



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

RIA in OECD Countries



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PART I

REGULATORY REFORM

What is regulatory reform?

**Changes that improve regulatory quality
by enhancing the performance, cost-
effectiveness, or legal quality of
regulations and related government
formalities**

Regulatory reform as a factor in structural reform

- **Structural change calls for reform of regulatory regimes which may be blocked by:**
 - **Entrenched monopolistic interests preserving limited entry**
 - **Bureaucracies lacking a service attitude, defending status quo**
 - **No voice for stakeholders; regulatory capture**

Regulatory reform as a factor in structural reform: 2

- **Impediments to regulatory quality include:**
 - **Lack of political will, technical expertise**
 - **Heavy volume of outdated and obsolete regulations**
 - **Low capacity at regional and local level**
 - **High levels of non-compliance with regulation in the past**
 - **Ineffective appeals process**
 - **Ignorance about regulatory practices in competing jurisdictions**

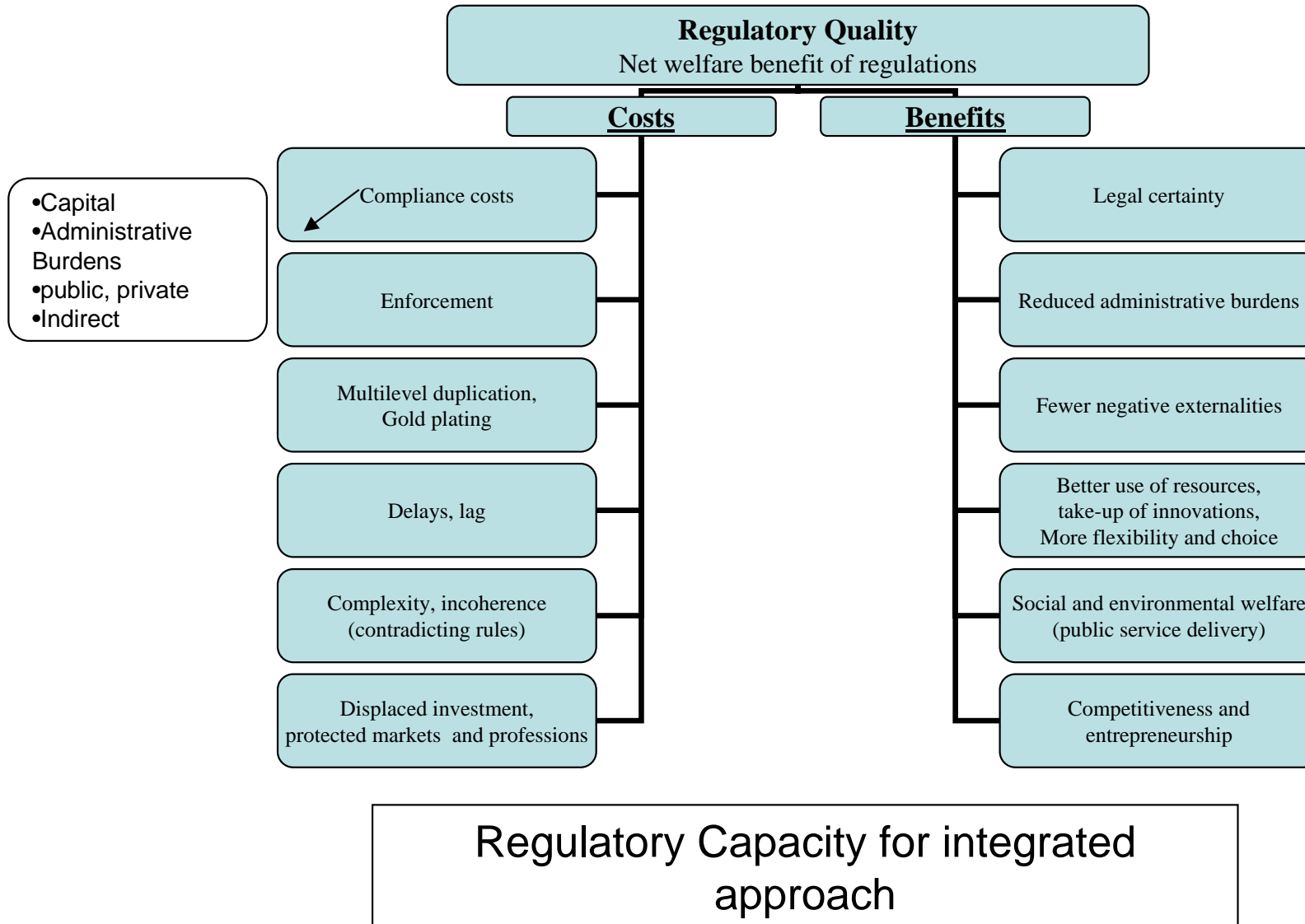
Regulatory policy

- **Defined as: an explicit, continuous and consistent ‘whole-of-government’ policy to pursue high quality regulation**
- **It’s not about specific regulations**
- **It’s about the process by which regulations are drafted, updated, implemented and enforced**

Why reform regulation?

