VIII. REGULATORY MANAGEMENT

22. Regulatory impact analysis

23. Simplification strategies

24. Formal consultation

Failures in regulatory governance were a contributing factor to the current global financial crisis. Governments now have an expanded role in ensuring economic recovery and are under pressure to respond to demands for support quickly and effectively, which creates further risk of regulatory failures. Thus, good regulatory management is necessary to ensure that policy measures are effective, efficient and able to restore public confidence, but with the necessary flexibility to adjust to changing economic conditions and emerging regulatory issues. The use of public consultation, regulatory impact analysis and simplification strategies to enhance regulatory certainty and reduce burdens are key aspects in ensuring strong regulatory management systems.

The indicators presented in this chapter reflect information about regulatory management practices, i.e. the processes used to make, review and reform rules. They consider the extent to which regulatory management systems meet overall quality standards, such as those reflected in the Guiding Principles for Regulatory Quality and Performance *endorsed by the OECD in 2005. This chapter introduces two composite indexes on the use of regulatory impact analysis and the characteristics of programmes to reduce administrative burdens.*

The indicators provide a tool to analyse regulatory governance systems as a whole and to help countries identify potential reforms. They are based on country responses to the OECD Survey on Regulatory Management (www.oecd.org/regreform/indicators).

22. Regulatory impact analysis

Regulatory impact analysis (RIA) is a key policy tool that can provide decision makers with detailed information about the potential effects of regulatory measures on the economy, environment and social arrangements. RIA looks at all possible impacts of regulation, including costs and benefits, as well as sustainability. It assesses the capacity of government agencies to enforce regulation and the capacity of affected parties to comply. RIA processes should also include an *ex post* evaluation of whether regulations are functioning as expected.

RIA can allow decision makers to examine the implications of regulatory policy options and determine whether they will achieve their objectives more efficiently and effectively than alternative approaches. In addition, by strengthening the transparency of regulatory decisions and their justification, RIA may bolster the credibility of regulatory responses and increase public trust in regulatory institutions and policy makers. Elements that are important to the effectiveness of RIA systems include the comprehensive analysis of impacts, the consultation process, the training of regulators and well-functioning institutional settings. Progress in institutional settings includes the establishment of dedicated, central regulatory oversight bodies that promote and monitor regulatory policy and reform.

There has been rapid adoption of the use of RIA by members of the OECD since 1974, with most growth occurring between 1994 and 2002. Today, all member countries report having adopted procedures to assess the impact of at least some new regulations.

Over the last decade, RIA systems have become more comprehensive across nearly all countries. An increasing number of countries have adopted formal requirements to undertake RIA for draft primary laws and subordinate regulations, as well as requirements to identify impacts (including costs and benefits of new regulations). For example, over two-thirds of countries now require RIA to demonstrate that the benefits of new regulation justify the costs.

However, the depth of RIA systems still differs across countries. Notably, some countries that have a longer history of RIA, such as Australia, Canada and the United Kingdom, have more developed systems. There remain significant differences across countries in terms of the formal aspects of their RIA processes, and the extent to which their RIA systems reflect good practice as expressed in the OECD principles.

Methodology and definitions

The indicators draw upon country responses to the OECD Regulatory Management Systems' Indicators Survey conducted in 1998, 2005 and 2008. Survey respondents were central government officials in OECD member countries. In addition to the 30 OECD member countries, data are presented for the policies of the European Union.

