Risk Management in the Aftermath of COVID-19: Its Role in Improving the Assessment of Interlinkages and Strengthening Synergies to Support the Implementation of the Sustainable Development Goals

Rolf Alter[1]

Introduction

Priority-setting inherently involves assessing the trade-offs and synergies of policy objectives. This assessment involves finding a balance between long-term and short-term goals, addressing the needs of multiple stakeholders, and sequencing policy actions with incomplete and imperfect information. Risk management provides an additional dimension to the evaluation of policy trade-offs and synergies, identifying the uncertainties attached to individual objectives as well as the multiple interlinkages. In this regard, how can risk management contribute to improving evidence-based priority-setting in the context of the implementation of the Sustainable Development Goals (SDGs)?

The assessment of trade-offs and synergies among the SDGs reflects the imperative of policy coherence recognized in the 2030 Agenda for Sustainable Development.[2] In a recent strategic guidance note, the United Nations Committee of Experts on Public Administration argues in favour of integrating risk management in priority-setting processes and institutions.[3] The integration of the risk management portfolio implies expanding the critical coordination function of specific SDG piloting structures such as centres of government (CoG).[4] This contribution explores the potential role of risk management in supporting SDG implementation, drawing on the COVID-19 experience and the evolution of SDG coordination structures.

Experiences and evaluations of COVID-19 crisis management

The COVID-19 pandemic and multiple global crises have dramatically sharpened the appreciation of the central role of risk management in the public sector. The growing transnational and interlinked character of risks has been perceived as a relatively new challenge for risk management—one that requires action beyond the systematic assessment of the probability and impact of uncertain events. The results of the most recent Global Risks Perception Survey, elaborated in the World Economic Forum's *Global Risks Report 2023* and illustrated in the figure below, provide valuable insights into the complex interconnectivity among risk categories.[5]

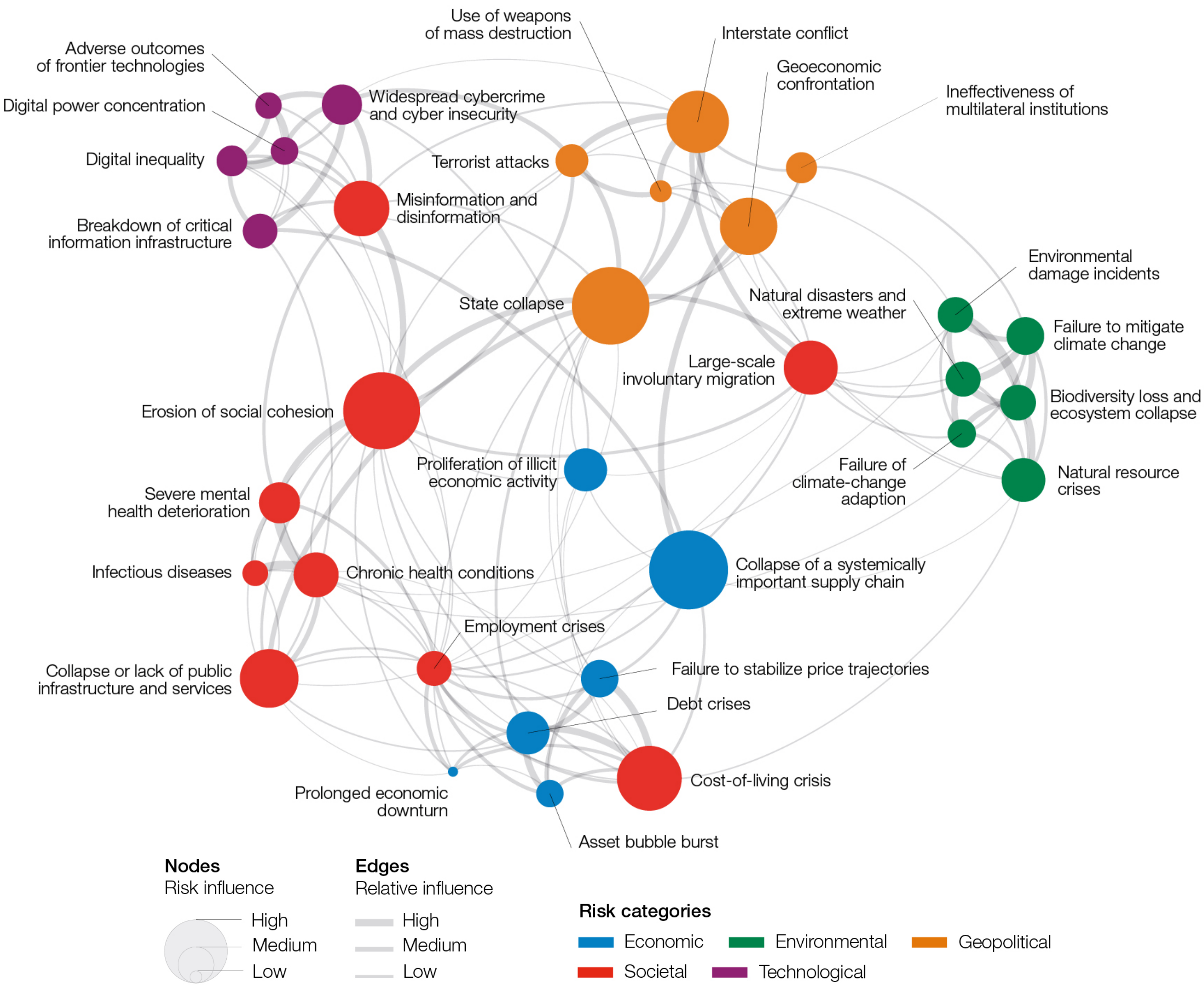
During the COVID-19 pandemic attention was focused primarily on crisis management, while the critical earlier stage of the risk policy cycle—risk anticipation and preparedness—was largely left aside. Internationally comparable and comprehensive evaluations of risk management related to COVID-19 are not yet available. Individual countries undertook assessments of specific dimensions, sectors and instruments at different points in time, mostly in response to urgent decision-making needs, which has made comparative analysis difficult. The comparability of these evaluations has also been weakened by the lack of sufficient evidence on critical sectors' preparedness for pandemics, the proportionality of policy responses, their coherence, and the impact of what were often seen as centralized, confusing and costly government interventions on citizens' trust in government institutions. The need for further ex-post analysis—at the policy level and through academic research—is obvious.

