, guided by *judgement, based on values and priorities*.

3.4 Constant Considerations

It was recognized a public policy decision-making process does not occur in isolation and that there are often considerations which require ongoing attention throughout the process. Three main categories of such factors were identified for purposes of the framework:

- communications and consultation activities
- legal considerations; and,
- ongoing/operational activities.

Risk communications as defined earlier, is a two-way, interactive process. To give effect to this definition, *communication and consultation activities need to be considered at each step in the process.*

- As a matter of current practice, stakeholder involvement and consultations are increasingly recognized as key to building acceptance and understanding of government policy decisions -- tacking a communication package on at the end of a decision process is neither a sufficient nor a successful means of communicating with the public and interested parties.
- Particular challenges in developing a more integrated approach to communication and consultation activities throughout the decision process need to focus on several of the contextual aspects of risk:
 - S the importance of perception or assessments;
 - S degree of public tolerance for risk;
 - S the role that pro-active risk communication (e.g. information, education) may play in building public understanding of risk and management of risk; and,
 - S the need to gain/maintain public trust and its impact upon the credibility of government messaging.

Legal considerations were also identified as key concerns throughout a decision-making process. An initial review of the main considerations in the context of public risk management suggests that they include:

- exposure to legal liability (associated with a breach of a duty of care, i.e. the duty to avoid causing loss or damage to others through negligence);
- responsibility and accountability; and
- compliance with international obligations (e.g. arising through international trade or multi-lateral environmental agreements or otherwise).

Work related to these issues is ongoing (e.g. duty of care -- a concept referred to frequently, but not always well understood). They are flagged in the framework to highlight the importance of involving legal counsel throughout a risk management process with the aim of understanding and planning for a range of legal implications.

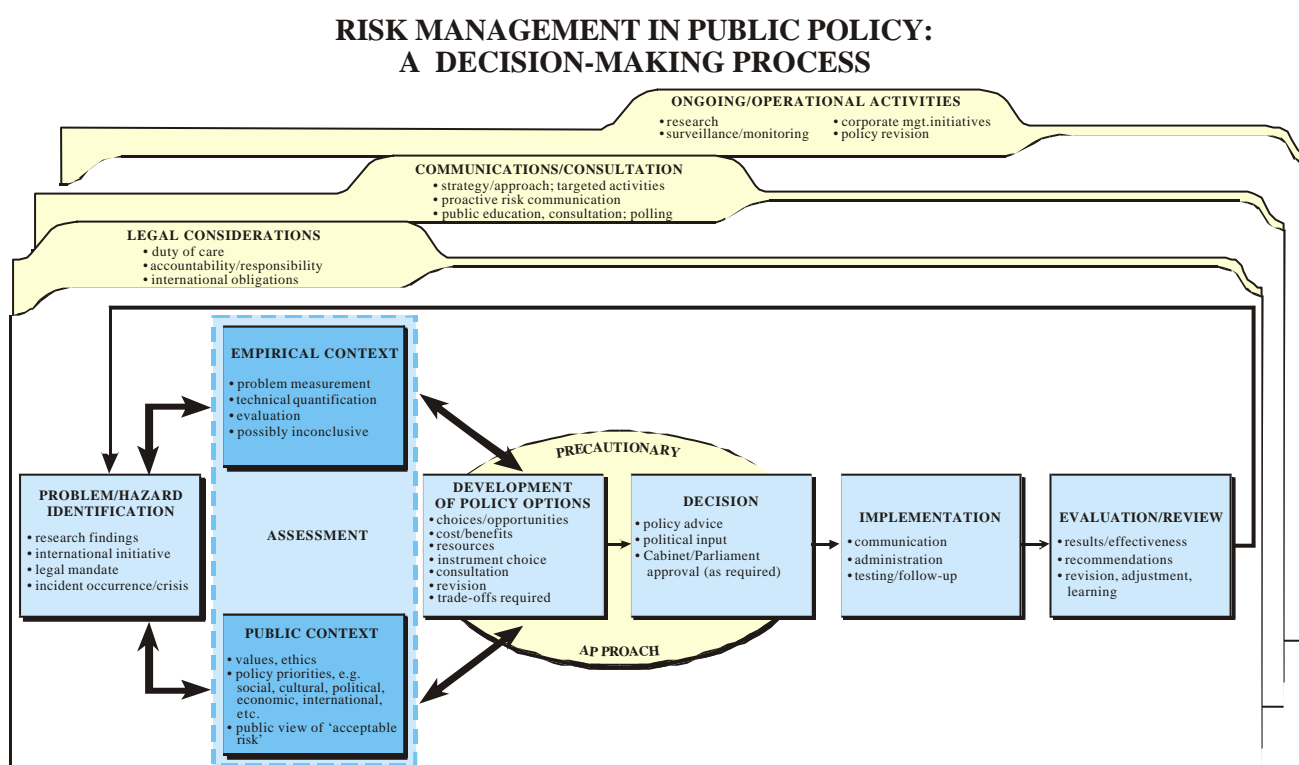
Ongoing and operational activities includes various types of work that happen continually, often unseen day-to-day, but critical to maintaining the ability to act on an informed basis and, often serving as an early warning system.

