

2013 International Regulatory Reform Conference

Information Note for the Workshop “Costs and Benefits: Two Sides of the Same Coin”

The 2012 OECD Recommendation of the Council on Regulatory Policy and Governance (Recommendation) presents Regulatory Policy and Governance as a whole-of-government activity integrated in the policy cycle of regulatory design, enforcement, review and evaluation supported by appropriate institutions.

This session focuses on the implementation of Principle 4 in member countries (see box). It aims to identify good practices in the use of cost-benefit analysis and its application in the assessment of regulatory and non-regulatory approaches to address policy problems. A key focus is how this can deliver evidence for use by decision-makers. Participants will discuss how policy makers can be effectively supported by evidence when identifying and considering the most efficient and effective regulatory and non-regulatory approaches, ahead of making a decision.

The 2012 OECD Recommendation of the Council on Regulatory Policy and Governance: Principle 4 on integrated Regulatory Impact Assessment

4. Integrate Regulatory Impact Assessment (RIA) into the early stages of the policy process for the formulation of new regulatory proposals. Clearly identify policy goals, and evaluate if regulation is necessary and how it can be most effective and efficient in achieving those goals. Consider means other than regulation and identify the tradeoffs of the different approaches analysed to identify the best approach.

4.1 Adopt *ex ante* impact assessment practices that are proportional to the significance of the regulation, and include benefit cost analyses that consider the welfare impacts of regulation taking into account economic, social and environmental impacts including the distributional effects over time, identifying who is likely to benefit and who is likely to bear costs.

4.2 *Ex ante* assessment policies should require the identification of a specific policy need, and the objective of the regulation such as the correction of a market failure, or the need to protect citizen's rights that justifies the use of regulation.

4.3 *Ex ante* assessment policies should include a consideration of alternative ways of addressing the public policy objectives, including regulatory and non regulatory alternatives to identify and select the most appropriate instrument, or mix of instruments to achieve policy goals. The no action option or baseline scenario should always be considered. *Ex ante* assessment should in most cases identify approaches likely to deliver the greatest net benefit to society, including complementary approaches such as through a combination of regulation, education and voluntary standards.

4.4 When regulatory proposals would have significant impacts, *ex ante* assessment of costs, benefits and risks should be quantitative whenever possible. Regulatory costs include direct costs (administrative, financial and capital costs) as well as indirect costs (opportunity costs) whether borne by businesses, citizens or government. *Ex ante* assessments should, where relevant, provide qualitative descriptions of those impacts that are difficult or impossible to quantify, such as equity, fairness, and distributional effects.

4.5 Regulatory Impact Analysis should as far as possible be made publicly available along with regulatory proposals. The analysis should be prepared in a suitable form and within adequate time to gain input from stakeholders and assist political decision making. Good practice would involve using the Regulatory Impact Analysis as part of the consultation process.

4.6. *Ex ante* assessment policies should indicate that regulation should seek to enhance, not deter, competition and consumer welfare, and that to the extent that regulations dictated by public interest benefits may affect the competitive process, authorities should explore ways to limit adverse effects and carefully evaluate them against the claimed benefits of the regulation. This includes exploring whether the objectives of the regulation cannot be achieved by other less restrictive means.

4.7 When carrying out an assessment, officials should:

»Assess economic, social and environmental impacts (where possible in quantitative and monetised terms), taking

into account possible long term and spatial effects;

»Evaluate if the adoption of common international instruments will efficiently address the identified policy issues and foster coherence at a global level with minimal disruption to national and international markets;

»Evaluate the impact on small to medium sized enterprises and demonstrate how administrative and compliance costs are minimised.

4.8 RIA should be supported with clear policies, training programmes, guidance and quality control mechanisms for data collection and use. It should be integrated early in the processes for the development of policy and supported within agencies and at the centre of government.

For the full text of the Recommendation, please see:

www.oecd.org/gov/regulatorypolicy/recommendationofthecouncilonregulatorypolicyandgovernance.htm

<p>31 January 2013 15:50 – 16:50</p>	<p>Workshop on Costs and Benefits: Two Sides of the Same Coin</p>
<p>Moderator</p>	<p>Rolf Alter, Director, Public Governance and Territorial Development, OECD</p>
	<p>The purpose of this workshop is to identify good practices in the assessment of costs and benefits of regulatory and non-regulatory approaches and to discuss how cost-benefit analysis can be effectively integrated in Regulatory Impact Assessment (RIA) and how the results can be presented for decision-makers.</p>
<p>Speakers</p>	<ul style="list-style-type: none"> • Christiane Arndt, Programme Co-ordinator Measuring Regulatory Performance, Regulatory Policy Division, OECD • Prof. Volker Wittberg, Fachhochschule des Mittelstandes (FHM) (University of Applied Sciences), Bielefeld, Germany • Ken Warwick, Consultant and Member of the Regulatory Policy Committee, United Kingdom
<p>Discussion</p>	<p>Questions for discussion:</p> <ul style="list-style-type: none"> • What information on the impact of regulatory and non-regulatory approaches do policy-makers need? • How can information on costs and benefits be presented to support government ministers and parliamentarians in their decision-making process? • What are the best available analytical methods for assessing costs and benefits, given the constraints on developing policy in a political context?
<p>Background documents</p>	<ul style="list-style-type: none"> • OECD (2012), Policy findings and summary of proceedings on “Re-boosting Growth: Overcoming Challenges to Measuring and Reducing Compliance Costs”, 4th expert workshop in Berlin. http://www.oecd.org/gov/regulatorypolicy/berlinworkshop.htm

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http://www.oecd.org/gov/regulatorypolicy/regulatoryimpactanalysisatoolforpolicycoherence.htm• OECD (2008), Introductory Handbook for Undertaking Regulatory Impact Analysis. http://www.oecd.org/gov/regulatorypolicy/44789472.pdf |
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