

## **5. Investigation of the institutional challenges and solutions to systemic risk management**

### **Objectives:**

- To review the existing institutional procedures and structures to cope with new food risks.
- To analyse their compatibility with the new requirements of systemic risk management.
- To analyse changes institutional structures needed in order to accommodate the new requirements.
- To provide suggestions for a more active public participation in risk management processes.
- To actively make use of completed and currently on-going research based on these specified in the earlier sections of this technical annex.
- To systematically identify information relevant to nutrition and labelling derived from possibly WP 1-3, and include this in the research activities.

### **Co-ordinator:**

Partner 24, DIA

### **Partners**

24 DIA (D)

26 UoS (Univ. Sussex; UK)

27 UM (Univ. Maastricht; NL)

28 UGOT (Göteborg Univ.; SE)

29 KCL (King's College; UK)

30 ISB (Inst. Sociol.; HU)

### **Contribution**

overall co-ordination/ needs for systemic risks, improvement procedures

needs for systemic risks, improvement procedures current practice in management for the EU, improvement procedures

current practice in management in Sweden

current practice in management in the United Kingdom

current practice in management in Hungary

### **Deliverables:**

- Framework for analysis of different structural and procedural methods to regulate food risks, in particular systemic risks addressing nutrition and labeling issues where appropriate.
- Reports about the philosophy, structure and institutional arrangements with respect to the management of food risks in Europe.
- Analysis of current practices, experiences and potential improvement capabilities for systemic risk management in the food area.
- Guidance document with requirements for a procedural/ institutional model of risk governance with respect to systemic food risks
- Procedural and structural model for dealing with systemic risks in the food sector.
- Synthesis paper on the requirements and needs for institutional and procedural changes with respect to systemic food risks
- Summary reports on the responses of different stakeholder groups to the synthesis paper and its implications
- Final report that summarises the empirical as well as theoretical analysis, and demonstrates the potential pathways for reform and changes in procedures and institutional arrangement, including nutrition and labeling issues where appropriate.

The main objective of WP5 is to review the existing institutional procedures and structures to cope with new food risks, investigate their potential merits, problems and challenges and analyse their compatibility with the requirements of systemic risk management.

## **Workplan**

The first three tasks are devoted to the analysis of existing risk management practices in different countries of the EU. The focus will be on new institutional arrangements that have been redesigned after the BSE crisis. Among the countries that have reformed their risk management practices are the United Kingdom, France and Germany. These three countries will be included in the analysis, in particular as they have pursued different routes to reform the existing regulatory regime. In addition, the tasks 5.1-5.3 will address risk management in Sweden and Hungary. Sweden is an excellent example of a regulatory system that succeeded in sustaining public trust and confidence during the BSE crisis and has also not lost public support in the recent acrylamide case. Hungary is one of the new candidate countries in which food risks have not been at the fore of public concern but may soon face similar problems as the other members of the European Union. The research will also cover the recent structural and procedural changes on the EU-level and compare those with the changes observed in each member country.

### **5.1 Common analytic framework for a review of institutional practice**

The researchers in each of the selected countries will develop a common protocol and guidance document for performing the analysis in each country. For this purpose the co-ordinator of WP5, DIALOGIK gGmbH (DIA), will organize a workshop with all co-operating partners and experts in the field in order to develop a common analytic instrument for the analysis. This first task will last for a period estimated of three months.

### **5.2 National reports and EU-level report**

The second task comprises the actual empirical analysis. All partners will perform their research tasks in accordance with the common protocol. They will register the structural and procedural changes, analyse the rationale behind those changes, survey the main actors in the field, and have policy analysts provide interpretations and suggestions. The intermediate results of the national reports and the report for the EU-policy level will be presented and discussed on an interim workshop organised by DIA. Task 5.2 will last an estimated 12 months.

### **5.3 Integrated analysis of institutional practice**

The third task is devoted to integration and common analysis. The partners will meet again in a three-day workshop in order to compare results, investigate commonalities and differences, and report about positive and negative experiences with different institutional and procedural changes. The main objective of the second workshop is to draw common lessons for the future institutional challenges but also solutions to cope with systemic risks in the food sector. During this workshop, the major results of the Work Packages 1-3 and 4 are also integrated in order to assure sensitivity to new risk analyses methods as well as to public perception of food risks. We envision another estimated three months for this task.