- Research, surveillance, monitoring and audit of programs and policies are examples of such activities.

- In this context, the capacity of government to carry out scientific and policy research will have implications for the effectiveness of any risk management approach.

3.5 Synopsis of the Framework

The schematic below provides a synopsis of the framework issues identified above. It focuses on *functions, or steps in the process*, rather than labels and specific instructions. It draws out the key elements from a horizontal perspective in order to *stimulate discussion and facilitate a coordination of effort in developing a more comprehensive approach to risk management* in the government.



At the same time, because of its general approach, the framework is adaptable enough to be tailored to specific areas of specialization and may therefore be used as a reference point in advancing the discussion of risk management into a case- or sector-specific context, and in comparing sectors as needed.

4. OBSERVATIONS AND NEXT STEPS

The development of the public risk management decision-making framework makes two key contributions:

- draws together *issues of common interest across government* and thereby provides a platform for further discussion aimed at developing a corporate, or government-wide perspective on risk management; and,
- provides a *context for ongoing work* and the opportunity to establish *critical linkages between sectors* (e.g. science and policy).

In developing this framework, two facts about the current environment were immediately evident:

- there is a wide range of familiarity with and expertise in managing risk in the government; and,
- there is an abundance of work underway to explore risk-related issues, from a variety of perspectives³.

These are indications that recognizing and dealing with uncertainty is a growing concern for public policy decision-makers.

One consistent finding of the literature on risk management is that *support and endorsement from senior management is a prerequisite* for development of an effective risk management approach. Accordingly, the longer-term integration of public risk management into decision-making practices requires *continued leadership now*.

- Deputies have expressed significant interest in the issue by establishing a working group of assistant deputy ministers. This report *builds on that interest and focuses attention on issues requiring further, horizontal policy attention*.

NEXT STEPS

The proposed next steps relate to broad, horizontal issues concerning public risk management. As noted, there is a great deal of work already underway in government and it will be important to build on some of that work and where possible, draw linkages between various exercises.

³ See Annex C for a brief explanation of other, ongoing work.

In order for further government-wide work to be successful, *all departments and agencies must be involved*. Nevertheless, key departments and central agencies have been identified to provide horizontal leadership and coordination in each priority area.

The priority areas identified for further work on risk management include:

4.1 A Government-Wide Framework for Risk Management

- i The Treasury Board Secretariat (TBS) has initiated work to identify how various departments deal with risk in their areas of responsibility and has researched best practices domestically and internationally. Informed by the studies and in consultation with an interdepartmental Advisory Group on Risk Management, TBS is developing a risk management framework for government-wide use. As this work continues, the development and implementation of effective processes for managing risk within departments should provide opportunities to benefit from best practices and develop implementation guidelines and tools with the appropriate flexibility.

- S This work is consistent with Treasury Board Ministers endorsement of the Panel Report on Modernizing Comptrollership, which mandated the Treasury Board Secretariat (TBS) to create a more systematic and integrated approach to risk management across government.

One of the ADM Working Group's most important findings from its examination of best practices from across government, is that effective risk management relies more on the existence of a flexible process than on a rigid set of rules.

While there will always be pressure for a rules-based system for managing risk, the very nature of risk and uncertainty make such a system inappropriate in many circumstances. Even in the case of known conditions, changes or discoveries in science can render existing rules obsolete.