- **Boosting efficiency and innovation**
- **Reaping full benefits of open international markets**
- **Increasing flexibility of the economy**
- **Creating new job opportunities**
- **Improving consumer and environmental protection**

Responsible regulation



PROGRESS

- **Visible developments**
 - **Regulatory policy is now a priority in many governments**
 - **Rapid innovation across all fronts**
 - **Specific achievements, for example with transparency**
 - **Visible development of more competitive markets**
- **But**
 - **« Whole of government » approach to high quality regulation not yet achieved**
 - **Uneven progress across OECD countries: a growing gap between leaders and the rest**
 - **Regulatory reform often still perceived to mean a « one-off » effort on specific issues, rather than a continuous, dynamic process; complacency in absence of a crisis**

PART II

WHAT IS RIA AND WHAT ARE COUNTRIES DOING?

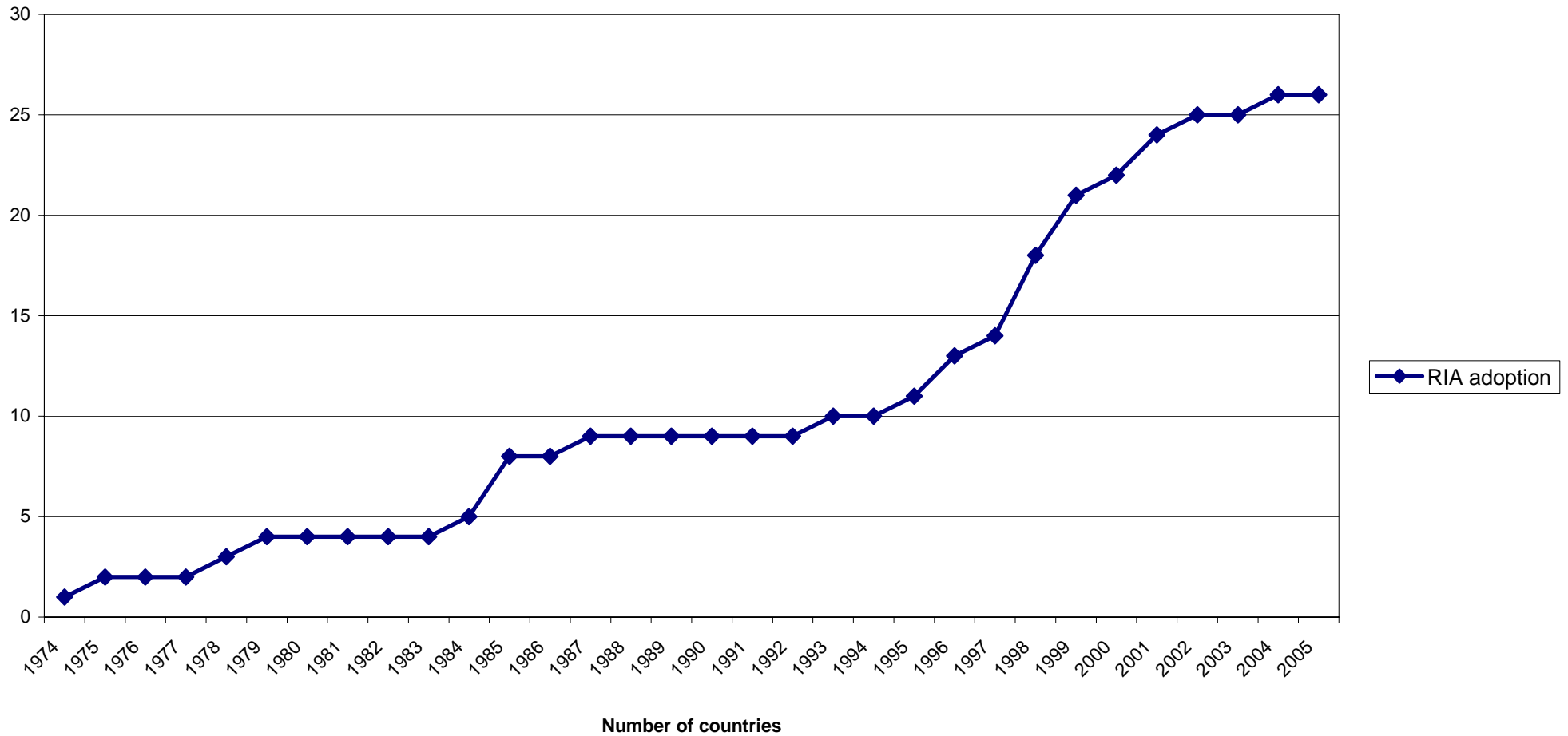
What is RIA?

