

RIA Knowledge Transfer and Capacity Building Program



Better Regulation and Policy Dialogue through RIA

Kick-off Meeting

National Bank of Romania

April 16th, 2007

Outline

- Attention to Quality of Regulation;
 - Some Quantitative Evidence of the Cost of Regulation;
 - Tools of Better Regulation;
 - Regulatory Impact Assessment (RIA) as the Key Tool in Delivering Better Regulation;
 - Effective Regulation Needs Strategic Dialogue Among Stakeholders.
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I.

Attention to Quality of Regulation

Quality of Regulation on International Agenda

- When: The first international standard on regulatory quality was produced in 1995;
 - Why: OECD took initiative based on the evidence that quality of regulation has a causal-effect link with establishment of conditions for sustainable global economic growth.
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Regulatory Policy from OECD Angle*

- Regulatory quality is the driving principle behind reform today;
- Greater homogeneity across OECD countries for “good” regulation:
 - Quality regulation, not just de-regulation;
 - Incentive-based regulation in place of command-and-control.

Codifying Regulation Management

Objectives set by OECD's Recommendation were the following*:

- To improve the quality of regulation;
- To support the development of more effective management of the regulatory system;
- To promote alternative instruments;
- To strengthen the effectiveness and legitimacy of the international regulatory system.

European Commission's Commitment to Better Regulation

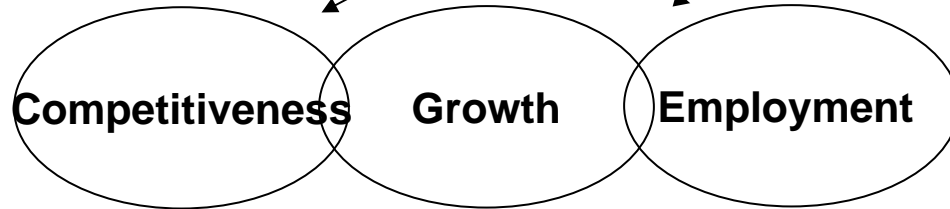
Lisbon Strategy set the improvement of regulatory quality as key factor for growth and employment;

After renewal of 'Lisbon Strategy', Better Regulation has become a main driver for competitiveness.

Where EU Approach to Better Regulation is Grounded

Simple and high-quality regulatory environment

Key factor



... performance of businesses

**GROWTH AND JOBS FOR WHOLE
ECONOMIC SYSTEM**

Some EU Countries Engaged in High-Quality Regulation: Ireland

- “*Regulating Better*”: Government White Paper aimed at enhancing competitiveness through the regulatory lever;
 - How this can improve competitiveness?
 - Inappropriate regulation can produce adverse effects;
 - Public services not snarled up in red tape;
 - Businesses not to comply with unnecessary or unduly regulation.
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Some EU Countries Engaged in High-Quality Regulation: the UK

