Interview with Rolf Alter, Director for Public Governance and Territorial Development, OECD

Guidelines for National Resilience: Towards a Global Consensus on Risk Mitigation

By Japan SPOTLIGHT

The Paris-based Organisation for Economic Cooperation and Development (OECD) is actively promoting guidelines on global risk management in collaboration with the United Nations and national governments. Japan SPOTLIGHT held an interview with Mr. Rolf Alter, director for Public Governance and Territorial Development at the OECD, which is in charge of the issue.

JS: Could you please briefly introduce yourself and the role and mission of your Directorate at the OECD?

Alter: I have been director for Public Governance and Territorial Development (GOV) since 2009. I lead a team of 200 staff to support governments in improving their public sector performance for the well-being of citizens and the competitiveness of their economies. Key areas include institutional reform, innovation, transparency and integrity in the public sector, results-oriented budgeting, regulatory reform, and the economics of regions and cities.

Governance of Critical Risks

JS: Could you tell us a bit more about the background to the OECD Recommendation on the Governance of Critical Risks?

Alter: The OECD Recommendation on the Governance of Critical Risks was discussed in the OECD High-Level Risk Forum and adopted by the OECD Ministerial Council Meeting in May 2014, when Japanese Prime Minister Shinzo Abe chaired the meeting. Risk management has risen very rapidly on the agenda of most governments and has become a truly global issue. Shocks affect everyone, even if they happen in a faraway country. At the same time, the private sector and citizens — who are crucial actors in risk management — cannot address it on their own; a national policy is needed. The OECD Recommendation provides guidance for crafting inclusive national risk management policies; it stresses the importance of involving citizens and businesses, and of reinforcing international co-operation. The Recommendation contributed to the Third UN World Conference on Disaster Risk Reduction (WCDRR) in Sendai in March 2015, where the OECD worked closely with the UN Office for Disaster Risk Reduction (UNISDR).

JS: As risk management is so closely related to many issues, this is presumably a very horizontal project?

Alter: Absolutely. Today in many OECD countries there is an awareness of the need for better risk policies. But of course this often means investment, and there is strong competition for the use of public resources, for example for high-profile social or environmental issues. It is therefore essential to have good-quality evidence to ensure that public money is well spent. The Science Council of Japan hosted the Conference on International Study for Disaster Risk Reduction and Resilience at the University of Tokyo in January 2015 to prepare for the WCDRR in Sendai. At that conference we discussed how evidence depends on quality input from the scientific community.

There is also a very important role for the center of government, such as the prime minister’s office or parliament. Risk management has to be led by the top political level. In this regard, not many countries are as devoted to the risk agenda as Japan. The OECD
Recommendation relies on quite sophisticated and well-functioning political and administrative systems, which are not necessarily found in all countries. Global co-operation can help ensure that these governance weaknesses do not become a problem for risk management.

It is also a horizontal project in the sense of involving the business community. Many infrastructure projects, for example, are carried out in partnership between the government and the private sector. That means that open communication with the business sector is essential when designing risk management policies. At the OECD, we work with the Business and Industry Advisory Council, which includes some large insurance companies and global businesses. There are certain things we can learn from the private sector, especially in terms of risk management across borders.

The OECD High Level Risk Forum is a good example of this horizontality, as it brings together government, business, civil society, scientific input, and of course international organizations.

National Resilience — Key Concept of Risk Mitigation

JS: When you talk about risks, what kind of risks do you have in mind?

Alter: The OECD uses an all-hazards approach to risk that does not distinguish between natural and man-made disasters. The Recommendation emphasizes the need to carry out a national risk assessment that looks at economic, political and natural risks that need to be assessed together. There is a lot of good experience with this, for example in Canada, the United States and Japan.

Risk management is an investment. The more you can minimize risks, the stronger your economic, social and environmental development will be. Once a risk assessment is made, the decision has to be taken to invest in mitigation. Prime Minister Abe made an extremely important contribution to this debate when he chaired the OECD Ministerial Council Meeting in 2014. He introduced the notion of resilience, in terms of the capacity of countries to rebalance after a shock. This is a very positive notion today: risk management is investment in resilience.

