

# Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



## ANNEX

### **A Knowledge Transfer & Capacity-Building Program To Establish Regulatory Impact Assessment Skills In Romania**

### **Summary and Rationale**

There is wide consensus that regulatory design has a key role in promoting a business-friendly regulatory framework that fosters competitiveness, growth and employment performance.

The European Union has set, among its main objectives, to ensure that regulatory environment is simple and of high quality, and several countries, worldwide, have in place a well-established practice to deal with effective regulation.

Effective and efficient regulation needs assessment policies and proper tools to undertake them. In recent years, growing attention has been given to *impact assessment analysis* that is, an evidence-based approach that allows for the systematic acknowledgment and appraisal of the benefits and costs resulting from a regulation proposal to the economic system and society.

### **Why this program?**

As a result of EU accession, Romania authorities will continue to produce good-quality regulation for financial sector modernization.

This capacity building program has been designed to provide a broad Regulatory Impact Assessment (RIA) background, analytical steps and toolkit to staff currently engaged in, or likely to be engaged in, regulatory proposals.

The staff involved in this program will also practice an important phase of regulatory design and its related impact assessment activity, namely consultation of interested parties during impact assessment. This will allow the regulator to fine-tune the policy development process in order to ensure that proposed regulation is practically workable and efficient also from the point of view of its users.

At the end of the program, regulatory Authorities will have expert staff which will assist departments involved in the regulatory design in preparing impact assessment documents accompanying regulatory proposals, according to EU best practice.

## Program launch

Timeline	<u>Event/Action</u>	Background documents/Output	Time requirement (Full Time Equivalent days)
Early April	<p>➤ <u>Presentation of the knowledge transfer and capacity building program to Romanian authorities (NBR, MOPF)</u></p> <p>Main content of the presentation:</p> <ul style="list-style-type: none"> <li>• What-&gt; Improvement of regulatory quality (e.g. OECD, UE, IIF);</li> <li>• Why-&gt; To enhance economic performance;</li> <li>• How-&gt; Impact Assessment;</li> <li>• Who-&gt; Organizational set up of RIA units across Europe (with emphasis on regulators);</li> <li>• A couple of examples drawn from SPI projects (1 preliminary RIA and AML full RIA);</li> <li>• Capacity building proposal.</li> </ul>	<p><u>Background document:</u> - PPT presentation prepared by Convergence</p>	
Second half of April	<p><u>NBR/MOPF appoints a small Team of RIA experts (here in after TR), possibly led by a “RIA Champion” (hereinafter RC)</u></p> <p>TR will transfer the knowledge acquired to their institutions (potentially part of a RIA unit - preferred background: law and finance as well as working experience in regulatory, supervision and financial departments).</p>		

<b>Phase 1 – Building a RIA Team</b>	<b>Time requirement: max [2] staff days*</b>
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<b>Timeline</b>	<b><u>Event/Action</u></b>	<b>Background documents/Output</b>	<b>Nature of Activity &amp; Time requirement (Full Time Equivalent days)</b>
Second half of April	<p>➤ <u>Kick-off and regulatory impact assessment meetings</u></p> <p><b>Day 1 (Introduction to RIA &amp; Case Studies Part I)</b></p> <ul style="list-style-type: none"> <li>• <u>Part I:</u> Better regulation and policy dialogue through RIA across European Union (at EU level):               <ul style="list-style-type: none"> <li>- European Commission;</li> <li>- The UK (Better Regulation Executive);</li> <li>- Ireland.</li> </ul> </li> <li>• <u>Part II:</u> Getting to know Impact Assessment:               <ul style="list-style-type: none"> <li>- Main procedural and analytical steps in impact assessment;</li> <li>- How regulation produces which impact. Costs and benefits;</li> <li>- Micro-analysis approach: measuring the economic regulatory impact on the target industry.</li> </ul> </li> <li>• <u>Part III:</u> RIA case studies (<b>NBR</b>):               <ul style="list-style-type: none"> <li>- Impact assessment of the Proposal for a Directive of the European Parliament and of the Council on the capital adequacy of investment firms and credit institutions;</li> <li>- Impact assessment of the proposal for a Directive of the European Parliament and of the Council on Payment Services in the internal Market. RIA case studies (<b>MOPF</b>):</li> <li>- UK impact assessment: Corporation Tax Reform;</li> </ul> </li> </ul>	<p><u>Background documents:</u></p> <ul style="list-style-type: none"> <li>- Documents prepared by Convergence, European Commission, Ireland and the UK Treasury</li> </ul>	<p><b>Class Work</b></p> <p>1.0 FTE</p>