Without the processes in place to identify changes and revisit decisions on an ongoing basis, systems for risk management can become unreliable. What seems to work best are processes that are flexible enough to accommodate rules and also provide for *regular revisiting and challenging* of the issue analysis (e.g. science) and procedures currently relied upon by departments and agencies.

4.2 *The Legal Context*

- i The Department of Justice is working with Treasury Board Secretariat to identify ways of managing legal risk and civil litigation more strategically across the federal government. Building on work already underway, the objective is to find ways, where possible, to avoid or minimize litigation, and to handle any litigation that does occur more efficiently and strategically. Key outcomes expected within the next few months include:
 - S developing a clearer understanding of the basic drivers of the growth of litigation;
 - S devising an effective government-wide scanning process to identify and prioritize legal risks early; and,
 - S elaborating an “instrument packaging” policy and supporting tools (including preventive dispute resolution) that reduce the risk of unnecessary, unintended Crown litigation. The project will also identify appropriate procedures, tools and resources to better manage so-called “mega cases”, and cases raising significant horizontal issues for government.

In recent years, the volume and complexity of civil litigation have increased dramatically, putting great pressure both on available resources and the government’s ability to manage this litigation effectively. There is general acceptance that this has become a serious problem for all departments, and calls for a government-wide response. The risks pose program integrity issues for most, if not all, departments. The Legal Risk Management Project will address these challenges.

4.3 *The Precautionary Approach and the International Context*

- i The application of the precautionary approach by Departments and Agencies is a central aspect of risk management. The Deputy Ministers’ Challenge Team on Law-Making and Governance is an important avenue for developing *federal consensus* on the precautionary approach and building up linkages between potentially divergent interests.

The precautionary principle/approach is becoming a key issue in international relations, in terms of trade, health protection and environmental issues. International negotiations, disputes, and agreements relating to risk management, in particular to the application of a precautionary approach, have implications for numerous line departments as well as for the Department of Foreign Affairs and International Trade and for virtually all sectors of

Canadian society. In this respect, there is a need to integrate domestic and international obligations into the application of the precautionary principle and into the broader risk management process.

Recent developments in the area of bio-diversity and trade protocols highlight the need to come to terms with the precautionary approach in Canadian public policy. While the actual implementation of a precautionary approach may vary sector-by-sector, to ensure coherence in its use, the guiding principles by which it is to be applied need to be reviewed in a comprehensive manner.

4.4 Risk Communications and Consultations

- i The Privy Council Office should work with the Treasury Board Secretariat to ensure that risk communications and consultation practices are integrated into the Government of Canada Communications Policy as part of the current Communications policy renewal exercise. This should reinforce the importance of incorporating communications advice and planning into the early stages and full spectrum of risk management exercises.

Risk communication is a significant area for further work. The recommendations above are aimed at enhancing the public context component of assessment, and the overall role of communications and consultations in managing risk. They therefore require significant focus on risk communications by central agencies.

Risk communications also needs to be a focus of capacity-building and training. The appropriate mechanisms for integrating risk communications into policy-making is just one aspect; the other is the capacity of the people involved to ably communicate risk concepts to the appropriate audiences.

It is anticipated that additional opportunities for developing risk communications capacity and integrating it into the public risk management process will arise through discussion of this report.

4.5 Risk Management Training

- i The Canadian Centre for Management Development should develop the capacity to *deliver appropriate training in the various stages of the risk management process*. Ultimately, this capacity building should ensure that *management at all levels, including Deputy Ministers, are as well equipped to ask the right questions about science and risk*, as they are, for example, on questions of policy objectives and sound economics.

