

REGULATORY IMPACT ASSESSMENT (RIA) PILOT PROJECTS



Why RIA Pilot Projects in the MENA region?

Regulatory Impact Assessment (RIA) has been identified by participating Arab countries as a priority issue in the course of the **Good Governance for Development (GfD) in Arab Countries Initiative**. The need of governments' capacity to regulate effectively and efficiently has been widely recognised in OECD countries. In developing countries, where the importance of high-quality regulation often is reinforced by the transition from state-led to market-led growth strategies, RIA represents a powerful tool to move ahead. By encouraging increased and better data collection and analysis, the pilot projects furthermore answer to an urgent need faced not only by MENA countries themselves, but also by the donor community and investors: the lack of sufficient reliable data in the region.

As a response to these needs, the **Focus Group on Regulatory Reform of the Working Group IV of the GfD Initiative** is proposing to carry out *country-based Pilot Projects* in countries of the Arab region in close co-operation with OECD country officials. Similar projects have been developed during the RIA implementation process in some OECD member countries - these could offer valuable guidance to Arab countries undertaking them. By providing a framework from which to draw lessons learned and good practices, the **OECD RIA Pilot Project** thus has the long-term goal of setting normative standards for good RIA practices in MENA, and more generally, developing countries.

What is RIA?

Regulatory Impact Assessment (RIA) examines and measures the likely benefits, costs and effects of new or changed regulations. It is a useful regulatory tool that provides decision-makers with valuable empirical data and a comprehensive framework in which they can assess their options and the consequences their decisions may have. A poor understanding of the problems at hand or of the indirect effects of government action can undermine regulatory efforts and result in regulatory failures. RIA is used to define problems and to ensure that government action is justified and appropriate.

RIA recognises the need to assess regulations on a case-by-case basis to determine whether they contribute to strategic policy goals. In any regulatory decision, the problem should be clearly defined and government action justified. RIA can help check that policy-makers are well-informed.

The RIA process is an **essential part of policy making**. It can help to:

- clarify the objectives of a proposal
- think through the full impact of a proposal
- identify and assess alternative options for achieving the policy goal
- ensure consultation exercise, reaching the widest possible range of stakeholders
- determine whether the benefits justify the costs
- determine whether particular groups may be disproportionately affected

For RIA to achieve concrete results, it must be based on a long-term perspective. It is also crucial that a culture of acceptance and commitment to the process is developed and nurtured in the public and private sectors, and among the general public. Communicating the results of RIA is an essential part of the process of improving regulatory design.

In some countries there has been resistance to the concept of RIA because it may challenge traditional policy making processes. The focus on making trade-offs transparent, quantifying both the costs and benefits of regulation and requiring regulation to have a clearly specified objective, can be challenging for some policy makers and regulators.

In countries where the concept of RIA is new, it may be prudent to introduce RIA elements over time as support for it grows and expertise in its use develops. Initially, for example, there could be a general requirement to identify those affected by a regulation prior to its introduction. This could develop over time to require more quantitative estimates of costs and benefits to be prepared. Consultation requirements could become more inclusive overtime. This approach of introducing elements of a full RIA program over time have been used successfully in a number of countries to facilitate the acceptance of RIA in the policy making process.

RIA PILOT PROJECTS IN THE MIDDLE EAST AND NORTH AFRICAN REGION

In Brief: Pilot Projects in the framework of the Good Governance for Development (GfD) in Arab Countries Initiative

Pilot Projects are one of the implementation mechanisms used in the *Good Governance for Development (GfD) in Arab Countries Initiative*. They are designed to ensure close ties between the results of the regional policy dialogue and their implementation on the national level.

Pilot Projects link the policy dialogue to actual reforms on the ground, serving as reference models for other participating countries. They should be developed if

- They promise to *achieve reform objectives in a short or medium term time-frame*;
- They can serve as *reference models* for other participating countries;
- They can be *monitored through meaningful indicators*

Benefiting from the lessons learned in the Pilot Projects, the participating countries could possibly implement reforms at a larger scale. Financial resources needed for these reforms could be mainstreamed into the national budget. Selective technical assistance by the participating OECD countries or other actors could serve to obtain high level expertise and to fill gaps in know-how.

In Brief: RIA Pilot Projects in the MENA region in the framework of the Focus Group on Regulatory Reform

Regulatory Impact Assessment (RIA) Pilot Projects would be accomplished in several steps, starting with the use of the *Policy Brief on Tools to Initiate RIA* designed by the OECD Secretariat.

Answers to the questions in the *Policy Brief* provided by Arab countries and a thorough analysis thereof will allow countries to develop a **preliminary project plan** for the implementation of a RIA Pilot Project in their country. Arab countries could select a policy issue or draft law to test a RIA. A presentation of initial results and the preliminary project plan could be envisaged for the Third Special Session of the OECD of the Focus Group on Regulatory Reform, to be held on 4 May 2007 in Paris. The goal is to carry out RIA Pilot Projects in 2007/8, and to share results in mid 2008.

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