- Better Regulation Executive (BRE): it works across government to support and challenge departments and regulators as they reduce and remove regulation;
 - FSA and Treasury are strongly committed to assessing the benefits of regulation.
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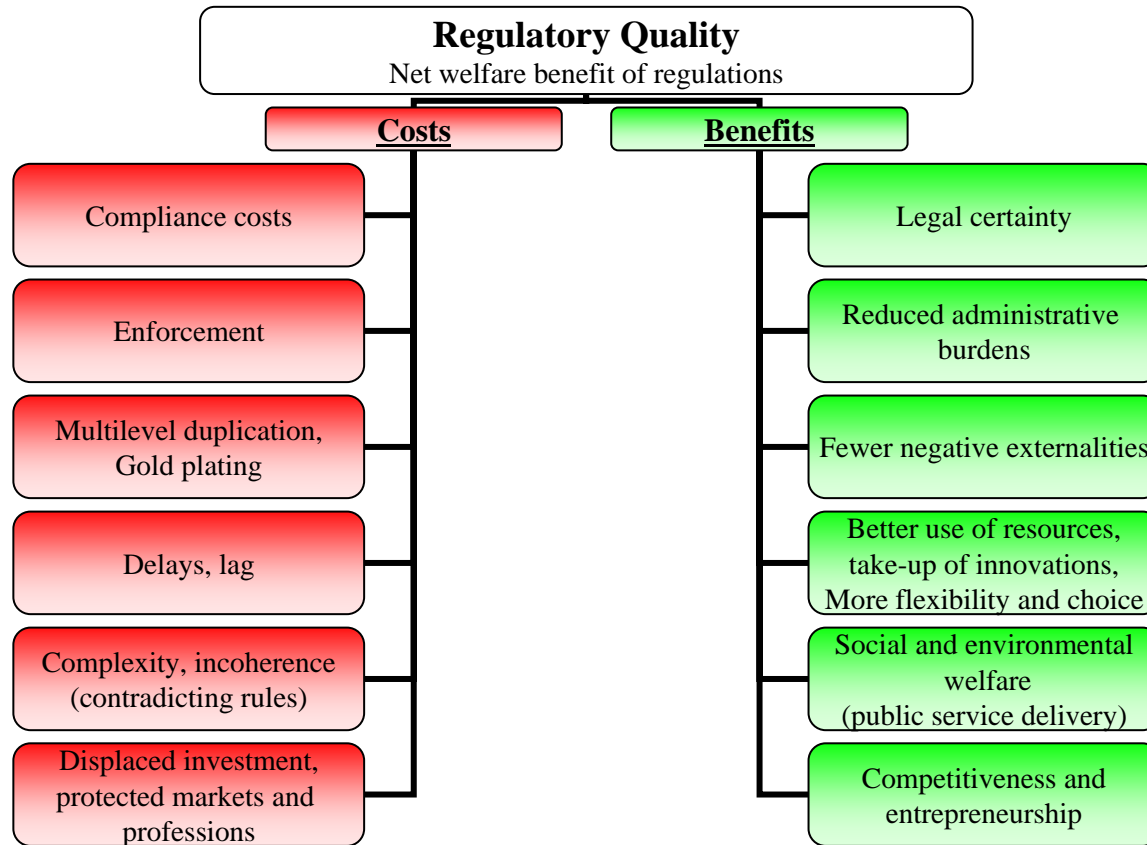
Some EU Countries Engaged in High-Quality Regulation: Denmark

- In 2002, the Danish Government set “The Danish Growth Strategy” mainly aimed at achieving a reduction of up to 25 percent of administrative burden faced by recipients;
 - The underpinning reason was that Danish companies and citizens considered themselves hard hit by legislative and administrative regulation.
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Some EU Countries Engaged in High-Quality Regulation: the Netherlands

- In 2003, Ministry of Finance took action for determining the administrative burden of businesses;
- *“In the last few decades, the Dutch system of rules has become increasingly complex (...). This hampers compliance and is unnecessarily time-consuming and expensive (...). The balance must be reinstated. This is why the Cabinet has declared tackling red tape and regulatory creep as one of its most important themes”(*)*