Timeline	<u>Event/Action</u>	Background documents/Output	Nature of Activity & Time requirement (Full Time Equivalent days)
	<p><b>Day 2 (Strengthening RIA Skills – Case Studies Part II)</b></p> <ul style="list-style-type: none"> <li>• <u>Part I:</u> RIA case studies (<b>NBR</b>) : <ul style="list-style-type: none"> <li>- UK Impact assessment: A consultation on proposed changes to the Financial Services and Markets Act 2000.</li> </ul> <p style="margin-left: 40px;">RIA case studies (<b>MOPF</b>) :</p> <ul style="list-style-type: none"> <li>- Standard Cost Model measurement of the Danish Ministry of Taxation;</li> <li>- Dutch Ministry of Finance: Focus on Administrative Burdens;</li> <li>- UK Impact assessment: A consultation on proposed changes to the Financial Services and Markets Act 2000.</li> </ul> </li> <li>• <u>Part II:</u> Romania RIA case studies: <ul style="list-style-type: none"> <li>- Review of 12 preliminary RIA on SPI projects;</li> <li>- The AML full RIA.</li> </ul> </li> </ul>	<p><u>Background documents:</u></p> <ul style="list-style-type: none"> <li>- Documents prepared by Convergence, the UK Treasury, Danish Ministry of Taxation and Dutch Ministry of Finance</li> </ul>	<p style="text-align: center;"><b>Class Work</b></p> <p style="text-align: center;">1.0 FTE</p>

## Phase 2 – Applying RIA to an existing regulation

Time requirement: max [4] staff days\*

Timeline	<u>Event/Action</u>	Background documents/Output	Nature of Activity & Time requirement (Full Time Equivalent days)
First half of May	<p>➤ <u>Applying RIA techniques to an existing regulation: bridging the legal viewpoint with the economic approach</u></p> <ul style="list-style-type: none"> <li>• <u>Part I:</u> TR identify 1 existing regulation eligible for applying RIA methodology (regulatory process fits the time needed to undertake RIA). Overview of the regulatory workflow applying to this case (How people are working on that, which background, which iterations and interactions are envisaged, steps upstream and downstream);</li> <li>• <u>Part II:</u> Brainstorming over the identified regulation for applying RIA methodology; <i>(Brainstorming could be extended to all staff involved in the drafting process of the discussed regulation)</i></li> <li>• <u>Part III:</u> Drafting of a RIA-preparatory paper (consultation paper) of the identified regulation (what needs to be measured, which data are needed, how to deal with information gathering, how to shape final findings) and questionnaire identifying all information needed for impact assessment (as consultation tool) and definition of information gathering action plan and timeline.</li> </ul>	<p><u>Output:</u> - Consultation paper (Purpose, intended effect, Options, Costs and Benefits); - Attached Document listing all information needed (e.g. questionnaire, expert groups hearings).</p>	<p><b>Class Work</b></p> <p>1.0 FTE</p>
Second half of May	<p>➤ <u>Information gathering Phase (and elaboration)</u></p>		<p><b>Desk Work</b></p> <p>1.0 FTE</p>
Early June	<p>➤ <u>Drafting of RIA Paper</u></p>	<p><u>Output:</u> - Draft RIA Paper</p>	<p><b>Desk Work</b></p> <p>1.0 FTE</p>
Late June	<p>➤ <u>Internal peer review:</u> TR (and Convergence Program) presents the draft RIA paper to the Economic Department and to the team involved in the regulatory process of the text of regulation chosen (feedback by 1 week)</p>		<p><b>Seminar</b></p> <p>0.5 FTE</p>
Early July	<p>➤ <u>RIA Paper Presentation</u> TR and Convergence Program finalize and present RIA paper to colleagues involved in the regulatory process and to management.</p>	<p><u>Output:</u> - Fine-tuning of RIA Paper after internal peer review</p>	<p><b>Seminar</b></p> <p>0.5 FTE</p>

