



Indicators of regulation and regulatory policy performance

Canada's vision

Madrid Workshop, Sept. 26, 2011

Context

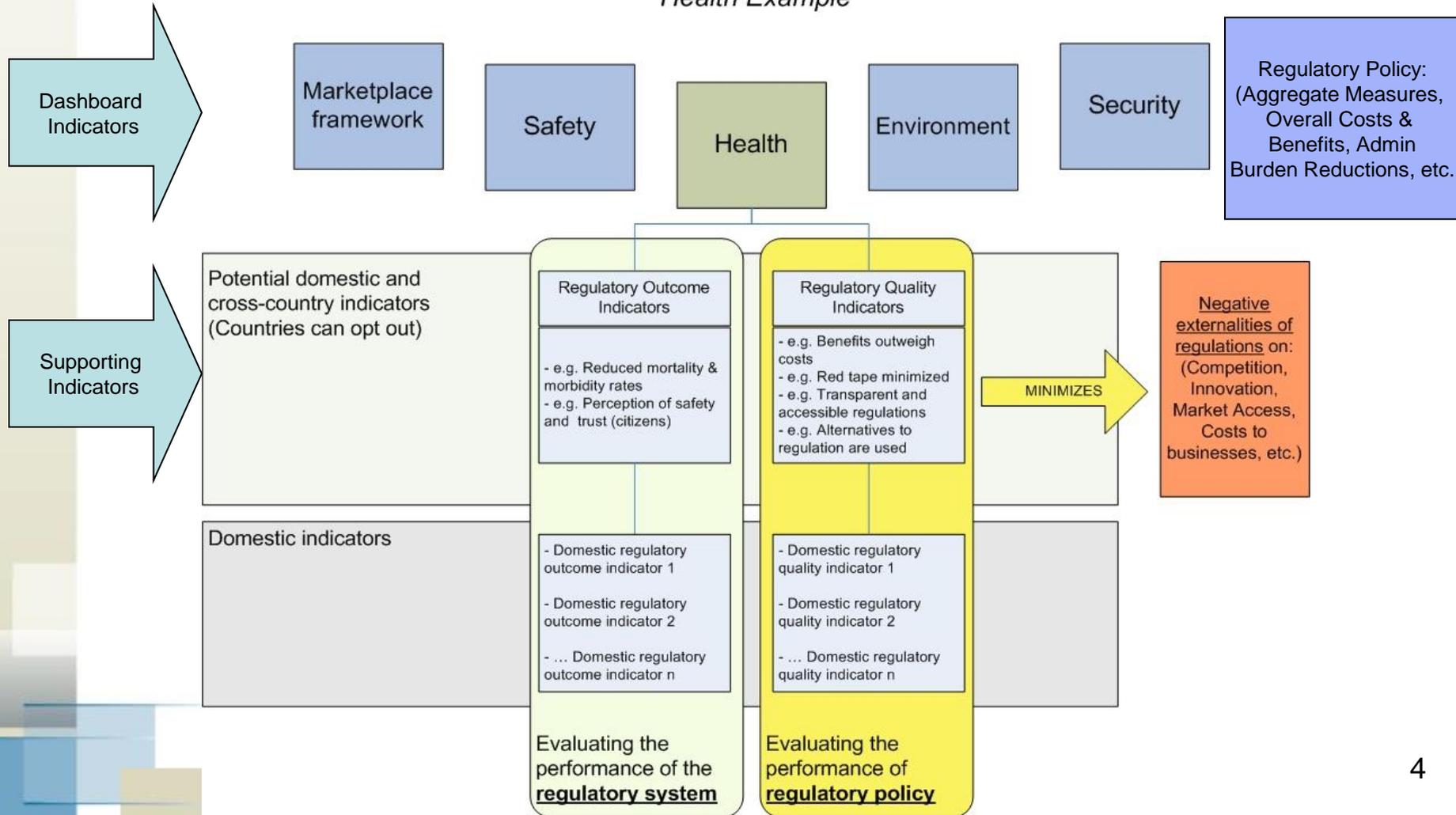
- **Issue:**
 - How do we answer the question “How good is our regulatory system?” in ways that are meaningful to Ministers, decision-makers and citizens alike?
- **Answering this question requires demonstrating that:**
 1. The impact of regulatory policy: firstly, sound regulatory policy(s) lead to regulations that are of a high quality – i.e., they are streamlined, well designed and have minimal negative externalities (e.g., reduce the ability of businesses to compete, limit market access or stifle innovation) and costs to society;
 2. The impact of regulation and of departmental/agency regulatory activities: high quality regulations help deliver and improve upon key public policy objectives (e.g. safety, security, health, environment);
- **This suggests two sets of indicators:**
 - the first would showcase the performance of regulatory policy by demonstrating how streamlined regulations minimize regulatory externalities;
 - the second would showcase the contribution of regulations to public policy outcomes over time.