Costs and Benefits: Tipping the Scales for Better Regulation*

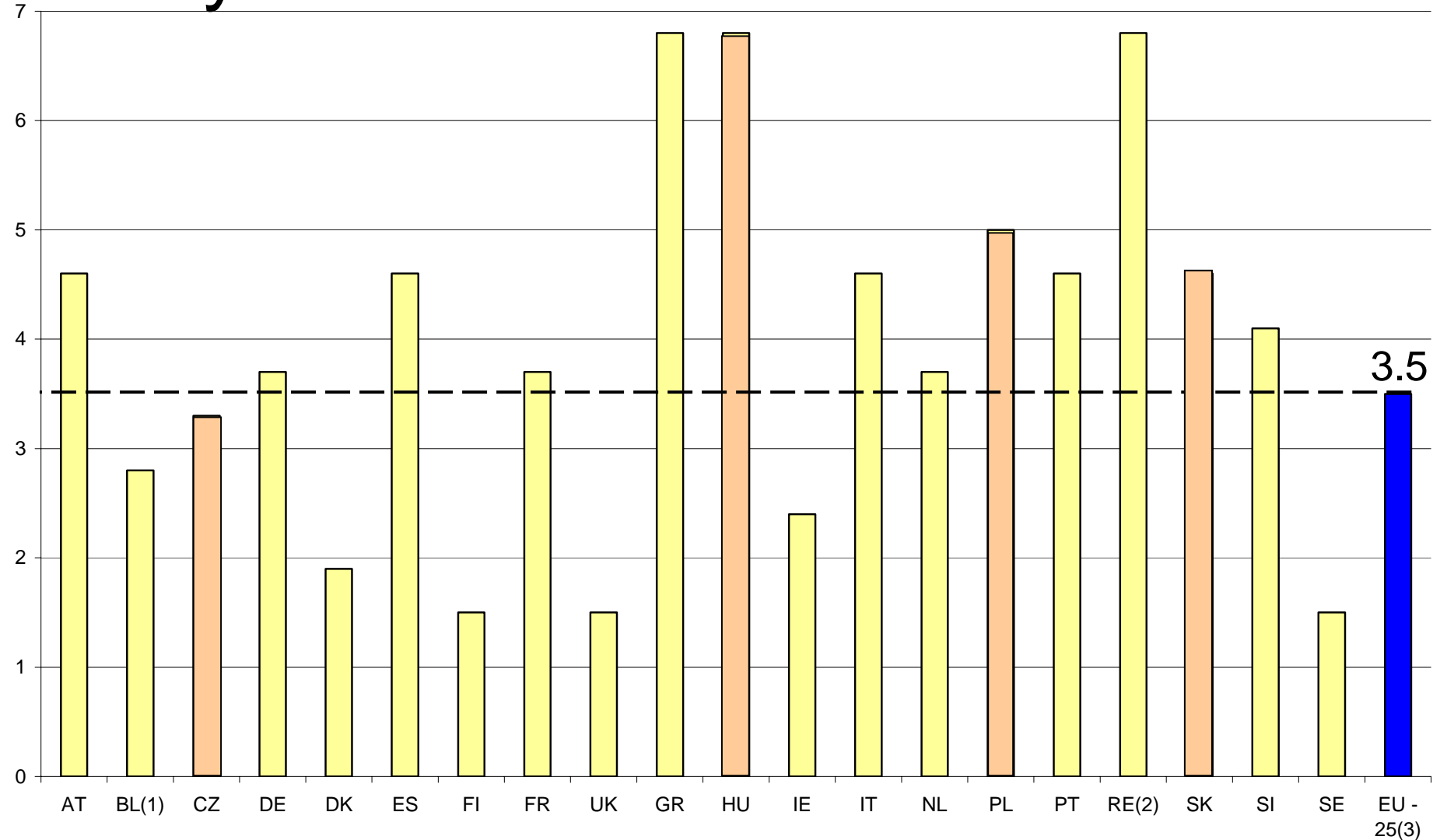


(*): Josef Konvitz, Head of OECD Regulatory Policy Division, *International Trends in Regulatory Reform*, ABI Conference on Better Regulation Rome, 14 March 2007.

II.

**Some Quantitative Evidence of the
Cost of Regulation**

Heavy Administrative Burden on Board



(*) : European Commission, *Impact Assessment accompanying the "Action Programme for Reducing Administrative Burden in the European Union", 2007. (1): BL combines Belgium and Luxemburg. (2): Combines the Baltic member States, Malta and Cyprus. (3): EU-25 are GDP-weighted.*

Better Regulation Drives Growth

- A 25% reduction of administrative burden would yield a GDP increase of 1.4 to 1.8%;
- SEE countries can benefit above the average growth (Table 1 below).