The composite index on requirements for RIA processes examines the extent to which OECD member countries have incorporated key elements featured in the OECD *Guiding Principles for Regulatory Quality and Performance* into their RIA systems at the central level of government. These key elements include: integrating RIA into the development, review and revision of significant regulations; supporting RIA with *ex post* evaluation to monitor quality and compliance; and ensuring that RIA plays a key role in improving the quality of regulation. It ranges between 0 (low level) and 1 (high level). See Annex C for a description of the methodology used to construct this index, including a complete description of the 14 variables and their weights. The variables comprising the indexes and their relative importance are based on expert judgements. They are presented with the purpose of furthering discussion, and consequently may evolve over time.
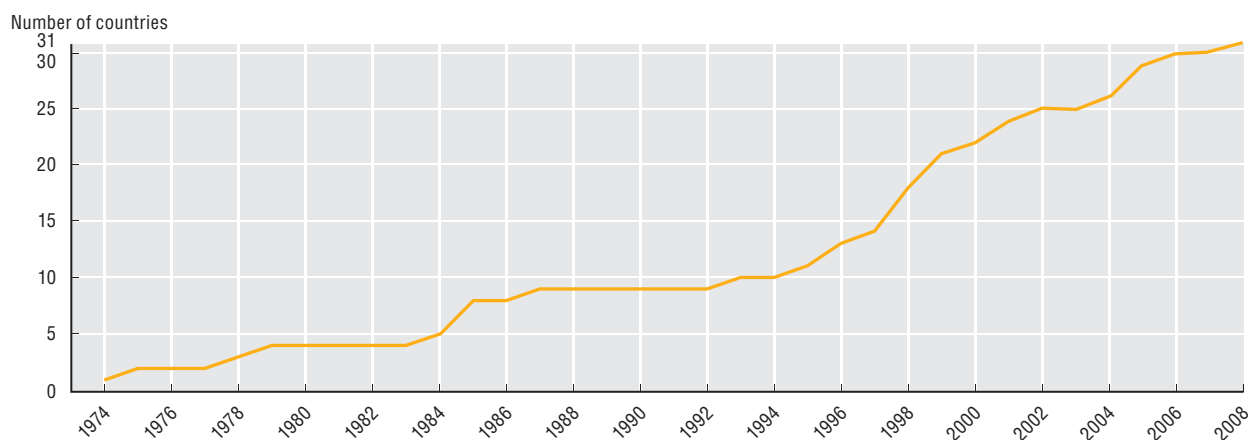
Further reading

OECD (1997), *Regulatory Impact Analysis: Best Practices in OECD Countries*, OECD, Paris.

OECD (2008), *Building an Institutional Framework for Regulatory Impact Analysis (RIA): Guidance for Policy Makers*, OECD, Paris, *www.oecd.org/dataoecd/44/15/40984990.pdf*.

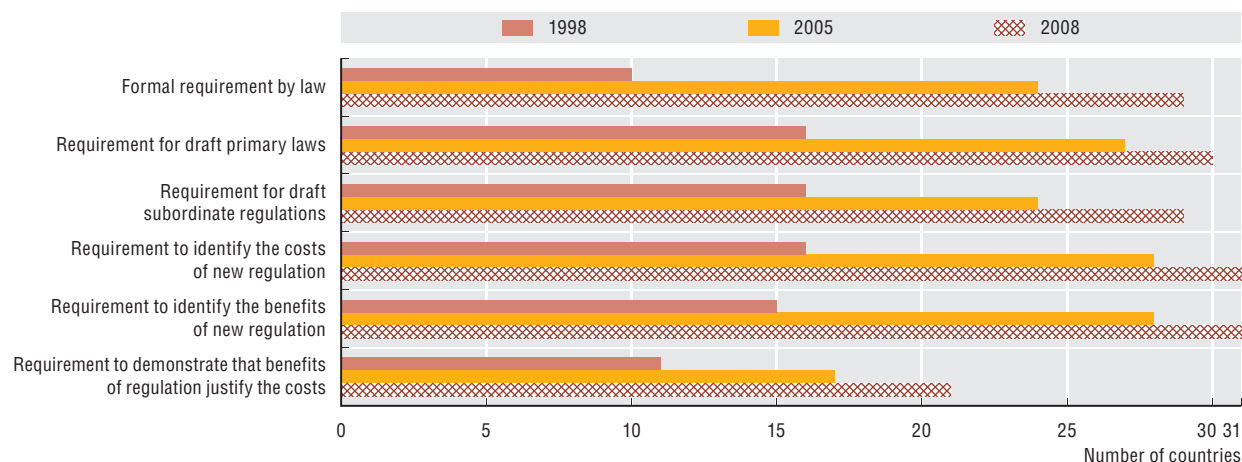OECD (2009), *Regulatory Impact Analysis: A Tool for Policy Coherence,* OECD, Paris.