Questions for Discussion

- 1) What regulatory outcomes areas should be assessed? (e.g. environment, health, security, etc.)**
- 2) What regulatory quality areas should be assessed? (e.g. performance-based regulation, market-based, benefits justify costs, compliance & enforcement performance, etc.)**
- 3) What regulatory “externalities” areas should be assessed? (e.g. costs to business, impacts on competition / innovation, admin. burden, etc.)**
- 4) Is this framework (Canadian proposal) enough to answer the question “How good is our regulatory system?”**
- 5) Is it credible? Can better outcomes and lower externalities be attributed (or correlated with) better regulatory quality?**

What Could a Framework Include?

*(PRELIMINARY) Assessing the quality and outcome of regulatory systems:
Health Example*



Challenges

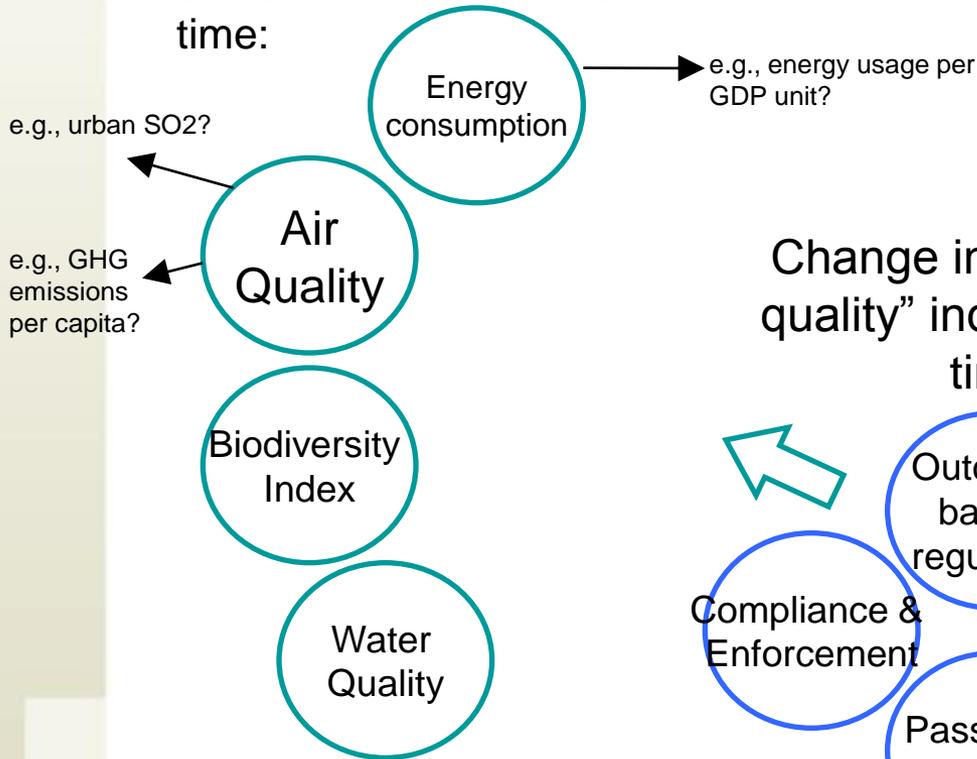
- 1 How to keep the framework simple, manageable and cost-effective to implement?**
 - Need to build upon existing indicators and data sources to minimize costs, taking into account the potential lack of readily available data
- 2 Developing indicators that are credible while resisting the urge to strive for perfection**
- 3 Ensuring that the framework is meaningful for individual countries, while keeping the door open for future benchmarking country comparisons**
- 4 Demonstrating a credible link between: 1) regulation and high level public policy outcomes (causality); and. 2) regulatory policy and the quality of regulation (design of, and minimizing externalities)**

Example: Environment

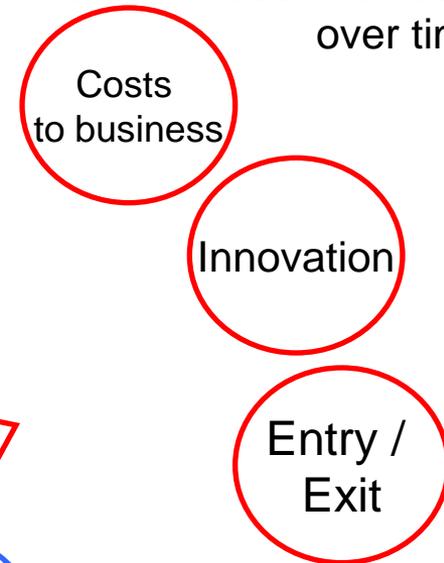
- **Fist, countries can assess their own performance according to environmental performance indicators, e.g., Urban SO₂ levels (contribution to the public policy outcome of a healthy environment/environmental protection)**
 - In addition to this indicator, OECD countries should be able to choose from any number of other relevant indicators of environmental quality (see next slide)
- **Such indicators can be linked to improved regulations (e.g. outcome-based regulation, more attention to compliance and enforcement, more market-based solutions, more robust cost-benefit analysis, focus on lowering administrative burden, etc.) (regulatory quality)**
- **As consequence, it can also be possible to demonstrate how these improved regulations allow for more innovation and competition, lower costs, better improved stakeholder perceptions, etc. (regulatory externalities)**