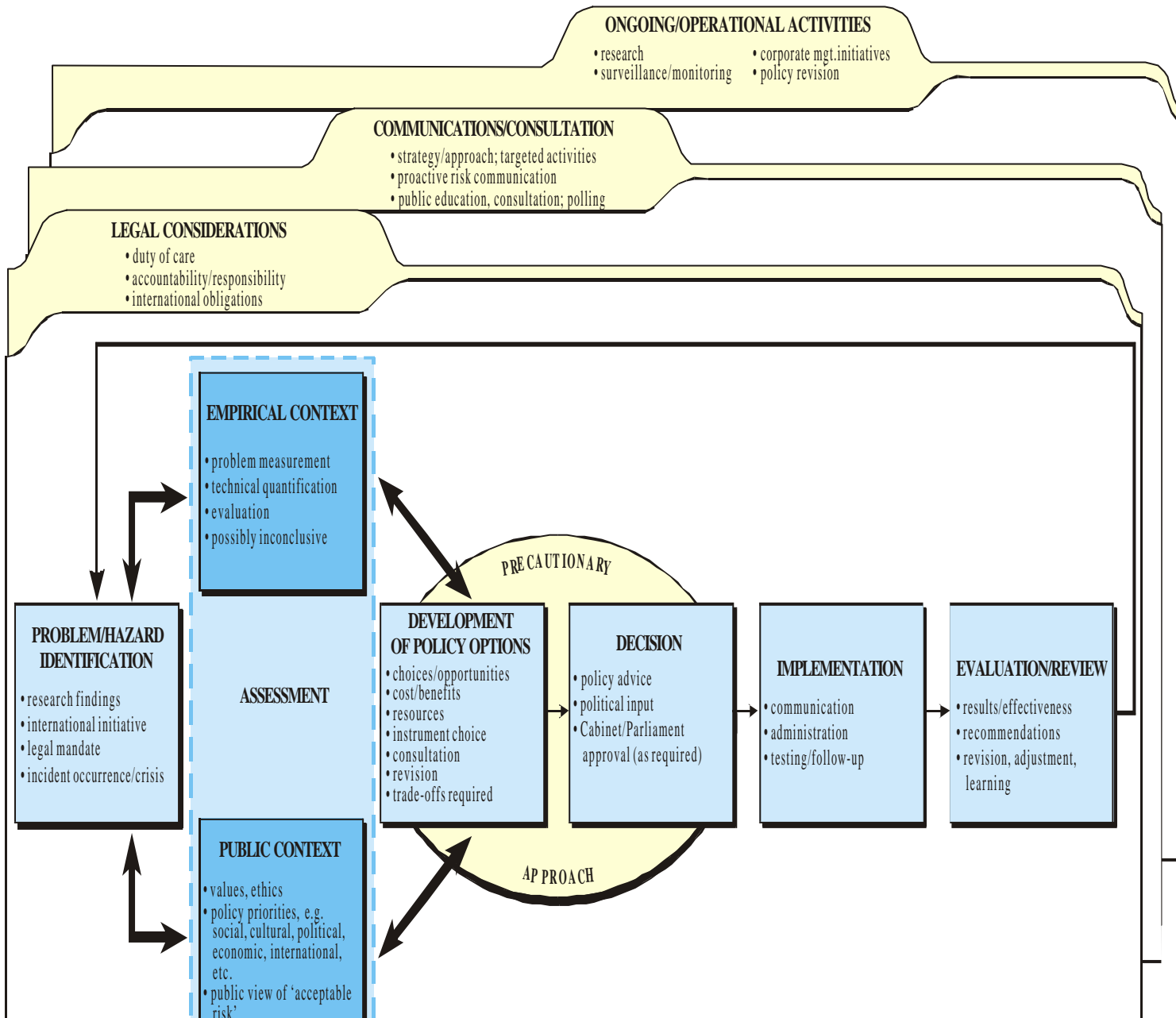
- i The Canadian Centre for Management Development, in its roundtable on risk management, may be able to develop proposals aimed at enhancing risk management capacity in government.

The government's ability to manage risk rests on the skills of its people. The issue of risk management capacity is therefore broader than the related concern for science capacity. Beyond the need for scientists to conduct good science, effective risk management in a public policy context also requires a capacity for asking the right questions about science, risk, public perceptions and policy options, and how each of these may be related.

For example, choosing the most effective means of achieving a given policy objective (referred to as instrument choice) is clearly important aspect. Often, however, only the most traditional or obvious options are considered (legislation) when other, less onerous options could be equally, or perhaps more, effective, as they are better-targeted, or have the support of stakeholders and are more enforceable. Knowing how and when to pursue use of different policy tools is a simple, yet important, component of public risk management training and capacity needs.

RISK MANAGEMENT IN PUBLIC POLICY: A DECISION-MAKING PROCESS

Annex A



Annex B

Background on the Working Group

This annex contains:

- background on the Working Group;
- the membership of the Working Group; and,
- a list of the outside experts who contributed to the working group.