- **RIA is a regulatory policy tool to support decision-making:**
 - **RIA offers evidence-based analysis to reach decisions with:**
 - **systematic and consistent examination**
 -**assessment of potential impacts arising from regulatory policy**
 -**public consultation**

Elements of RIA

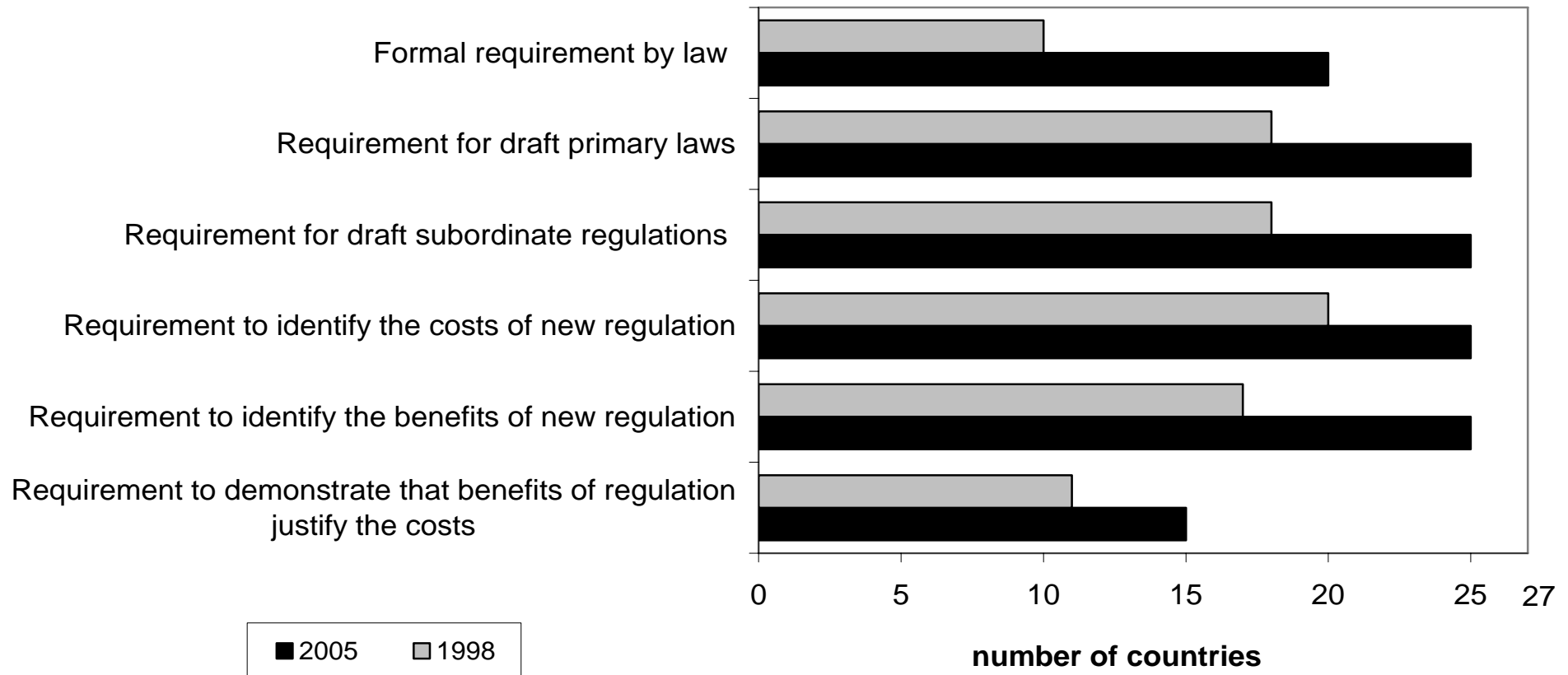
- **Specify the problem which gives rise to the need for action**
- **What are the desired objective(s)?**
- **What are the options available to achieve the objective(s)? Consideration of alternatives**
- **Define enforcement and implementation**
- **Consultation**
- **Assessment of the impacts (costs/benefits)**
- **Recommended option**
- **Communicate the results**
- **Design monitoring and evaluation mechanisms**

