

## **REGIONAL FLAGSHIP INITIATIVE**

### **FOUNDATIONS FOR INVESTMENT: PROGRESS AND CHALLENGES IN REGULATORY REFORM**

*An international seminar co-hosted by the Government of Greece and the  
Organisation for Economic Co-operation and Development (OECD)*

**2-3 October, 2001, Thessaloniki, Greece**

### **OBJECTIVES**

#### ***Session 1: Country Experiences with Regulatory Reform***

Regulatory reform based on economic liberalisation and market opening can be a powerful tool to improve market functioning and strengthen the foundations for sustainable growth and investment. In this session, speakers will introduce the major benefits and costs of regulatory reforms in South East Europe and OECD countries.

The objectives of this session are to have participants agree that:

- there are clear benefits from regulatory reform, including creating a sound regulatory environment conducive to domestic and foreign investment, with ultimate gains to growth, consumer choice and the meeting of social objectives, such as satisfying desires for health and safety and environmental goals; and
- regulatory management and reform is instrumental to achieving market integration with the European Union.

#### ***Session 2: Elements of a successful regulatory reform programme***

Regulatory reform requires government capacities to develop and implement high quality regulatory regimes that are consistent with competitive and open markets. This session will examine how regulatory capacities can be built to suit the domestic conditions of each economy and which tools constitute a successful regulatory reform programme. Framework principles, such as the 1995 *Recommendation of the Council of the OECD on Improving the Quality of Government Regulation*, can provide guidance to reformers. The session will focus on:

- designing tools for a regulatory reform programme
  - Regulation Impact Analysis
  - consultation
  - assessing alternatives to regulation
- building institutions to implement an efficient, accountable and transparent regulatory policy

The objectives of this session are to:

- introduce the elements and instruments of regulatory reform;
- demonstrate that:

- good process is fundamental to good regulation;
- good quality regulation is characterised by being: clear and simple, outcome oriented, applied equally to all market participants, does not inhibit access and entry, and is transparent and accessible.
- the task is complex and takes time to fully implement, and depends on participation.

### ***Session 2 (continued)***

*Specific focus on administrative reform issue (panel discussion)*

The objectives of the second part of session 2 are to:

- explore the experiences in setting up government and administration capacities, as a pre-condition for a regulatory reform programme;
- discuss ways to establish accountability and transparency; and
- raise awareness for the consequent implementation of laws.

### ***Session 3: Sustaining a regulatory reform programme***

The challenges of regulatory reform are familiar. Vested interests in public and private sectors, fears of the consequences of change, and the complexity and uncertainty of reform in dynamic economic and social environments must be dealt with effectively if reform is to succeed. Skilful political leadership and drivers of reform inside governments can be strengthened to promote and co-ordinate reform programmes. Many governments have established dedicated bodies, such as the Team for Legal Regulations Quality in Poland, to underpin a continuing reform programme that helps national regulatory regimes adjust more quickly. Reform is not, however, a task only for governments — other stakeholders such as businesses and workers have roles in building support for reform and in sharing information. Open communication with major stakeholders is essential. The session will focus on case studies and recent experiences about what worked and what did not work in the last decade to advance the reform agenda.

The objectives of session 3 are to further explore the institutional and procedural aspects of good regulatory process and to look at challenges that arise with their implementation:

- to explore how to maintain a continuing programme of reform — what sort of bodies with what powers work best;
- the ways in which de-regulation can facilitate investment and mobilise support from the private sector for the reform agenda;
- understand the interests of other stakeholders, such as employees and consumers, and find the best ways to involve them in devising regulations; and
- ways to deal with the fears of the consequences of change, and the complexity and uncertainty of reform, that do not inhibit investment and market functioning.

### ***Session 4: Challenges of reforming the regulatory framework of key economic sectors***

In infrastructure sectors, effective and transparent regulatory bodies are needed to ensure a level playing field in the market and to provide confidence to investors and consumers alike. Efficient

regulatory policies are necessary to protect consumer interests and public policies in areas such as environmental protection and safety. Governments should develop a range of tools that can improve regulatory effectiveness and reduce costs, while promoting innovation. The session will focus on case studies on: regulatory reform in the telecommunication sector and the energy sector; as well as competition issues in the privatisation of infrastructure sectors and establishing independent regulators.

The objectives of session 4 are to communicate:

- the benefits of introducing competition into services that were government-owned;
- the need for careful institutional design and good process when making the transition;
- particular lessons learned from experience in other countries in liberalising telecommunications and energy.

***Session 5: Looking ahead: Priorities for regulatory reform in SEE and potential contributions of the Flagship Initiative***

The objectives of session 5 are broadly two-fold: to get feedback from participants on the ideas explored in the seminar and to identify, from this agenda, where and how follow up could be developed. Possible subjects for further work could be:

***I Regulation reform instruments***

- regulation impact analysis;
- consultation — harnessing the input of other stakeholders in achieving reform; and
- alternatives to regulation.

***II Embedding a regulatory reform policy***

- administration reform to increase government capacities to make, implement and enforce good quality regulation, which fosters a healthy investment environment;
- how to establish and strengthen institutions which conduct and enforce RIA in order to produce good quality regulation, which is, among other things, conducive to investment;
- enforcing regulations to improve policy outcomes; and
- structural adjustment strategies.

***III Regulatory reform in infrastructure sectors***

- how to introduce competition, establish effective and transparent regulatory bodies, and provide confidence to investors and consumers in infrastructure sectors.

***IV Reducing regulatory barriers and burdens***

- removing barriers to investment; and
- administrative simplification — reducing red-tape burdens on industry.

Regarding the format of follow-up activities, some indicators on the preference for regional or country-specific workshops would be useful. In addition, participants may wish to comment on the contributions they would be prepared to make to these activities.