Example: Environment

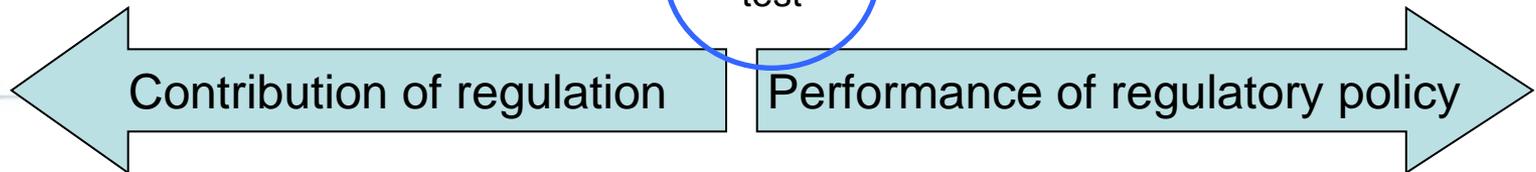
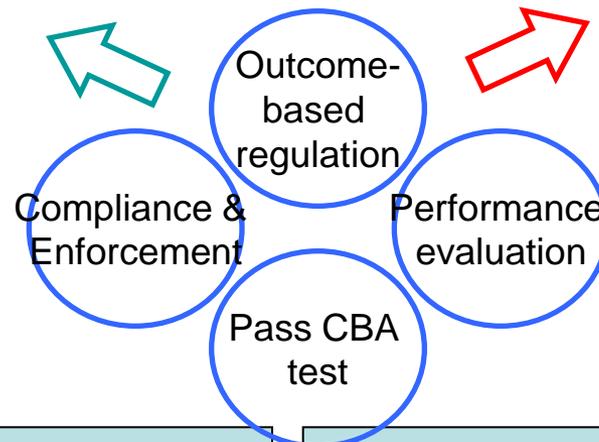
Change in environment outcome indicators over time:



Change in “regulatory externalities” indicators over time:



Change in “regulatory quality” indicators over time:



Potential data sources?

- **Outcomes:**
 - Benefit aspect of Cost-Benefit Analyses (aggregated by key area)
 - Reports to parliaments (e.g. in Canada: Expenditure Management System, Program Activity Architectures)
 - (For e.g. environment): World Economic Forum's Environmental Sustainability Index (ESI), World Bank, World Health Organisation, OECD
 - Departmental performance measurement and evaluation plans (required for all high impact regulations since July 2008)
- **Externalities, Costs:**
 - Regulatory Impact Analyses and Cost aspect of Cost-Benefit Analyses (aggregated by key area)
 - Global Competitiveness Report, OECD indicators
 - World Bank Survey (Doing business)
- **Regulatory Quality:**
 - Regulatory Impact Analyses (Aggregated)
 - OECD indicators of regulatory management systems, augmented with compliance indicators (i.e. what countries do, not what they say they do)

Advantages and Limitations of Proposed Approach

- **Advantages:**
 - **Comprehensiveness:** Approach would provide a whole-of-government overview of the contribution of sound regulatory design and implementation to a countries well-being and competitiveness
 - **Flexibility:** Implementation of framework based on a key set of indicators that allows each country to tailor its approach by using additional ones that are most relevant in light of current domestic priorities and public policy objectives
 - **Existing data:** Approach relies on data which can, ideally, be collected from existing data sources
- **Limitations:**
 - Overambitious?
 - Can we overcome the “attribution issue”?
 - Is it possible to achieve consensus on a common indicators that forms the basis of our approach?

Success factors

- **Although not exhaustive, success of the indicators project will depend on:**
 - A concept for the framework that countries find has merit and a chance of being implemented
 - commitment from a core group of countries to refine and revise the methodology/framework with the OECD that reaches out to other key policy communities (e.g., performance measurement and evaluation experts in the area of transportation, environment, etc.)
 - pursuing flexibility on divisive issues while making progress and ensuring results for April 2012 meeting of the RPC in Paris, and;
 - Obtaining buy-in from major regulatory departments which may have to make the necessary investments and efforts to gather and analyze the required data.

Path forward

- **Madrid Workshop:**
 - General acceptance of broad outcomes of regulation to assess (e.g. health, environment, security, etc.)
 - Draft framework by end of January 2012 that proposes a robust methodology to assess the link between regulation and the public policy outcome and that also showcases how regulation is minimizing economic externalities
 - Distribution of draft framework to Steering Group members for comments and feedback by end of February 2012
- **April 2012 RPC Meeting:**
 - Presentation by the OECD of a broadly acceptable approach that includes options for indicators to member countries
 - If agreeable, countries can elect to undertake case studies on a voluntary basis to further test the approach

Questions

- **For the April 2012 RPC meeting:**
 - Should a framework that countries can use to develop their own indicators of the performance of regulation and regulatory policy be presented;
 - or,
 - Should options for a set of indicators that can be used to benchmark countries be presented instead?
- **What outcomes of regulation to undertake cross-country comparisons do we agree upon, and are there any existing indicators for those outcomes?**
- **Should these indicators be the same for all countries, or should countries remain flexible to choose the most appropriate for their particular context?**