Context

In recent years, several high profile events, such as the diminution of fish stocks off the east and west coasts, the tainted blood tragedy and the subsequent Krever inquiry and, more generally, the concern about adequate preparedness for Y2K, have served to raise awareness of the importance of managing risk effectively in a decision-making context.

In the public policy environment, risks to health and safety, environmental integrity and economic vitality are increasing, in part due to factors such as:

- ever more rapid technological adoption of scientific advances;
- population increases and migration;
- globalization of trade and environmental phenomena; and,
- pressure on public sector resources (financial and human).

In addition to the many external influences, government has made a conscious effort to enhance the public policy process by meeting challenges such as citizen engagement, consistent ethical practice, improved reporting to Parliament, and a focus on results rather than rules.

Taken together, these trends and pressures create an environment where public policy:

- must deal with risk on a more frequent basis;
- is subject to greater scrutiny; and,
- often has increasingly critical implications for future social, economic and environmental well-being.

Creation of the Working Group

In light of this evolving environment, the issue of risk management arose in several discussions among deputy ministers in the latter part of 1998. At that time, the Clerk of the Privy Council indicated that the level of interest expressed by deputies merited a closer look at risk management concepts.

Accordingly, the Privy Council Office convened a working group of assistant deputy ministers to consider horizontal issues associated with managing risk in the public policy process. It was anticipated that such a working group could expand the knowledge base on risk management, enrich further discussions and assist in identifying key areas for attention.

The Working Group on Risk Management was organized and chaired by Ruth Dantzer, Assistant Secretary to the Cabinet, Social Development Policy, Privy Council Office. Participants in the Working Group were nominated by members of the Deputy Ministers' Challenge Team on Regulatory Reform (now called the Deputy Minister's Challenge Team on Law-Making and Governance), ensuring representation of a cross-section of policy responsibilities within the government; science-based departments as well as those with a socio-economic perspective. A membership list is attached.

The Group met monthly between January and November 1999. During that time, several special sessions were also convened to expand the Group's general working knowledge on risk management and establish linkages with outside experts. A list of these outside experts is attached. In April the Clerk's ADM Forum was dedicated to the topic of risk management. Various sub-groups also met over the period to develop and refine aspects of the work undertaken by the Group, including background papers and this report.

Membership -- ADM Working Group on Risk Management

Ruth Dantzer
Assistant Secretary to the Cabinet

Social Development Policy
Privy Council Office

Jane S. Billings
Chief Executive Officer, Consulting and Audit Canada
Public Works and Government Services

Alternate: Bill McCann
Director General, Consulting
Consulting and Audit Canada
Public Works and Government Services

Tony Campbell
Executive Director, Intelligence Assessment Secretariat
Privy Council Office

Jean Chartier
Vice-President, Public and Regulatory Affairs
Canadian Food Inspection Agency

Bob Connelly
Vice-President, Policy Development
Canadian Environmental Assessment Agency

Liseanne Forand
Assistant Deputy Minister, Policy
Fisheries and Oceans

Jonathan Fried
Assistant Deputy Minister, Trade and Economic Policy
Foreign Affairs and International Trade

Alternate: Andre Dulude
Director General, Technical Barriers and Regulations Division
Foreign Affairs and International Trade

François Guimont (Vic Shentora, December 1999)
(then)Assistant Deputy Minister
Environmental Protection Service
Environment Canada

Alternate: Norine Smith
Assistant Deputy Minister, Policy and Communications
Environment Canada

Doug Hedley
Acting Assistant Deputy Minister, Policy Branch
Agriculture and Agri-food Canada

Ron Jackson
Assistant Deputy Minister, Safety and Security Group
Transport Canada

Alternate: Gaetan Boucher
Director General, Safety and Security Group
Transport Canada

Linda Keen
Assistant Deputy Minister, Metals and Minerals Sector
Natural Resources Canada

Myles Kirvan
Senior General Counsel, Legal Services
Health Canada

Mario Laguë
Assistant Secretary to the Cabinet
Communications and Consultations
Privy Council Office

Katharine MacCormick
Assistant Secretary to the Cabinet
Legislation and House Planning
Privy Council Office

George Redling
Assistant Secretary
Regulatory Affairs and Orders-in-Council Secretariat
Privy Council Office

Ian Shugart
(then) Visiting Assistant Deputy Minister
Health Protection Branch
Health Canada