Note

22.2: Data for 1998 are not available for the European Union, Luxembourg, Poland and the Slovak Republic. Thus, this figure is based on data for 27 countries in 1998 and for 30 countries and the EU in 2005/08.
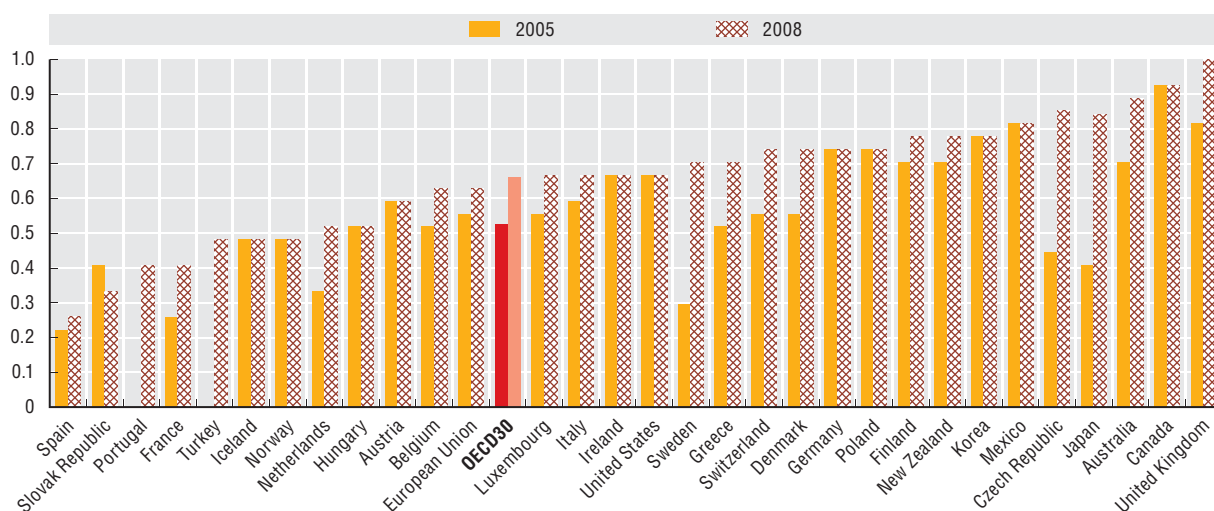
22.1 Trend in RIA adoption by central governments across OECD countries (1974-2008)

Number of countries

22.2 Requirements for RIA at the central government level (1998, 2005 and 2008)

- 1998
- 2005
- 2008

Formal requirement by law

Requirement for draft primary laws

Requirement for draft subordinate regulations

Requirement to identify the costs of new regulation

Requirement to identify the benefits of new regulation

Requirement to demonstrate that benefits of regulation justify the costs

Number of countries

22.3 Requirements for RIA processes used by central governments (2005 and 2008)

- 2005
- 2008

Spain, Slovak Republic, Portugal, France, Turkey, Iceland, Norway, Netherlands, Hungary, Austria, Belgium, European Union, **OECD30**, Luxembourg, Italy, Ireland, United States, Sweden, Greece, Switzerland, Denmark, Germany, Poland, Finland, New Zealand, Korea, Mexico, Czech Republic, Japan, Australia, Canada, United Kingdom

Note: This index summarises information about the existence of key elements of RIA processes in OECD member countries. It does not offer information on the quality of specific RIAs.

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

StatLink ⌐⌐ *http://dx.doi.org/10.1787/724045144354*
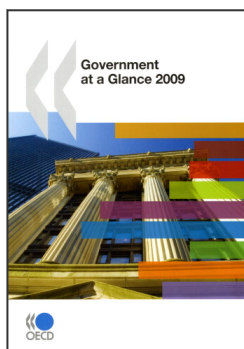
From:

Government at a Glance 2009