Laws and regulations are essential. Their everyday effects are felt everywhere: building safety, reliable transport and safe drinking water, to name just a few. But as policy makers better understand the importance of regulatory quality, the world has become more complex. The pace of technological changes and the unprecedented interconnectedness of economies leave governments unsure of what and how to regulate. Scandals such as the Dieselgate and the Flint Water Crisis are at the heart of the erosion of citizens’ trust in institutions. We have to get it right: sound regulation boosts the economy, protects the environment, supports consumers’ rights and guarantees citizens’ safety.

The Regulatory Policy Outlook provides evidence of how 39 economies deal with the quality of their laws and regulations. Based on the unique OECD Indicators of Regulatory Policy and Governance (iREG), the Outlook highlights countries’ good regulatory practices and identifies areas for improvement. For further information on the Outlook’s iREG indicators, see Chapters 2, 3 and 5.

OECD countries have recognised the importance of regulatory quality. By the end of 2017, all surveyed countries had an explicit policy to promote regulatory quality across government.

Countries have also made progress in adopting key tools of regulatory policy, such as stakeholder engagement processes and Regulatory Impact Assessment (RIA). We have progressed, but there is still room for improvement. Countries need to go much further to reap the full benefits of regulatory policy.

OECD countries are making progress, and finding new and innovative solutions along the way.

Canada and the United States have been working together to harmonise energy efficiency standards for products such as refrigerators and air conditioners. Recent efforts to align standards will save Canadians about $1.8 billion in energy costs by 2030, and manufacturers about $1.5 million per year.

The Brazilian Electricity Regulatory Agency redesigned its enforcement strategy based on the OECD Best Practice Principles on Enforcement and Inspections in 2014-2017. From 2014 to 2016, improvement plans were responsible for a 41% decrease in faults from unknown causes in the transmission system as a whole.

Citizens’ satisfaction with government services is on the rise in some countries, due in part to administrative simplification and digitalisation strategies. In France, perception of public service quality improved by 33% between 2010 and 2016.
1. ENGAGEMENT
Trust in government is waning. Citizens, businesses, consumers, employees, trading partners and others know a lot about the issues that laws aim to fix. They can offer valuable inputs. Engaging these stakeholders when developing, implementing and evaluating regulations increases acceptance of regulations, in particular when they feel their views have been listened to. Better use of stakeholder input, including giving feedback to stakeholders on the value of their contribution, would break the bad habit of regulatory policy as a purely bureaucratic exercise. See chapter 2 for further information.

2. IMPACT ASSESSMENT
Regulatory impact assessment (RIA) is a crucial tool to decide whether and how a new regulation can achieve public policy goals. It compares the impacts of different policy options to identify the approach that is likely to deliver the greatest net benefit to society, who is likely to benefit and who will bear the costs. RIA is frequently used in OECD countries, but often as a bureaucratic “tick-the-box exercise”. Policy makers need to use it more strategically, rebalance their strong focus on costs to collect essential information on benefits and set up a firm baseline for ex post evaluation of impacts. See chapter 2 for further information.

3. ENFORCEMENT
The way laws and regulations are enforced is at least as important as the quality of their design. A regulation will only be effective if businesses and citizens actually respect it. Few countries have a clear policy and sufficient capacities for improving the implementation of regulations. Inspection agencies need to develop cost-efficient ways to identify the “black sheep” that do not comply with regulations, and target their controls to the areas where breaches of the law pose the greatest risks. See chapter 4 for further information.

4. EVALUATION
Governments need “reality checks” to know if regulations work in practice and have not become outdated. For now most countries regulate in the dark: only 5 out of 36 countries have a systematic approach to evaluating regulations and check whether regulations have achieved their goals as part of all evaluations! Systematic ex post evaluations are essential if governments are serious about maintaining a fully-functioning regulatory environment. See chapter 2 for further information.

5. OVERSIGHT
In most OECD countries, regulatory policy tools are still underused or ineffectively applied. Guidance and monitoring of the consistent use of evaluation and transparency tools are essential to regulatory quality. Of course there is no one-size-fits-all model for regulatory oversight. Nevertheless, oversight in most OECD countries is patchy and does not cover all relevant aspects of regulatory policy. It also comes late in the rulemaking process, so impact is limited. See chapter 3 for further information.

6. THINK GLOBAL
The greatest policy challenges, such as climate change, supporting global value chains, or guaranteeing the safety and privacy of citizens, require combined international efforts. Governments must co-ordinate and align their attempts to regulate these and other transnational problems. For example, they can develop jointly international standards and co-operation frameworks, and look at the impacts on other jurisdictions and trade when developing new regulations at home. Most OECD countries are still missing this opportunity and are only starting a systematic approach or policy for international regulatory co-operation. See chapter 5 for further information.

7. UNDERSTAND BEHAVIOUR
Regulating is about changing behaviour. When designing, implementing and evaluating regulation, more and more OECD countries now use insights from a cocktail of different disciplines, such as psychology, cognitive science, or organisational and group behaviour. These behavioural insights help governments to really understand how people tick, empower citizens to make better choices for themselves, and to craft more effective policies. See chapter 6 for further information.