Nevertheless, some common features have been identified across the diversity of evaluations, most recently in the context of a survey of country members of the Organisation for Economic Co-operation and Development (OECD).[6] First, pandemic preparedness was generally insufficient.[7] Second, massive budgetary resources were mobilized to mitigate the economic and financial effects. Finally, the engagement of stakeholders and the public in risk-related decision-making was the exception. While conclusions are still preliminary, some relevant lessons for risk management can already be identified.

There is a need to invest in risk anticipation capacities and in critical sectors to strengthen preparedness for pandemics and other major crises through early warning systems, foresight, systematic horizon scanning, scenario planning and risk assessments.[8] Higher levels of risk interconnectedness must be compensated for through additional data collection and deepening expertise in government to fully exploit available data and provide evidence-based advice to decision makers. Calls for appointing national risk and resilience officers in the United States of America and the United Kingdom of Great Britain and Northern Ireland seem to reflect this concern.[9]

Care must also be taken to increase the impact of anticipation measures on actual preparedness—or in other words, to reduce the "impact gap". Despite national risk assessments frequently and prominently including the risk of pandemics, the track record of countries' responses once the risk of COVID-19 materialized was mostly inadequate. Many countries established national security strategies, including national risk assessments and institutional frameworks, which turned out

The Risks Map 2023



Source: World Economic Forum, Global Risks Perception Survey 2022-2023.

to be inadequate as they focused on centralized, top-down, sectoral management of emergency situations.

For both risk anticipation and crisis management, inter-agency cooperation requires stronger commitment from leadership and fit-for-purpose governance structures with clear mandates. Scientific advisory bodies providing valuable evidence to inform decision-making need to rely on more varied sources of expertise.

During the pandemic, insufficient international coordination on risk anticipation and crisis management may have contributed to the adoption of mostly national-level emergency measures, despite the global and interconnected nature of the crisis. Hefty competition among countries for emergency equipment, resources and protection instead of international coordination led to the waste of public resources and reduced effectiveness of the response measures.

Whether and to what extent the implementation of the SDGs worldwide is being negatively influenced by these risk management weaknesses remains an open question. However, the massive mobilization of budget resources for the immediate protection of citizens and the private sector may well have diverted critical financing from SDG implementation.[10]

The preliminary results and lessons learned from COVID-19 crisis management suggest that the potential contributions of risk management to SDG priority-setting are likely to remain weak. Existing gaps in risk management systems need urgent attention both to improve the performance of the systems themselves and to strengthen their contribution to SDG implementation, particularly in a context of growing uncertainty and complexity and the potentially significant impacts associated with current and future risks.

Upgrading existing risk policies and institutions should not be limited to technical modifications of the concepts of preparedness, mitigation and adaptation as they relate to risk and resilience. The 2014 OECD Council Recommendation on the Governance of Critical Risks[11] suggests a whole-of-society approach, which might be translated into "building a risk culture". This approach is aimed at raising risk awareness, facilitating a better understanding of the economic and social implications of risks, and highlighting both individual and collective responsibilities for risk management among all stakeholders and the public.