### Phase 3 – Introducing RIA in the official regulatory process

Time requirement: max [6] staff days\*

Timeline	<u>Event/Action</u>	Background documents/Output	Nature of Activity & Time requirement (Full Time Equivalent days)
Early September	<p>➤ <u>Identification of a RIA-eligible regulatory draft and impact assessment briefing meeting</u>                      The management identify a draft text of regulation eligible for full active RIA application. The team working on the chosen draft regulation (hereinafter DRT) will be part of the project and the TR will provide DRT with active assistance with RIA expertise. DRT, TR and Convergence Program gather to approach the draft regulation under way from a RIA perspective.</p>		<p><b>Class Work</b></p> <p>0.5 FTE</p>
Mid September	<p>➤ <u>Approaching consultation phase</u>                      TR drafts a consultation paper about the text of regulation which is shared and approved by all DRT members. Consultation plan is prepared.</p>	<p><u>Output:</u>                      - Consultation paper.</p>	<p><b>Desk Work</b></p> <p>1 FTE</p>
Early October	<p>➤ <u>Consultation process</u>                      Consultation with interested parties takes place according to the most appropriate tool (e.g. questionnaire, expert groups) in order to gather information needed. All DRT members take part in the consultation which is lead by RC (supported by TR). At the end of this phase TR, assisted by Convergence Program, prepare a detailed report of consultation which is shared and approved by all DRT members.</p>	<p><u>Output:</u>                      - Summary report of the findings drawn from consultation.</p>	<p><b>Desk &amp; Field Work</b></p> <p>1.5 FTE</p>
Mid October	<p>➤ <u>Regulatory process acknowledgment of consultation activity (+ elaboration)</u>                      DRT members might fine tune the text with remarks/suggestions/evidence drawn from the consultation process. TR, assisted by Convergence Program, drafts the RIA paper bound to be attached to the draft regulation text.</p>	<p><u>Output:</u>                      - Fine-tuned draft regulation text;                      - Draft RIA paper.</p>	<p><b>Desk Work</b></p> <p>1.5 FTE</p>
Mid October	<p>➤ <u>Internal peer review:</u>                      TR (and Convergence Program) presents the draft RIA paper to the Economic Department (feedback by 1 week).</p>		<p><b>Seminar</b></p> <p>0.5 FTE</p>
End October	<p>➤ <u>Regulatory text is presented along with RIA</u>                      DRT members present the regulatory proposal along with the related RIA which is illustrated by RC (and Convergence Program).</p>		<p><b>Seminar</b></p> <p>1 FTE</p>

<b>Phase 4 – RIA Capacity Building</b>	<b>Time requirement: max [2] staff days*</b>
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<b>Timeline</b>	<b><u>Event/Action</u></b>	<b>Background documents/Output</b>	<b>Nature of Activity &amp; Time requirement (Full Time Equivalent days) Class Work &amp; Seminar</b>
November	➤ An action plan could be drafted in order to make RIA compulsory for the initiators of a set of regulatory measures as well as internal solutions could be foreseen in order to establish a Unit responsible for, and capable of, undertaking RIA.		

(\*)= in order to create an adequate “knowledge and operational critical mass” it would be advisable that RIA team is composed of 2-3 people. In order to make this program more flexible, overall FTEs required might be split among the members of the RIA Team.