Jack Stagg (François Guimont, December 1999)
(then) Assistant Secretary to the Cabinet
Economic and Regional Development Policy
Privy Council Office

Andrei Sulzenko
Assistant Deputy Minister, Industry and Science Policy Sector
Industry Canada

Alternate: Marie Tobin
Director General, Innovation Policy Branch
Industry Canada

Dave Watters
Assistant Deputy Minister
Economic Development and Corporate Finance
Department of Finance

Alan Winberg (Roberta Santi, November 1999)
(then) Risk, Procurement and Asset Management Policy Sector
Treasury Board Secretariat

Outside Experts Who Contributed to the Working Group

Bill Stanbury
University of British Columbia

Bill Leiss
University of Calgary

Michael Trebilcock
University of Toronto

David Lewis
Hickling Lewis Brod Inc.

Jean François Girard,
Conseil d'État
Paris, France

Mark Neal
University of Reading
United Kingdom

Tammy Tengs
University of California
Irvine, USA

Annex C

Ongoing Work in Government

- *Treasury Board Secretariat's (TBS) Modernization of Comptrollership* initiative identified the need for a sound risk management approach within the context of management reforms. The TBS has since established a policy centre to strengthen risk management, as directed by Treasury Board Ministers.

TBS has examined best practices in risk management in the federal government and other jurisdictions, and prepared a discussion paper on the interplay of risk, innovation and values. This work:

- S highlights the importance of leadership at senior levels and confirmed the need to develop a government-wide management of risk framework, tools, capacity and a centre of expertise; and,
- S shows that risk management in the federal government is current with public and private sector experience and practices world-wide (pockets of excellence, infancy of full integration in business planning).

In strengthening risk management, TBS has initiated:

- S preparation of a strategic overview of risk management in the public service to respond to the widespread need for information and clarification on the different federal initiatives on risk management and their interrelation;
 - development of a management of risk policy framework for government-wide use to cover a wide spectrum of risks, to more broadly employ successful practices and lessons learned from areas such as science and health and safety.
- *Privy Council Office's (PCO) Regulatory Affairs Directorate* is leading an initiative to achieve coherent and cohesive implementation of the precautionary approach with particular regard to federal domestic and international laws, policies and treaties in areas where science is implicated. The objectives of this initiative are:
 - to develop a policy paper setting out the federal position on use of the precautionary approach for use in federal areas of responsibility, in international negotiations and for integration into the broader process of risk management; and,

- to assist departments in developing, in consultation with their stakeholders, guidelines for the application of the precautionary approach in their particular area of responsibility.
- A large component of risk management hinges on *science capacity* and the effective use of science advice in government policy-making. In this respect there are two groups exploring relevant concepts:
 - S The *Council of Science and Technology Advisors (CSTA)*, an external expert panel on federal science and technology (S&T) issues requiring strategic attention, developed a set of principles for use of science advice in government decision-making and highlighted the need for risk management, including guidelines for departments to enable consistency in approach. A second phase of their work will focus on the roles of the federal government in S&T and the ability to fulfil those roles.
 - S An *ad-hoc Committee of S&T ADMs* has been working to develop a policy framework concerning the contribution and impact of S&T on wealth creation and the precautionary principle, as well as an analysis of the S&T capacity required to support these mandates.
- Through its research program, the *Canadian Centre for Management Development* has established a roundtable on risk management, intending to explore best practices and guidelines for government departments.
- With the support of the Treasury Board Secretariat, the *Department of Justice* is leading an inter-departmental legal risk management review, as part of an effort to develop a more strategic and forward-looking approach across government to managing actual and potential civil litigation.
 - S In particular, Justice Canada is implementing an initiative to identify and manage so-called “high impact” litigation. This is litigation that, if lost, or in some cases won, is likely to have significant consequences for government policy or finances, federal/provincial relations, or public confidence in the government or in the courts. This Project is working out ways to involve senior officials early in identifying high impact cases, in ascertaining the strategic implications of such cases, and in developing concrete plans to manage this litigation proactively.

- *Natural Resources Canada* is using a policy development initiative concerning off-shore minerals management as a “pilot project” to explore and test risk analysis, risk management and risk communications models, in terms of policy content and public consultation process. In addition, a comprehensive set of policy instruments will likely be required for the management regime and therefore an opportunity exists to develop some experience with instrument choice issues.