A risk culture based on the understanding and transparency of risks would likely change the attitudes of all stakeholders towards, and facilitate a more effective distribution of, the ownership of risks. In terms of the political economy of risks, government risk management would be less negatively affected by the "paradox of prevention".[12] Governments would no longer be expected to assume exclusive responsibility for risk and crisis management and for financial compensation for damages and losses. Citizens would be able to decide on insurance on the basis of their risk appetite. The private sector would be incentivized to prepare better for uncertainties and invest in protection and resilience for businesses. Finally, well-regulated ownership of risks would offer the conditions for closer coordination among all stakeholders to anticipate and be prepared for risks and respond to emergency situations when risks materialize.

Integrating risk management into existing priority-setting architecture

The role and success of public risk management in supporting the assessment of trade-offs and synergies related to the SDGs do not depend solely on its own performance. Equally important is how effectively risk management can be brought into the architecture of the SDG policymaking process, including the CoG and their coordination function across ministerial portfolios.

In principle, piloting structures for SDG implementation should be well set up to integrate risk management functions and benefit from the opportunity to strengthen their priority-setting capabilities through reliance on risk-enhanced evidence of trade-offs and synergies. Implementing this approach remains a complex task, however, for two main reasons.[13] First, piloting structures for SDG implementation may not be very risk-versed in their functions and responsibilities. In its 2017 Survey on Organisation and Functions of the Centre of Government, OECD found that 83 per cent of CoG assumed some responsibility for risk management, with over a third assuming primary responsibility. Despite these figures, only around 10 per cent of the CoG surveyed listed "risk management and strategic foresight for the whole of government" as a key responsibility.[14]

Second, despite the impressive reforms of CoG in many countries, priority-setting processes continue to suffer from major constraints. For example, in Finland, considered one of the frontrunners in innovative governance, the gap between the ambition and reality of future-oriented policymaking remains significant.[15] Constraints include the silo mentality of ministries, especially in the budget area, no systemic future seeking, and foresight impact gaps (where foresight exercises do not impact policy decisions). While COVID-19 crisis management lacked coordination capacity for timely responses to the pandemic, the crisis triggered the preparation of COVID-19-specific scenarios (published in April 2021), with three possible paths of development from the summer of 2021 through the end of 2023.[16]

A recent in-depth review of the CoG in Brazil[17] aimed at better supporting decision-making and steering government action to define and achieve high-level priorities identified two main constraints: the absence of shared policy goals and institutional fragmentation. The former would imply a considerable institutional gap around policy formulation and decision-making, while the latter would likely result in overlapping mandates. In fact, four institutions are responsible for strategic foresight and risk anticipation within this country's CoG: the Institutional Security Bureau (responsible for national security, including cyber security and cyber incident management), the Ministry of Foreign Affairs, the Special Secretariat for Strategic Affairs, and the Casa Civil (Executive Office of the President of Brazil).

While the range of institutional arrangements for SDG implementation is evolving over time, the *World Public Sector Report 2021* confirms that most countries are relying on piloting structures for SDG implementation.[18] Integrating risk management into the SDG coordinating architecture remains desirable but highly complex. The incentives could be higher if integrating risk management also helped improve coordination capacities and performance overall.

In future work on the CoG and other coordinating institutions, attention should be given to the potential opportunities and benefits deriving from the risk-informed assessment of policy trade-offs and synergies, including rebuilding trust in government, better calibrating SDG-related public investment across sectors and over time, protecting public assets, reducing the waste of public resources, and strengthening national resilience on the way to greater prosperity.

Options for international cooperation

International cooperation could help strengthen the role of risk management in setting policy priorities and assessing trade-offs and synergies for SDG implementation.

An exchange of good practices in the monitoring and evaluation of risk and crisis management could help address the knowledge gap surrounding what has worked and what should be avoided in the future. Extracting insights and lessons learned would contribute to "building back better" and could also help deepen international coordination around risk, crisis and resilience management. Strengthening data governance to accelerate the generation of reliable, timely and shared data and to ensure easy access to data through compatible technologies would be an important topic within this context.

Deliberations on how to best close the impact gap as it relates to risk management should involve risk managers in both the public and private sectors as well as political leaders. The paradox of prevention could be explored against the background of a risk culture characterized by higher levels of awareness and understanding of individual and collective responsibility for preparedness. Ongoing knowledge-sharing and peer learning exchanges in which a wide range of experiences and practices are reviewed should also include subnational authorities in order to strengthen coordination across levels of government.