Table 1 - Reduction of administrative burdens and gains in labour efficiency (*)

Member State	Efficiency increase (%)
AT	2.2
BL ⁽¹⁾	1.1
CZ	1.6
DE	1.6
DK	0.8
ES	2.1
FI	0.7
FR	1.8
UK	0.6
GR	2.9
HU	3.5

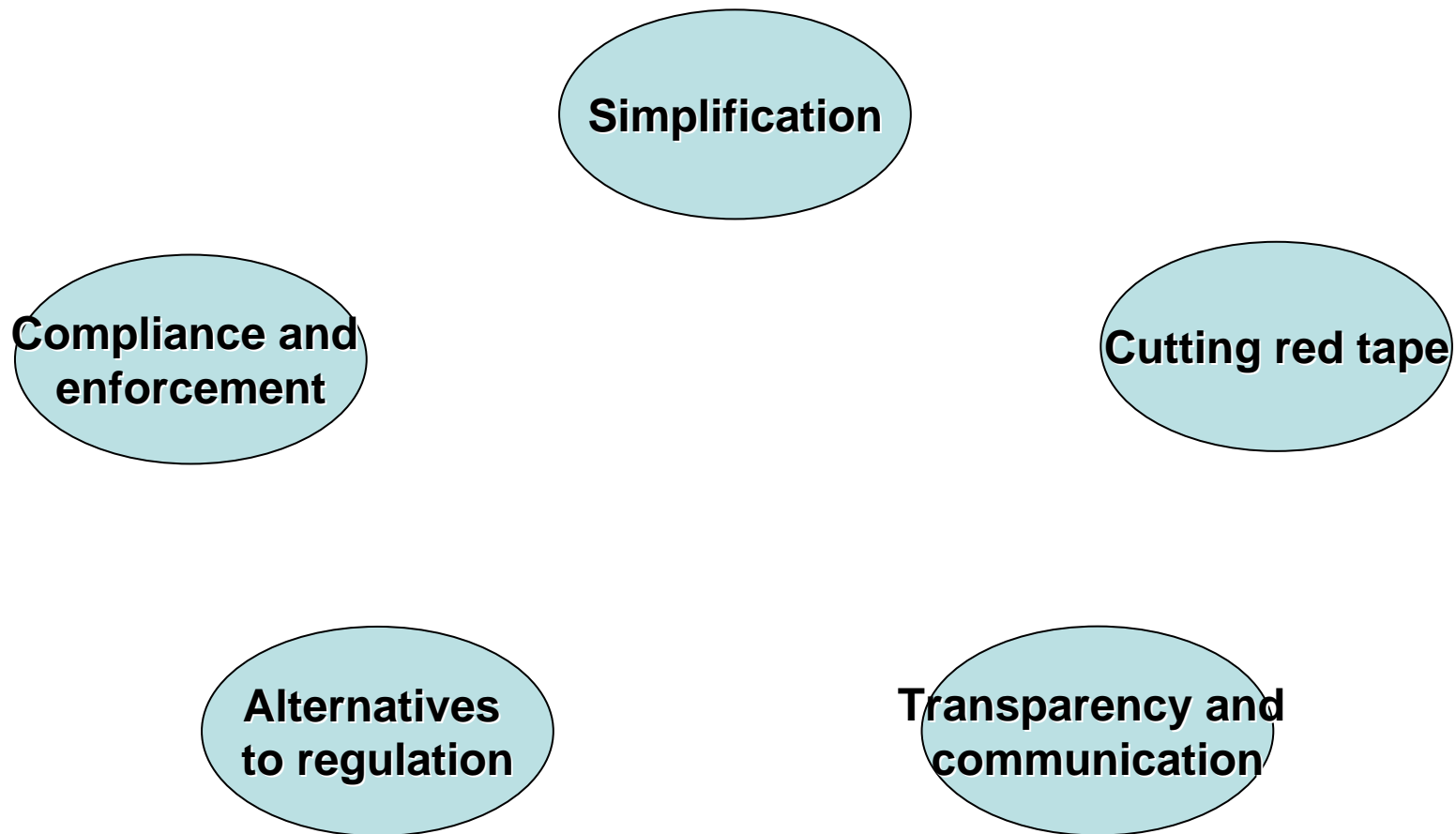
Member State	Efficiency increase (%)
IE	1.1
IT	2.3
NL	1.6
PL	2.4
PT	1.9
RE ⁽²⁾	3.3
SK	2.6
SI	1.6
SE	0.6
EU - 25 ⁽³⁾	1.6