Trend in RIA adoption across OECD countries

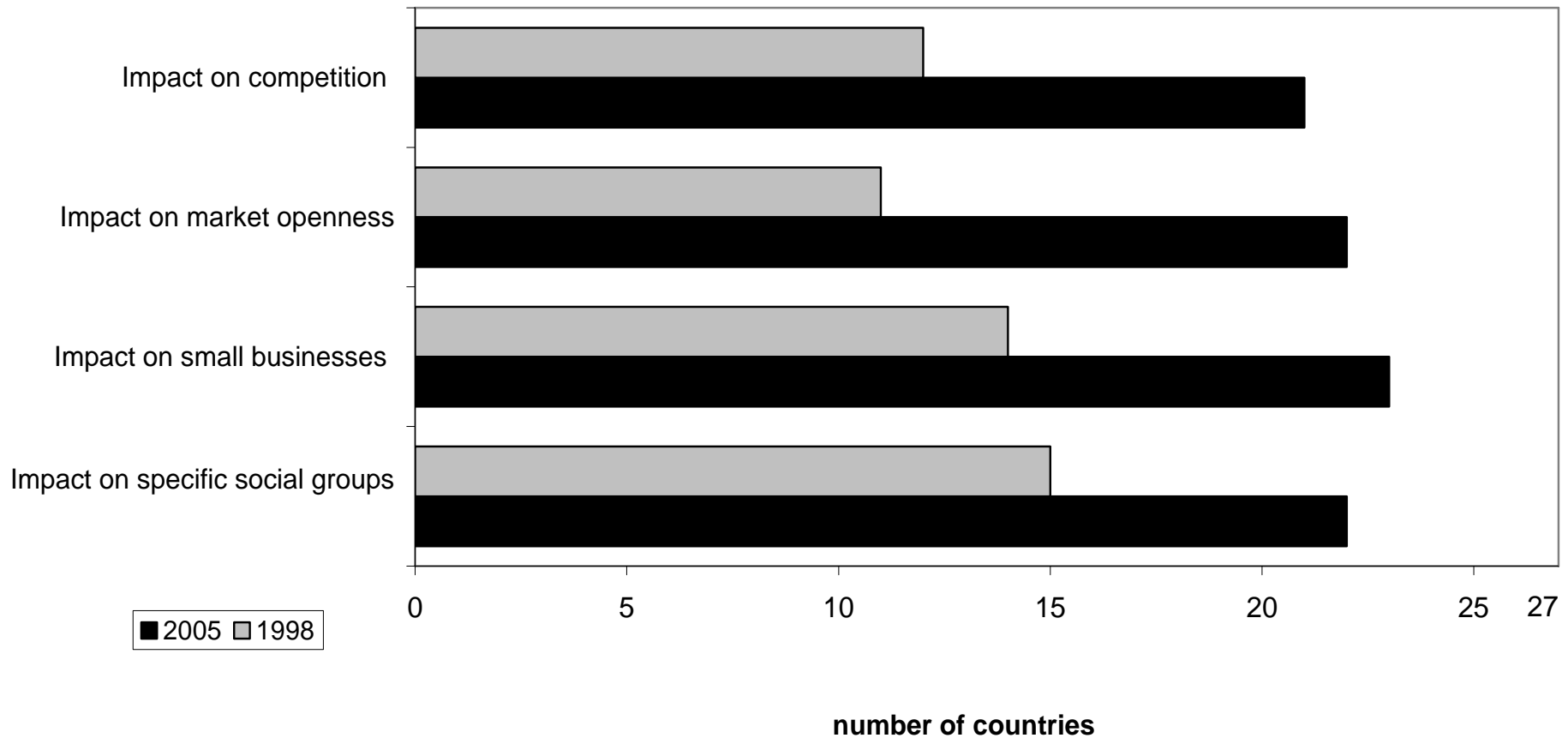


Regulatory Impact Analysis: Requirements for RIA

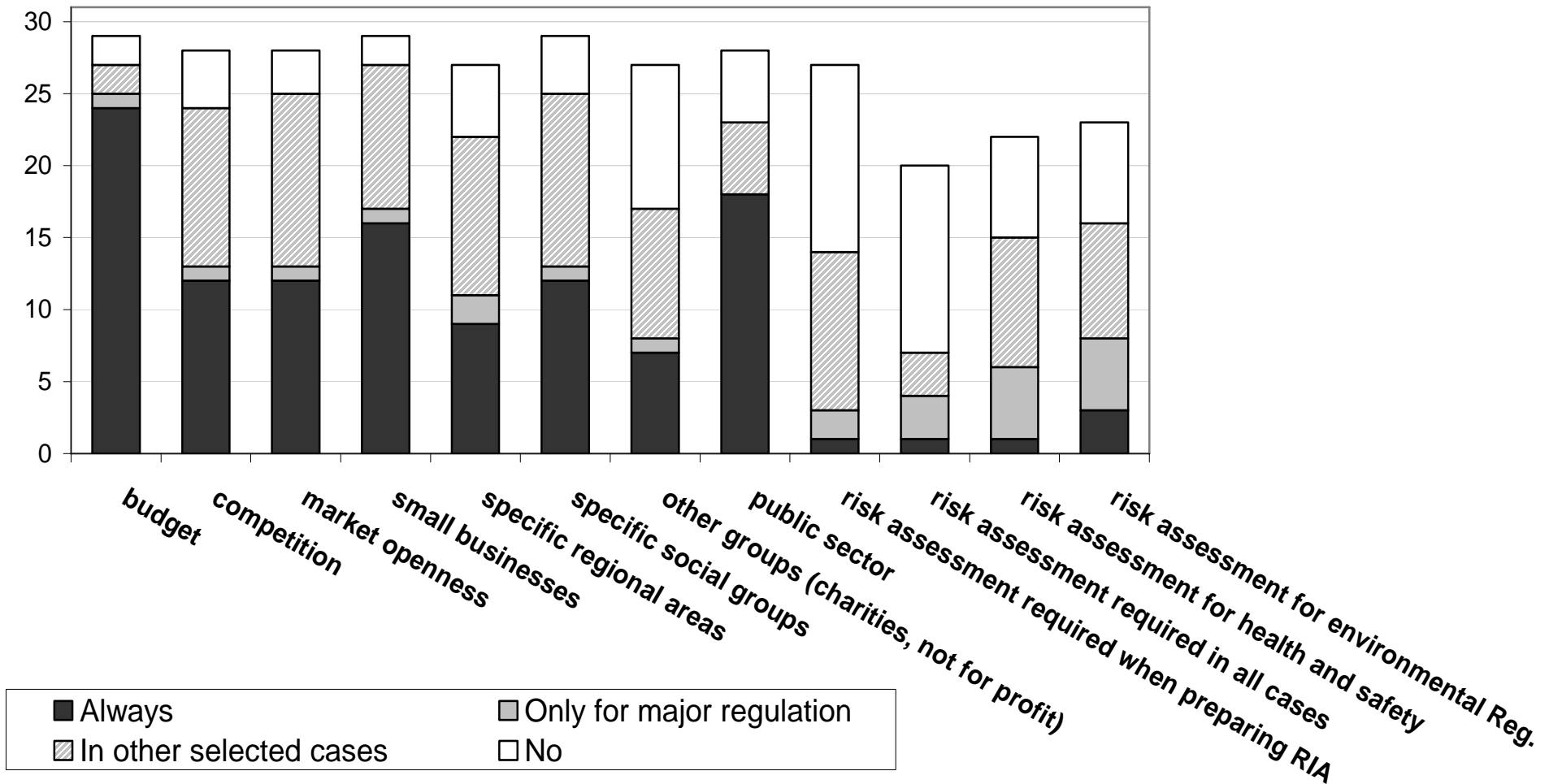
Recent Trends 1998-2005



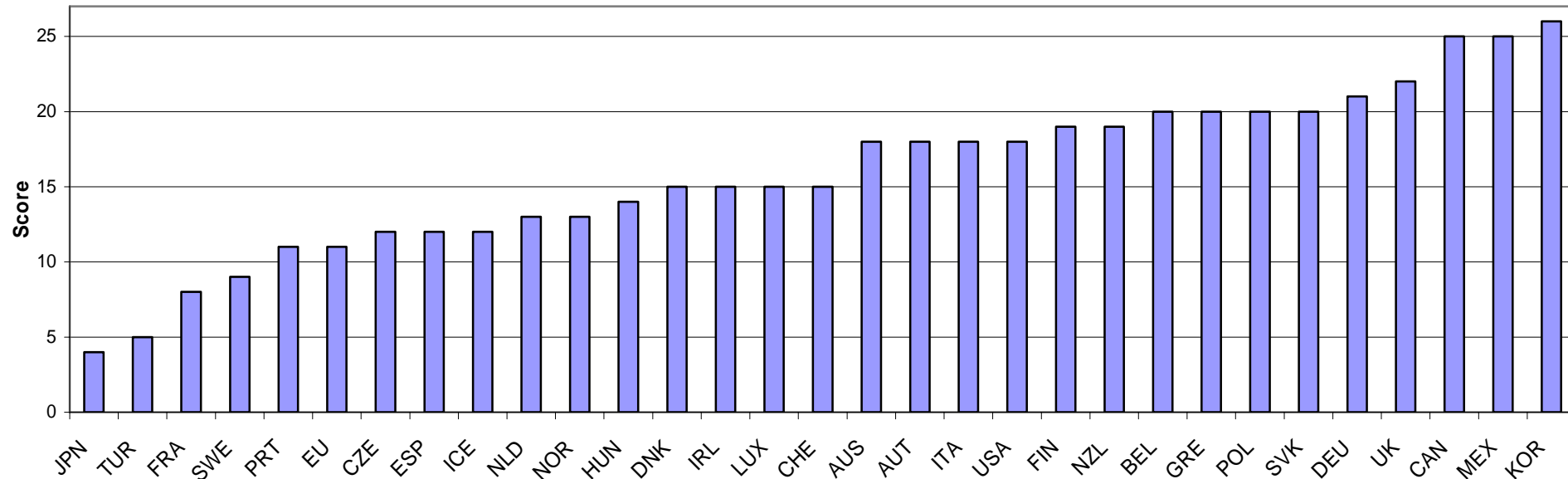
Regulatory Impact Analysis: Requirement for policy impacts: Recent trends 1998-2005



Requirement to measure specific impacts when preparing RIA



Explicit RIA processes in 2005



- a) Is regulatory impact analysis (RIA) carried out before new regulation is adopted?
- b) Is a government body outside the ministry sponsoring the regulation responsible for reviewing the quality of the RIA?
- c(i) Is there a clear "threshold" for applying RIA to new regulatory proposals?
- d(i) Is RIA formally required by law or by a similarly binding legal instrument?
- d(ii) Is RIA required for draft primary laws?
- d(iii) Is RIA required for draft subordinate regulations?
- d(iv) Are regulators required to identify the costs of new regulation?
If yes: Does the impact analysis include the quantification of the costs?
- d(v) Are regulators required to identify the benefits of new regulation?
If yes: Does the impact analysis include quantification of the benefits?
- d(vi) Does the RIA require regulators to demonstrate that the benefits of new regulation justify the costs?
- d(viii) Are RIA documents required to be publicly released for consultation?
- h) Are *ex post* comparisons of the actual vs predicted impacts of regulations made?
- i) Is there an assessment of the effectiveness of RIA in leading to modifications of initial regulatory proposals undertaken?

Weights:

