

Executive Summary

This publication brings together recent research and analysis on important factors influencing the successful conduct of Regulatory Impact Analysis (RIA). It includes papers on relevant RIA topics covering methodological issues and country experiences, including; systemic factors which influence the quality of RIA, methodological frameworks which can assist RIA to improve regulation, guidance on using RIA to avoid unnecessary regulation of competitive markets and a review of the use of RIA in the regulation of corporate governance across a number of OECD countries. Taken together, this publication provides valuable, practical guidance on how to improve the performance of RIA systems to improve policy coherence and promote economic welfare through better quality regulation. It will be of use for countries with an interest in enhancing or refining the use of RIA and evaluating where a bigger investment of public resources in improvements to RIA may be of most benefit.

Chapter 1 discusses the use of RIA as an instrument to promote coherence in regulatory policy. The use of RIA has particular prominence in OECD countries as a systemic mechanism for assessing that the estimated benefits of proposed regulation exceed the estimated costs. The OECD has been a long-standing advocate of the use of RIA, recommending in 1997 that governments “integrate regulatory impact analysis into the development, review, and reform of regulations.” The 2005 *Guiding Principles for Regulatory Quality and Performance* reinforced the benefits of RIA. In the context of increasing policy complexity, robust evidence-based policy mechanisms that are integrated in governance processes are important for maximising the welfare benefits of regulatory policy and minimising costs.

One of the fundamental challenges for RIA systems is ensuring that the analysis is undertaken at the inception of policy proposals, when there is an opportunity and interest in identifying the optimal approach and alternatives to regulation can be given serious consideration. How broadly RIA is applied will also influence its capacity to affect the quality of regulatory proposals. The application of RIA to regulatory instruments should be optimised to promote the best policy outcomes. Taking a proportionate approach is recommended so that the resources required by RIA are applied to those regulations likely to have the most significant impact.

Chapter 2 discusses how a focus on factors of institutional design can improve the quality of RIA. The implementation of RIA across OECD is a long-term endeavour and the experiences of OECD countries provide insights into ways of improving the overall quality of RIA. Important systemic factors that are likely to be influential in determining the quality of regulatory impact analysis are: the design of RIA processes and methodologies; the level of formal authority and political support given to the RIA process; and the

incorporation of specific quality assurance and oversight mechanisms in government to ensure that it is being performed effectively.

Chapter 3 examines the methodological frameworks for RIA. Undertaking RIA is a technically challenging exercise. Improving the methodological guidance available to practitioners can have a substantial impact on the quality of RIA and consequently, its ability to contribute to better regulation. This chapter surveys the guidance that is available to RIA practitioners and provides a reference on key topics that jurisdictions can adapt to assess and improve the quality of their own guidance material, or to commence drafting guidance material for use by policy analysts.

Chapter 4 is adapted from the 2007 *OECD Competition Assessment Toolkit*, and provides guidance on how to conduct a competition assessment on possible regulatory approaches. This chapter illustrates how even a relatively small investment of public sector resources in the removal of unnecessary restrictions on competition in regulation can have significant welfare improvements if it is done systematically. It also provides guidance on how to get maximum value by integrating competition assessment processes within the regulatory policy cycle.

Chapter 5 examines the use of RIA in corporate governance regulation by financial services regulators to strengthen their evidence-based policy-making. It is useful for policy practitioners to understand how to undertake RIA in their own field of policy interest, and to consider comparative examples of how analysts in other regulatory sectors go about it. The chapter draws on examples from OECD experience notably: Canada, Australia, the UK, US and the EU. It looks at how regulators have dealt with some of the challenges to effective RIA which include: defining the problem, undertaking effective consultation, and identifying and measuring costs and benefits. This paper makes an important contribution to this underdeveloped area of study for corporate governance and sets out an approach that could potentially be applied to the analysis of RIA experience in other regulatory fields.

Good governance processes are important to manage policy complexity and to assist governments to support an administrative culture that is well equipped to consider the consequences of policy options and to promote the economic, environmental and social welfare goals that serve the interests of citizens. The material in this publication can assist countries to improve their governance arrangements for promoting policy coherence through the incorporation of and refinements to systems for regulatory impact analysis producing more efficient regulation and delivering better regulatory outcomes.