(*): European Commission, *Impact Assessment accompanying the “Action Programme for Reducing Administrative Burden in the European Union”*, 2007. (1): BL combines Belgium and Luxemburg. (2): Combines the Baltic member States, Malta and Cyprus. (3): EU-25 are GDP-weighted.

III.

Tools of Better Regulation

The Virtuous Road Map to High-Quality Regulation*

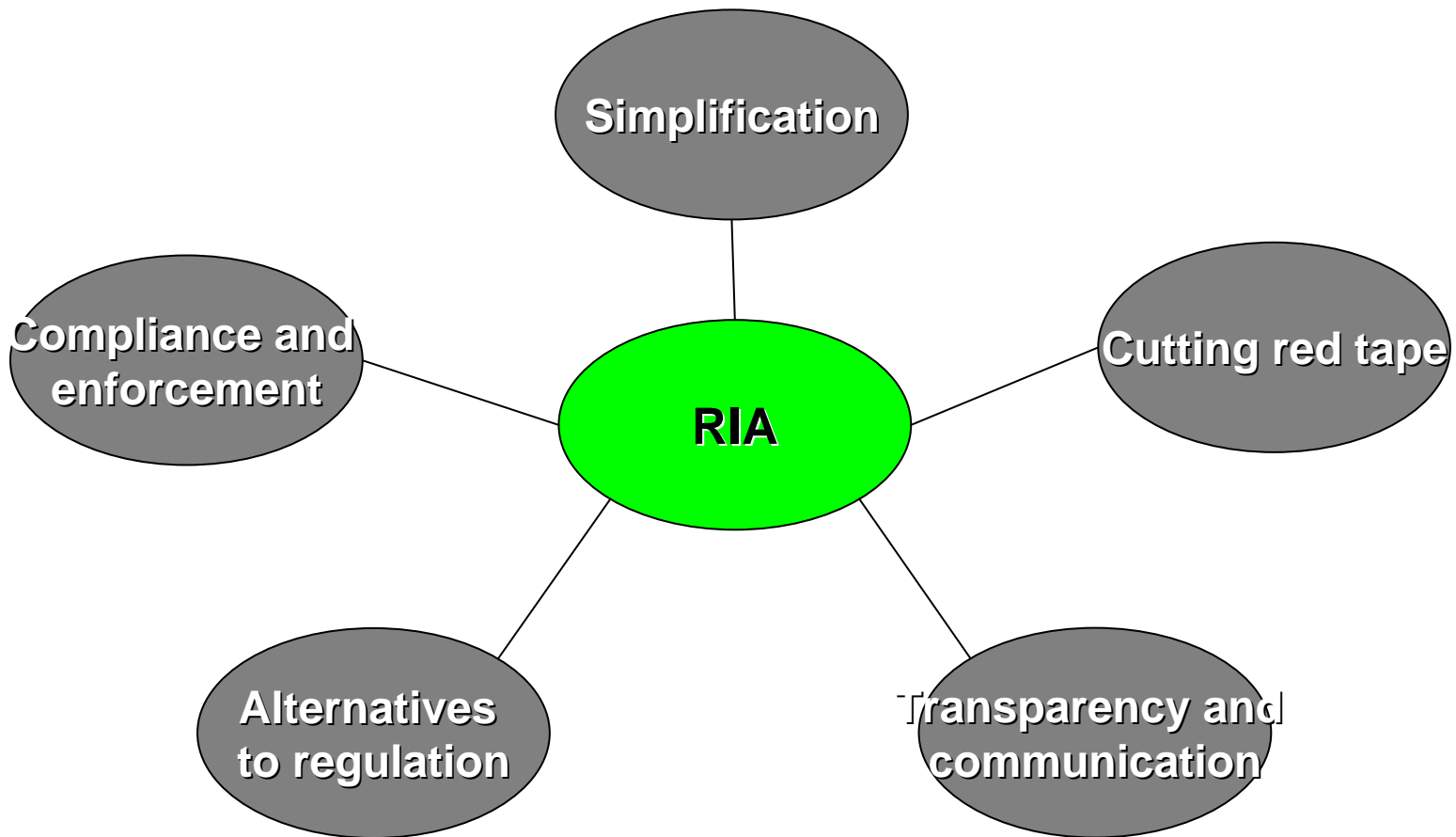


IV.

**Key Tool in Delivering
Better Regulation:**

**Regulatory Impact Assessment
(RIA)**

Introducing Evaluation Culture in Regulatory Process



OECD Reference Checklist for Regulatory Decision-Making (1)

Question # 1
Is the problem correctly defined?

- Problem precisely stated;
- Nature and magnitude;
- Identification of incentives of affected entities.

Question # 2
Is government action justified?

- Evidence-based intervention;
- Likely benefits and costs;
- Alternative mechanisms for addressing the problem.

Question # 3
Is regulation the best form of government action?

- Informed comparison of policy instruments;
- Regulatory/non-regulatory solution;
- Early in the regulatory process.

Question # 4
Is there a legal basis for regulation?

- Explicit responsibility;
- Consistency with higher-level regulations;
- Certainty, proportionality and applicable procedural requirements.

OECD Reference Checklist for Regulatory Decision-Making (2)

Question # 5

What is the appropriate level of gov. for this action?

- Most appropriate level should be chosen;
- If multiple levels: effective coordination should be designed.

Question # 6

Do the benefits of regulation justify the costs?

- Total expected costs-benefits estimate;
- Regulatory proposal/feasible alternatives;
- Costs should be justified by benefits.

Question # 7

Is the distribution of effects across society transparent?

- Government intervention can affect distributive and equity values across social groups;
- Distribution of regulatory costs/benefits should be made transparent.

OECD Reference Checklist for Regulatory Decision-Making (3)

Question # 8