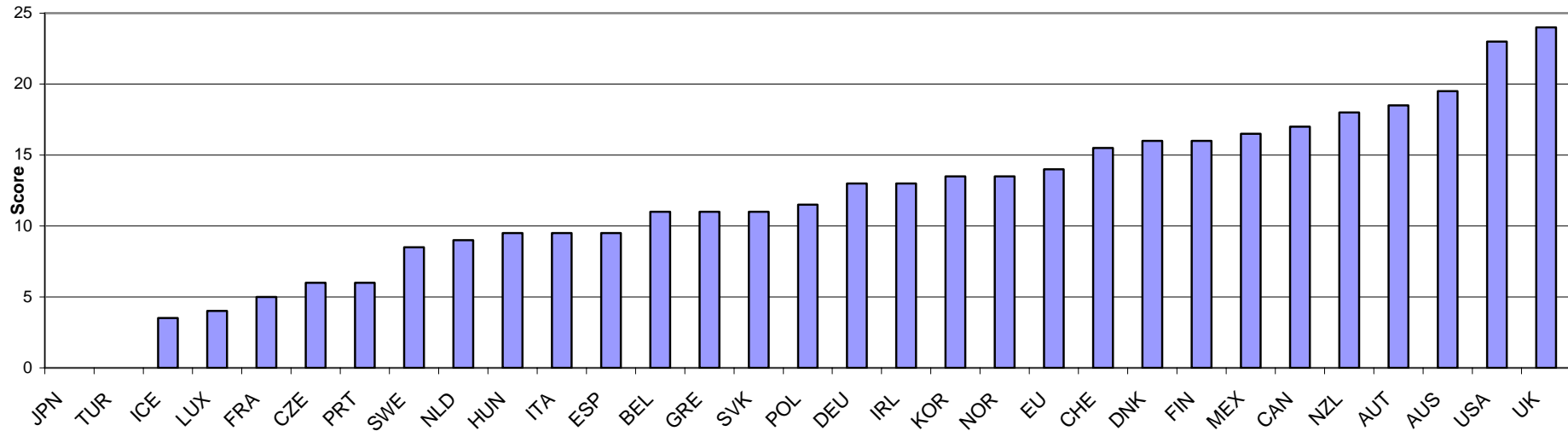
- a) if no=0, in some cases=1, always=2
- b) if yes, weight=3
- c(i), if yes, weight=2
- d(i) to d(iv), if no=0, in other selected cases=1, only for major regulation=1, always=2

d(viii), if no=0, in other selected cases=1, only for major regulation=1, always=2

- h) if yes, weight=1
- i) if yes, weight=1

See Q11 / 2005 OECD regulatory indicators questionnaire.

Extent of RIA processes in 2005



d(ix) Is the RIA required to include assessments of other specific impacts: Impacts on the budget, impacts on competition, impacts on market openness, impacts on small businesses, impact on specific regional areas, impact on specific social groups, impact on other groups (charities, not for profit sector), impact on the public sector

Weights:

d(ix), Impacts on the budget, competition, market openness, small businesses, specific regional areas, specific social groups, the public sector: if no=0, in other selected cases=1, only for major regulation=1, always=2

d(ix), Impact on other groups (charities, not for profit sector): if no=0, in other selected cases=0.5, only for major regulation=0.5, always=1

e) Is risk assessment required when preparing a RIA? in all cases, for Health and safety regulation, for environmental regulation

If "yes": Does the risk assessment require quantitative modelling?

f(i) Are RIAs required to explicitly consider compliance and enforcement issues when preparing new regulations?

f(ii) Are reports on the level of compliance with the above RIA requirements prepared?

f(iii) Are these reports published?

e) if no=0, in other selected cases=0.5, only for major regulation=0.5, always=1

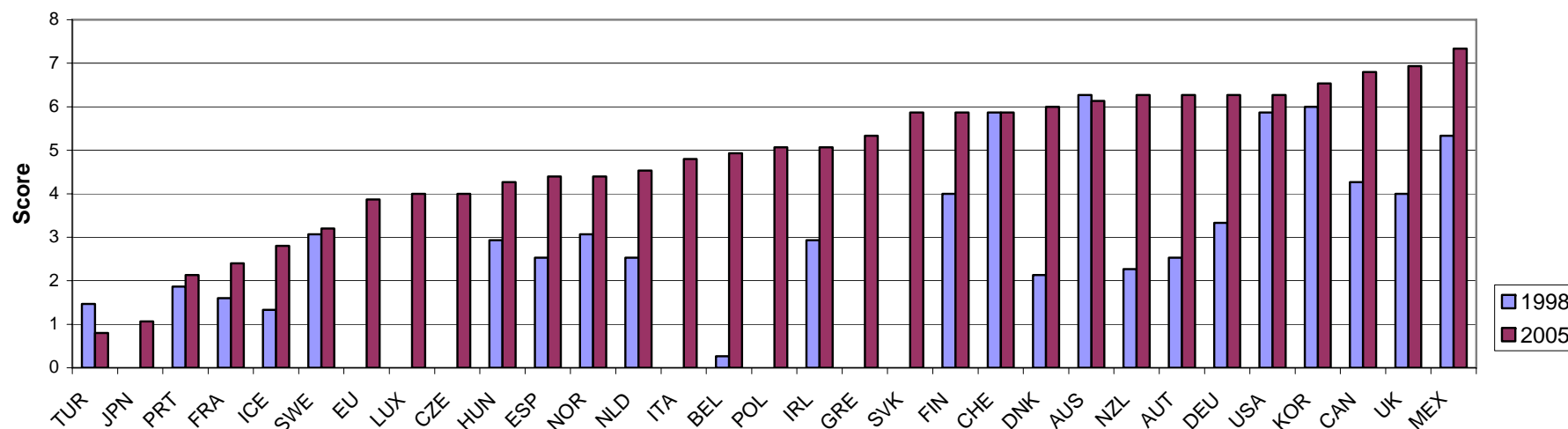
f(i) if yes, weight=1

f(ii) if no=0, ad hoc basis=1, regulary=2

f(iii) if yes, weight=2

See Q11 / 2005 OECD regulatory indicators questionnaire.