JS: In talking about national resilience, some government officials in Japan have stressed the importance of software. What is your opinion on this?

Alter: Software includes a number of things, and the most important is awareness of risks. It starts with education, from the youngest years, so that people see risks not as something to be feared but as something that must be faced. Risk management is not just an issue for government action: it is also important that citizens learn and have the opportunity to prepare themselves, for example by taking out insurance, or investing in their buildings and houses. If you are aware and well-educated you can spend your own resources to prepare for and mitigate risks. Software is important not just in terms of awareness, but also of taking responsibility for better preparing yourself.

Prime Minister Abe said we need resilience at the level both of the national system and of the individual. When you invest in your own resilience, you know that it is not about the presence or absence of risk, but about how much risk you are willing to accept.

Implementing Guidelines

JS: Disseminating the OECD Recommendation should be very important for strengthening international collaboration on this issue, as well as from the educational point of view. How are you going about dissemination, as well as following up on and monitoring countries in accordance with this Recommendation?

Alter: The OECD, with the support of the UN and Japan, is working with countries to assess risk management policies against this Recommendation and to introduce peer reviews. Nothing is more effective than drawing on the expertise and experience available in many parts of the world, and understanding what has or has not worked in risk management. This type of analysis can identify the weak points in even very developed systems.

The OECD is also working with individual countries, making the monitoring process country-specific. The OECD’s recent Review of the Mexican National Civil Protection System is a good example.

JS: Formulating this international co-operation process seems to be critical, especially in including non-OECD countries. You said your collaboration with the UN is very important. Is there anything else you have in mind?

Alter: Recently the OECD has been opening up tremendously, not only increasing its membership, but also expanding outreach with, for example, Peru, Colombia, Costa Rica, and some Southeast Asian countries. There is great interest in these countries in taking up this work on risk.

JS: The OECD Economics Directorate recently funded a department researching Southeast Asian economies. Are you also collaborating with this research bureau?
**Achieving Effective Resilience**

**JS:** You said investment is very important in promoting resilience, but at the same time governments are now facing serious budgetary constraints. How do you balance cost-effectiveness with this need for investment?

**Alter:** For any public policy, cost-effectiveness is critical. This also applies to risk management, where we can increasingly calculate risks in a scientific way. The OECD recommends undertaking cost-benefit analysis, since it is really an issue of a society’s willingness to take risks.

Creating synergies across different policy areas is also important. For example, infrastructure is typically used to make economies more competitive. The real question is: how can we promote investments in infrastructure that also reduce risks? These kinds of synergies can satisfy more than one objective with the same amount of money. The same can be said of regulation. To take a Japanese example, building code regulation makes sense for risk resistance: can it also be used for climate change mitigation? Such synergies require that governments stop thinking and acting in silos, and try to develop policy packages that serve multiple objectives.

**JS:** Environmental problems as you mention have been seen as an opportunity to create new green business. Could disaster mitigation and national resilience create new business as well?

**Alter:** Definitely. This will be an area not only for new business, but also for a new research and innovation agenda. Once the price signals are right, and the awareness of risks is right, you will find greater interest in buying goods and services that support good risk policies. Technology has a role here as well: our access and availability to data today, especially open government data, will allow us to create new markets for products and services.

**Future Plans**

**JS:** Our last question is about your future plans. Besides monitoring and peer review processes, and collaboration with the UN or other international organizations, what other plans do you have for the future?

**Alter:** The next step is twofold. First, we will strengthen our relationships with the private sector. The OECD works with the World Economic Forum, of which I am a member. It has done good work on risk management and can help bring the private sector perspective. Second, we need to take a longer-term perspective. The OECD’s future work will look ahead 10 or 15 years at the emerging risks that have not yet been anticipated — the “unknown unknowns”. Scenarios are needed to prepare structures and institutions for such shocks. We need to invest more in order to identify and explore what governments, the private sector and citizens can do in such cases.