



# Regulatory Reform: Tools to Change the Administrative Culture

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# Tools to Change the Administrative Culture

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## Capacity Building

- Develop the institutions, resources, and processes necessary for a sound regulatory program.

## Government Responsiveness

- Listen to concerns, recognize key stakeholders, and provide appeal mechanisms.

## Creating a Constituency for Regulatory Reform

- Involve the public and promote high quality regulation.

# Capacity Building

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- ❑ What capacities are necessary for sound regulatory policy?
  - ❑ Centralized Management and Leadership
  - ❑ Transparency and Accountability
  - ❑ Regulatory Impact Analysis
- ❑ Why build capacity for regulatory reform?
  - ❑ High quality regulation leads to improved macro performance.
  - ❑ According to a World Bank study, moving from the bottom three quartiles to the top quartile of 145 countries studied adds **1.7% to annual economic growth**—even after controlling for other growth factors such as education, investment, and income.

# Improving Regulatory Quality Leads to Strong Macro Performance

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## Top Twenty Economies on the Ease of Doing Business Scale

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|-----|------------------|-----|-------------|
| 1.  | New Zealand      | 11. | Switzerland |
| 2.  | United States    | 12. | Denmark     |
| 3.  | Singapore        | 13. | Netherlands |
| 4.  | Hong Kong, China | 14. | Finland     |
| 5.  | Australia        | 15. | Ireland     |
| 6.  | Norway           | 16. | Belgium     |
| 7.  | United Kingdom   | 17. | Lithuania   |
| 8.  | Canada           | 18. | Slovakia    |
| 9.  | Sweden           | 19. | Botswana    |
| 10. | Japan            | 20. | Thailand    |

Source: World Bank, *Doing Business 2005*

# Capacity Building: Centralized Management and Leadership

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- Establish strong institutions.

- Role of the Office of Management and Budget.

- Executive Order 12866

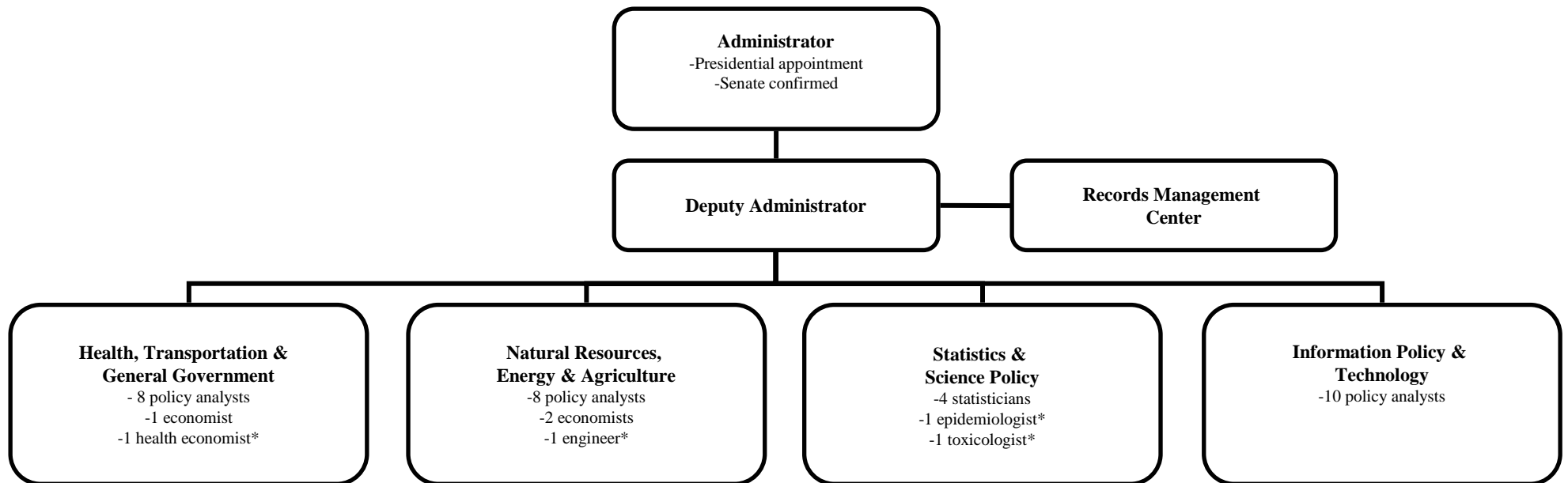
- Hire the right people.

- Develop a professional staff with training in economics, public policy, the law, epidemiology, toxicology, public health, and engineering.

- Foster a professional civil service.

# Office of Information and Regulatory Affairs

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\*Recent additions to OIRA's staff.

# Capacity Building: Transparency and Accountability

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## Administrative Procedure Act

- The Act requires that agencies go through a notice and comment process open to all members of the affected public, both U.S. and foreign.
- Before agencies can issue a final regulation, they must respond to the public comments, make sure that the final regulation is a logical out-growth of the proposal and the public record, and is not arbitrary or capricious.

## Disclosure of information under Executive Order 12866.

- The public can consult OMB's website and learn each day which rules are under formal review at OMB, which have been cleared, and which outside groups have recently lobbied OIRA on rules under review.
- All written information given to us while a rule is under review is sent to the agency, placed in our public docket reading room, and posted on our website.

# Capacity Building: Regulatory Impact Analysis

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## Basic Goals

- Maximize net benefits to society—or at least ensure that benefits justify costs.
- Promote economic efficiency by regulating only where markets fail, and when regulating, by using cost-effective and market-based approaches.
- Increase the transparency of the regulatory system.

## Elements of a Regulatory Impact Analysis

- Statement of need for the proposed rule that identifies the nature and significance of the problem (e.g., identification of the market failure).
- Examination of alternative approaches to addressing the problem.
- Analysis of the costs and benefits of each alternative.



# Government Responsiveness

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- The role of the ombudsman.
  - Internal Revenue Service Taxpayer Advocate
- Establish agencies that focus on key stakeholders.
  - Small Business Administration's Office of Advocacy
- Allow public appeals to rulemaking agencies and to the courts.
  - The U.S. allows petitions for reconsideration and judicial review of agency regulatory decisions.



# Creating a Constituency for Regulatory Reform

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- Promote high quality regulation.

- Smarter Regulation (U.S.)

- Smart Regulation (Canada)

- Better Regulation (U.K.)

- Solicit public input on regulatory reform.

- In 2001, 2002, and 2004, OMB asked the public for regulatory reform ideas for increasing net benefits to the public.



# Conclusions

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- The center of government must support institutional capacities and rely on rigorous analysis and best practices.
- Accountability is required because special interests are especially powerful in regulatory matters.
- To build a constituency for reform, government must be transparent, responsive, and inclusive.

# References

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