Overall RIA processes, 1998-2005



- Is regulatory impact analysis (RIA) carried out before new regulation is adopted?
- Is a government body outside the ministry sponsoring the regulation responsible for reviewing the quality of the RIA?
- Is RIA formally required by law or by a similarly binding legal instrument?
- Is RIA required for draft primary laws?
- Is RIA required for draft subordinate regulations?
- Are regulators required to identify the costs of new regulation?
- Are regulators required to identify the benefits of new regulation?
- Does the RIA require regulators to demonstrate that the benefits of new regulation justify the costs?
- Are RIA documents required to be publicly released for consultation?
- Is the RIA required to include assessments of other specific impacts: impacts on competition, impacts on market openness, impacts on small businesses, impact on specific social groups (distributional effects across society)
- Is risk assessment required when preparing a RIA?
- Are these reports published?

The total scores for this indicator have been normalised to a total of 8.
See Q11 / 2005 OECD regulatory indicators questionnaire

Weights:

if no=0, in some cases=0.25, always=0.5
if yes, weight=0.75

if no=0, in other selected cases & only for major reg=0.25, always=0.5
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if no=0, in other selected cases & only for major regulation=0.125, always=0.25
if yes, weight=0.5

PART III

MAKING RIA WORK

The potential benefits of a RIA system

- **RIA as a learning process**
- **RIA as an analytical process**
- **RIA as a communication process**
- **RIA as an accountability and credibility process**

RIA and high quality regulation

- **Link between RIA and the regulatory development process**
- **RIA should not be viewed in isolation**
- **Need a ‘whole of government’ perspective**
- **RIA must be supported by**
 - **Well conceived regulatory policy**
 - **Strong regulatory institutions**
 - **Other complementary and supporting regulatory tools**
 - **Training**
 - **Political leadership**

RIA is one tool of regulatory reform

- **Administrative simplification**
- **RIA**
- **Revise the stock**
- **Transparency and communication**
- **Alternatives to regulation**
- **Compliance and enforcement**
- **Administrative justice and accountability**

Challenges

- **Multi-level issues = show benefits**
- **Formalism = momentum, ministerial leadership**
- **Wide variation across ministries = monitor and publish compliance results, gatekeeping or oversight arrangements**
- **Coping with multiple policy objectives = include competition and trade effects**
- **No impact on policy = sequence and target**
- **Communication with parliament = evaluate RIA**

RIA: OECD good practices

1. Maximise political commitment to RIA

- Endorsement at the highest levels of government
- Supported by clear ministerial accountability

2. Allocate responsibilities for RIA programme elements carefully

- Policy bodies themselves should carry out RIAs
- Checks to ensure quality and co-ordination

3. Use a consistent but flexible analytical method

- **Cost-benefit analysis**
- **Cost-effectiveness analysis**
- **Risk analysis**
- **Qualitative analysis**

4. Develop and implement data collection strategies

- **Stakeholders (consultation)**
- **Experts (e.g. interviews)**
- **Surveys**
- **Panel tests**
- **Models (economic, model plants)**

5. Target RIA efforts

- Primary and Secondary regulations
- Sectors and policy areas
- Threshold for *when* to do RIAs
- Two-step approach

6. Integrate RIA with the policy making process

- Start as early as possible
- Avoid to transforming RIA into a justification report or making it internal ‘red tape’
- Assessment of alternatives to regulations

7. Involve the public extensively

- Democratic/participation dimension**
- Data gathering mechanisms**
- Increase compliance**
- Accelerate and ease the implementation**

8. Communicate the results

- Improves transparency and accountability**
- Improves regulatory compliance**
- Increases trust in government and RIA**

9. Train the regulators

- Important because RIA skills are different from traditional regulator skills**
- A vehicle for a cultural change for regulators**
- A mechanism to improve and co-ordinate public policies in general**

10. Apply RIA to existing as well as new regulations

- RIA as a performance assessment instrument**
- Periodic analysis and feedback on the RIA process**