### **5.4 Analysis of risk management needs in view of systemic risks**

Parallel to the empirical analysis of the existing regulatory structures and procedures, the research team at DIA and a research team at SPRU (Sussex University) will be investigating the needs for new risk management procedures as well as for desirable structural arrangements that promise to incorporate the new requirements on scientific risk assessments and appraisal (as analysed in WP 1-3); the delineations from the risk perception and communication work (WP 4) and from the preliminary results of the national reports and the EU-level report (task 5.2)

The central interest for policy makers is the question which analytic and regulatory approaches and instruments are suitable for understanding the impacts of systemic risks and for assessing and evaluating their contribution to health-related, environmental, financial and political risks and of opportunities. In addition, the link to strategic policy concerns as they relate to economic development and governance will be clarified. One of the most challenging topics to investigate is the interpenetration of physical, environmental, economic and social risks. Risk management is not only a task for risk management agencies, but also an imperative mandate for organizations dealing with the economic, financial, social and political ramifications connected to these risks. It is not sufficient any more to look into the probability distribution of potential losses associated with a risk source. The event may trigger additional ripple effects that promulgate through a whole sequence of secondary and tertiary impacts. Many of them may or may not be covered by insurance policies, but if private compensation is not available, public policy makers will experience strong public pressure to compensate victims and to mitigate the situation. The tendency of systemic risks to trigger ripple effects across traditional policy boundaries has fueled much concern and fear. The main challenge of task 5.4 will be to provide a systematic framework for risk assessment, evaluation and management that provides satisfactory answers to the challenges of complexity, uncertainty and ambiguity.

There is another aspect that policy makers need to take into consideration. Systemic risks are likely to be trans-boundary, sometimes even global. There is a lot of concern and fear in public perception when it comes to complex international interconnections. Within task 5.4 the two research teams of DIA and SPRU of Sussex University will develop a more adequate conceptual understanding of these risks with the aim of designing procedures and institutional arrangements that promise to generate an adequate response to the challenges of complexity, uncertainty, and ambiguity.

The work on task 5.4 would start three months after the beginning of the whole project. It would need input from WP 1-4 in order to be responsive to the needs of risk analysts as well as to public concerns and fears. Essential external input would be provided by a conceptual workshop bringing together policy analysts, scientific risk assessors, and risk managers. The main objective is to gain a better understanding of the underlying issues and to collect systematic guidance from practitioners as well as academic observers. After the workshop the two teams will develop a model for analysing and managing systemic risks in the food sector. The overall time period for task 5.4 will be an estimated 17 months. Since it starts later than the other work packages, first results of WPs 1-5 can be early integrated into the development of the model. The results of task 5.4 will then be an essential input for task 5.5 as well as WP 6.

## **5.5 Suggestions for improving risk management procedures and structures**

Task 5.5 will attempt to draw the main lessons from the tasks 5.1-5.4. The main objective here is to design potential procedural and institutional reforms that promise to be more responsive to the emerging challenges of systemic food risks than the traditional approaches. The analysis of the regulatory arrangements in different European countries and in the EU as a whole will act as a starting point for suggesting changes in procedure or institutional structure. In order to keep focused and targeted, the results of the more theoretical analysis of task 5.5 will provide the vision for the constructive guidelines. All suggestions for reform need to be evaluated on the following criteria:

- *scientific validity* (is the suggested model compatible with new risk assessment and appraisal methods and approaches needed to cope with systemic food risks?)
- *effectiveness* (does the suggested model provide high reliability for reaching the desired objectives?)
- *efficiency* (does the suggested model account for a favourable cost-benefit ratio and are the transaction costs for regulation proportional to the problem?)
- *feasibility and implementability* (are the suggested changes compatible with European law, the basic EU regulatory philosophy and the fundamental political structures?)

- *public acceptance* (are the suggested procedures and arrangements responsive to people's concerns and perceptions?)
- *transparency and participation* (are the suggested procedures and structures open for public review and scrutiny and do they include sufficient room for stakeholder involvement as well as public participation?)
- *acceptability* (do these suggestions allow for ethical reflection and moral evaluation?)

As a means to test the suggested model, task 5.5 includes a series of Delphi-type-workshops with major stakeholders in the field (5 in total): one with the food industry, one with consumer and environmental organisations, one with risk regulators, one with psychologists, and one with policy analysts

We estimate a period of 18 months for task 5.5. It should start after the estimated month 18 and last until estimated month 36. The first phase of task 5.5 is a synthesis of the requirements and needs for an integrated risk management model that includes procedural guidelines as well as suggestions for structural changes (estimated 4 months). The second phase comprises the five workshops that will be organised within an estimated 8 months period. The last phase is then reserved for the final report (estimated 6 months). Task 5.5 will be jointly performed by DIA (partner 24), the SPRU group of the University of Sussex (co-operative lead; partner 26) and Maastricht University (partner 27).