

46. Preparing for effective compliance and enforcement of regulations

How regulations are designed is important. Poorly designed regulations are difficult to comply with by businesses and citizens, and are costly to enforce. Good regulatory design depends on regulators anticipating and preparing for compliance and enforcement issues when evaluating the potential impact of draft regulations. A well functioning *ex ante* impact assessment process, therefore, includes an assessment of likely compliance by business and citizens, and of the ease and costs of enforcement. Evaluating this aspect of regulation also contributes to the underlying policy goals. Early analysis can help anticipate and prevent the conditions for corruption, wilful failures to observe the law and the growth of an informal economy.

Many (21) of OECD member countries in 2008 reported having some form of a requirement to consider compliance and enforcement issues when developing new regulations. However, policy guidance for regulators on how to do this is less common (14 member countries). Yet guidance contributes to building competency within government, and is an important part of a systematic approach to developing compliance and enforcement-friendly regulations.

In many areas, the enforcement of regulations can be optimised through risk-based enforcement. The general aim of a risk-based enforcement policy is to ensure that a proportionate share of the scarce resources available for enforcement are rationally allocated, concentrating on the prevention of (proscribed) activities with significant consequences. There is a growing interest in the potential for risk-based enforcement to optimise compliance procedures and reduce burdens on business. For example, inspection procedures may be directed towards businesses with demonstrably higher risks. However, only Australia, Belgium, Canada, Denmark, Finland, the Netherlands, New Zealand, Sweden and the United Kingdom reported having developed policies on risk-based enforcement.

In the United Kingdom, for instance, the Hampton review (2005) sought to embed a new policy approach of proportionality and the use of risk-based assessment to target resources to high-risk businesses that are less likely to

comply with regulations, and to reduce the administrative burdens on those that are in compliance. The Danish government has also combined risk-based inspections, reinforced sanctioning and increased guidance to business as a strategy to promote higher compliance.

Methodology and definitions

The indicators draw upon country responses to the OECD Regulatory Management Systems' Indicators Survey conducted in 2005 and 2008 for the (then) 30 OECD member countries. Survey respondents were OECD delegates and central government officials. Data for Chile, Estonia, Israel and Slovenia, who joined the OECD in 2010, are not available.

Regulatory impact analysis (RIA) is a systematic policy tool used to examine and measure the likely benefits, costs and effects of new or existing regulation.

Further reading

OECD (2010), *Better Regulation in Europe – The EU 15 project*, OECD Publishing, Paris, www.oecd.org/regref/eu15.

OECD (2010), *Cutting Red Tape – Why is Administrative Simplification so Complicated?*, OECD Publishing, Paris.

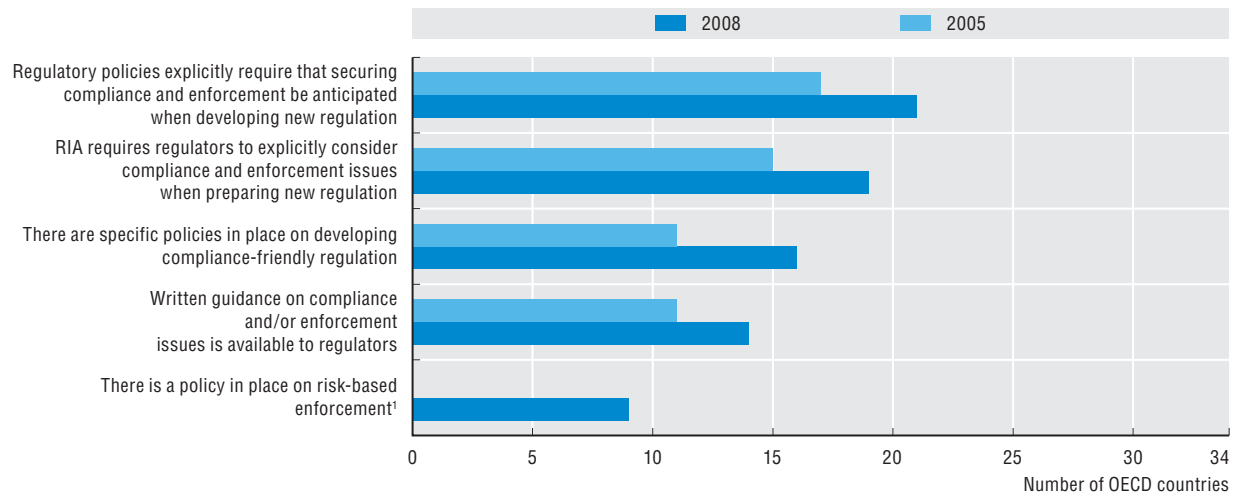
OECD (2010), *Risk and Regulatory Policy: Improving the Governance of Risk*, OECD Publishing, Paris, www.oecd.org/regreform/risk.

Figure and table notes

These questions were not included in the 2009 OECD Regulatory Management Systems' Indicators Survey addressed to new OECD member countries, accession and enhanced engagement countries. Data for Chile, Estonia, Israel, Slovenia, Brazil, the Russian Federation and South Africa are therefore not available.

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46.1 Regulatory compliance and enforcement issues at the central government level (2005 and 2008)



1. No data are available for 2005.

Source: OECD Regulatory Management Systems' Indicators Survey 2005 and 2008, www.oecd.org/regreform/indicators.

StatLink <http://dx.doi.org/10.1787/888932391203>

46.2 Regulatory compliance and enforcement at the central government level (2008)

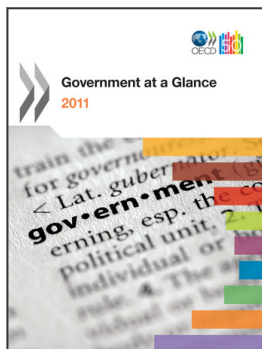
	Regulatory policies explicitly require that securing compliance and enforcement be anticipated when developing new regulation	RIA requires regulators to explicitly consider compliance and enforcement issues when preparing new regulation	There are specific policies in place on developing compliance-friendly regulation	Written guidance on compliance and/or enforcement issues is available to regulators	There is a policy in place on risk-based enforcement
Australia	●	●	●	●	●
Austria	●	●	●	●	○
Belgium	●	○	●	●	●
Canada	●	●	●	●	●
Czech Republic	●	○	○	○	○
Denmark	●	○	●	●	●
Finland	●	●	●	○	●
France	○	●	○	○	○
Germany	●	●	●	○	○
Greece	○	○	○	○	○
Hungary	○	○	○	○	○
Iceland	●	○	○	○	○
Ireland	●	●	●	●	○
Italy	●	●	●	○	○
Japan	○	○	○	○	○
Korea	●	●	●	●	○
Luxembourg	●	○	○	○	○
Mexico	●	●	○	●	○
Netherlands	●	●	●	●	●
New Zealand	●	●	●	●	●
Norway	○	○	○	○	○
Poland	●	●	●	●	○
Portugal	○	○	○	○	○
Slovak Republic	●	●	○	○	○
Spain	○	○	○	○	○
Sweden	●	●	●	●	●
Switzerland	●	●	●	●	○
Turkey	○	○	○	○	○
United Kingdom	●	●	●	●	●
United States	○	●	○	○	○
Total OECD30	21	19	16	14	9

● Yes.

○ No.

Source: OECD Regulatory Management Systems' Indicators Survey 2008, www.oecd.org/regreform/indicators.

StatLink <http://dx.doi.org/10.1787/888932392286>



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