Is the regulation clear, consistent, comprehensible and accessible to users?

- Rules understood by likely users;
- Clear text and structure.

Question # 9

Had all interested parties had the opportunity to present their views?

- Open and transparent regulatory process;
- Effective and timely input from interested parties.

Question # 10

How will compliance be achieved?

- Assessment of incentives and institutions through which the regulation will take effect;
- Design of responsive implementation strategies.

Ireland - Chart of Regulatory Principles and Actions

1. NECESSITY

We will require higher standards of evidence before regulating

We will strengthen policy making and the quality of regulations through impact analysis, better training and awareness-raising and better quality data on which to base decisions.

We will reduce red tape

The burden of red tape will be reduced through customer service initiatives, IT-enabled improvements and Statute Law Revision.

We will keep our regulatory institutions and framework under review

The requirement for sectoral regulatory institutions will be regularly reviewed in the light of sectoral dynamics, competition, convergence and market change.

2. EFFECTIVENESS

We will target our new regulations more effectively

The objectives of regulation will be stated clearly in explanatory guides. We will more frequently use regulation that sets out the goals to be achieved but which leaves maximum flexibility as to the means of achieving them.

We will make sure that regulations can be adequately enforced and complied with

We will frame regulations so that they achieve the greatest levels of compliance without excessive enforcement and compliance costs.

We will ensure that existing regulations in key areas are still valid

We will systematically review existing regulations governing key areas of the economy and society.

3. PROPORTIONALITY

We will regulate as lightly as possible given the circumstances, and use more alternatives

We will promote the use of a wider range of alternatives by Government Departments/Offices.