Learning from CoG or other piloting structures for SDG implementation that have had some success in integrating risk anticipation in the assessment of trade-offs and synergies could be a demanding yet rewarding exercise. Exchanges of good practices and experiences could potentially take place at the regional level (as has occurred with the African Peer Review Mechanism). Moreover, the role of risk management in policymaking, priority-setting and SDG implementation could be explicitly addressed in voluntary national review and voluntary local review processes.

Conclusions

Mainstreaming risk management into priority-setting processes holds promise for improving SDG implementation. The experiences surrounding COVID-19 crisis management indicate that reaping the benefits of risk-informed assessments of policy trade-offs and synergies will require considerable investment in building risk-anticipation capacities and preparedness and establishing effective coordination mechanisms in centres of government or other coordinating structures.

The emerging and ongoing crises and incessant high levels of uncertainty prevailing in the world today highlight the urgent need for a medium-term investment strategy for risk management and the reform of coordinating structures at this critical midpoint in the implementation of the 2030 Agenda. International cooperation to support shared learning and the exchange of good practices could facilitate better (and faster) priority-setting in the development of national SDG strategies and ultimately accelerate SDG implementation.

Endnotes

1 Rolf Alter is a member of the Committee of Experts on Public Administration and a Fellow at the Hertie School of Government.

2 United Nations, Department of Economic and Social Affairs, "Principles of effective governance for sustainable development", developed by the Committee of Experts on Public Administration (New York, 2019). These principles, developed prior to the COVID-19 pandemic, identified risk management as one of the relevant strategies of effective governance for the implementation of the SDGs.

3 Rolf Alter, "CEPA strategy guidance note on risk management frameworks" (New York, United Nations Department of Economic and Social Affairs, February 2021).

4 United Nations, *World Public Sector Report 2021—National Institutional Arrangements for Implementation of the Sustainable Development Goals: A Five-Year Stocktaking* (Sales No. E.21.II.H.1), available at https://publicadministration.un.org/en/Research/World-Public-Sector-Reports.

5 World Economic Forum, in partnership with Marsh McLennan and Zurich Insurance Group, *The Global Risks Report 2023: Insight Report*, 18th ed. (Cologny/Geneva, World Economic Forum, 2023), available at https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf.

6 Organisation for Economic Co-operation and Development, "First lessons from government evaluations of COVID-19 responses: a synthesis", OECD Policy Responses to Coronavirus (COVID-19), 21 January 2022 (Paris, OECD Publishing), available at https://www.oecd.org/coronavirus/policy-responses/first-lessons-from-government-evaluations-of-covid-19-responses-a-synthesis-483507d6/.

7 World Bank, "The future of government: How will Governments prepare for future crisis?", Disruptive Debates: virtual event scheduled for 29 September 2021 (Washington, D.C., World Bank Group, 17 November 2021), available at https://www.worldbank.org/en/events/2021/11/12/the-future-of-government-how-will-governments-prepare-for-future-crisis.

8 World Economic Forum, in partnership with Marsh McLennan and Zurich Insurance Group, *The Global Risks Report 2023: Insight Report*.

9 Ibid.

10 Especially if compared with the financial resources deployed in the context of the global financial crisis of 2008/09, which were already characterized as "unprecedented".

11 OECD, *Assessing Global Progress in the Governance of Critical Risks*, OECD Reviews of Risk Management Policies (Paris, OECD Publishing, 2018), available at https://doi.org/10.1787/19934106.

12 Successful prevention rarely generates much political recognition due to the difficulty of proving causality; however, failed prevention triggers a loss of political capital.

13 OECD, "Building resilience to the COVID-19 pandemic: the role of centres of government", OECD Policy Responses to Coronavirus (COVID-19), 2 September 2020 (Paris, OECD Publishing), available at https://www.oecd.org/coronavirus/policy-responses/building-resilience-to-the-covid-19-pandemic-the-role-of-centres-of-government-883d2961/.

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15 OECD, *Anticipatory Innovation Governance Model in Finland: Towards a New Way of Governing*, OECD Public Governance Reviews (Paris, OECD Publishing, 2022), available at https://doi.org/10.1787/a31e7a9a-en.

16 Ibid., p. 93.

17 OECD, *Centre of Government Review of Brazil: Toward an Integrated and Structured Centre of Government*, OECD Public Governance Reviews (Paris, OECD Publishing, 2022), available at https://doi.org/10.1787/33d996b2-en.

18 United Nations, *World Public Sector Report 2021—National Institutional Arrangements for Implementation of the Sustainable Development Goals: A Five-Year Stocktaking*.