We will ensure that both the burden of complying and the penalty for not complying are fair

Penalties in regulations will be more proportionate. We will also monitor the burden of compliance on business and SMEs.

We will use Regulatory Impact Analysis appropriately when making regulations

We will pilot and then mainstream a system of RIA in Government Departments and Offices.

4. TRANSPARENCY

We will consult more widely before regulating

Consultation processes will be improved and made more consistent across Government Departments and Offices.

There will be greater clarity about Public Service Obligations

We will ensure that Public Service Obligations are made more explicit when regulating, in terms of costs and service levels.

Regulations will be straightforward, clear and accessible

Regulations will be as straightforward, clear and accessible as possible, with guidance in plain language.

5. ACCOUNTABILITY

We will strengthen accountability in the regulatory process

Regulators and enforcement agencies should be clearly accountable to citizens, through the Houses of the Oireachtas and Government.

We will improve appeals procedures

There should be well publicised, accessible and equitable appeals procedures that balance rights of appeal with the need for speedy action, in a fair manner. Where regulatory decisions are referred to the courts, there are particular requirements of speed and expertise.

6. CONSISTENCY

We will ensure greater consistency across regulatory bodies

As far as possible, there should be greater similarity in the remit, responsibilities, structure and approaches of regulatory institutions.

We will ensure that regulations in particular sectors/areas are consistent

Legislation in linked or connected areas will be consistent, and kept up to date and accessible through processes of simplification, consolidation and restatement.

Added Value of RIA

- Impact assessment is the process of systematic analysis of the likely impacts of a proposed intervention by regulatory authorities as well as the range of its alternative feasible options;
 - RIA for policy analysis and as aid to decision-making (not a substitute for political judgment).
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Valuable support for policy analysis

- RIA not necessarily provides clear-cut conclusions and recommendations;
 - It offers a very helpful fact-based input;
 - Effective communication tool for consultation with interested parties.
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V.

**Effective Regulation Needs
Strategic Dialogue Among
Stakeholders**

Regulation Makers and Recipients Sit at a Common Table

- Involvement of stakeholders is a key factor to increase regulatory quality;
- Consultation is inherently and strongly linked to RIA;
- Guiding Principles on dialogue on effective financial regulation, recently produced by Institute of International Finance(*).

(*): IIF, *Proposal for a Strategic Dialogue on Effective Regulation*, December 2006.

Reference Documents and Web links

- Danish Government, *The Danish Growth Strategy*, August 2002;
 - Dutch Cabinet letter 2005, *Reducing administrative burdens: now full steam ahead*, Ministry of Finance/Interministerial Project Unit for Administrative Burdens (IPAL), The Hague, June 2005;
 - European Commission and Better Regulation:
http://ec.europa.eu/enterprise/regulation/better_regulation/index_en.htm
 - Ireland and Better Regulation: <http://www.betterregulation.ie/>
 - UK and Better Regulation:
 - <http://www.cabinetoffice.gov.uk/regulation/index.asp>;
 - http://www.hm-treasury.gov.uk./documents/enterprise_and_productivity/better_regulation/ent_regulation_index.cfm ;
 - http://www.fsa.gov.uk/pubs/other/better_regulation.pdf .
 - OECD, *Recommendation of the Council of the OECD on Improving the Quality of Government Regulation*, March 1995.
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Reference Documents and Web links

- Danish Government, *The Danish Growth Strategy*, August 2002;
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http://ec.europa.eu/enterprise/regulation/better_regulation/index_en.htm
 - Ireland and Better Regulation: <http://www.betterregulation.ie/>
 - UK and Better Regulation:
 - <http://www.cabinetoffice.gov.uk/regulation/index.asp>;
 - http://www.hm-treasury.gov.uk./documents/enterprise_and_productivity/better_regulation/ent_regulation_index.cfm ;
 - http://www.fsa.gov.uk/pubs/other/better_regulation.pdf .
 - OECD, *Recommendation of the Council of the OECD on Improving the Quality of Government Regulation*, March 1995.
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