NEW DEVELOPMENTS IN REGULATORY POLICY

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OECD STRI by sector 2018 (average, max and min)

Source: OECD Trade Policy Brief, Jan 2019 (www.oecd.org/trade/topics/services-trade/)
What is ‘good’ regulation?

• A sound rationale and clear objectives
• Targets the main source of a problem
• Proportionate to scale/risk
• Avoids undue prescription
• Complements other regulations
• Understandable and consistent
• Can be effectively administered and enforced
• (and remains ‘fit for purpose’)
OECD and Regulatory Policy

25 years of experience in dealing with regulatory policy/better regulation

OECD has reviewed regulatory policy in most of its member countries + Indonesia, China, Russia, Malaysia, Peru,...

Internationally recognised Principles: Recommendation on Regulatory Policy and Governance
A whole-of-government instrument for regulatory policy

Recommendation of the Council on Regulatory Policy and Governance, 2012

1. Explicit policy on regulatory quality
2. Communication, Consultation and Engagement
3. Regulatory Oversight
4. Integrated RIA
5. Reviews of Regulatory Stock – ex-post evaluation
6. Review performance of regulatory reform programmes and regulatory policy
7. The organisation of regulatory agencies
8. Administrative and judicial review
9. Risk and regulation
10. Regulatory coherence across levels of government
11. Regulatory management capacity at subnational level
12. International Regulatory Cooperation
Average OECD composite indicators on regulatory policy

Notes: Data for OECD countries is based on the 34 countries that were OECD members in 2014 and the European Union. Data on new OECD member and accession countries 2017 includes Colombia, Costa Rica, Latvia and Lithuania. Source: Forthcoming 2018 OECD Regulatory Policy Outlook.
Making regulatory policy count

• Promote transparent & evidence-based policy by systematically collecting evidence, monitoring and evaluating results of regulation.

• Pay attention beyond regulatory design to regulatory delivery: implementation & enforcement remain the weakest link in the application of regulatory policy.

• Look around, you are not alone: consider regulatory frameworks & impacts beyond borders.
Engage stakeholders early…

Note: Data is based on 34 OECD member countries and the European Union. Source: 2018 OECD Regulatory Policy Outlook.
... and give them feedback on their input

Note: Data is based on 34 OECD member countries and the European Union. Source: 2018 OECD Regulatory Policy Outlook.
Be more systematic in key evidence gathering…

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefits</th>
<th>Costs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Quantified</td>
<td>Identified</td>
</tr>
<tr>
<td>2017</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>2014</td>
<td>6</td>
<td>17</td>
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Note: Data is for subordinate regulation. It is based on 34 OECD member countries and the European Union. Source: 2018 OECD Regulatory Policy Outlook.
… and proportionate

<table>
<thead>
<tr>
<th>Area</th>
<th>2014</th>
<th>2017</th>
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<tbody>
<tr>
<td>Competition</td>
<td>32</td>
<td>35</td>
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<td>Environment</td>
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<td>33</td>
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<tr>
<td>The public sector (e.g. costs to central or local government)</td>
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<td>33</td>
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<td>Small businesses</td>
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<td>34</td>
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<td>The budget</td>
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<td>Innovation</td>
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<td>Sustainable development</td>
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<td>Social goals</td>
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<td>Specific social groups</td>
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<td>Market openness</td>
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<td>Trade</td>
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<tr>
<td>Income inequality</td>
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<td>28</td>
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<tr>
<td>Poverty</td>
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<td>27</td>
</tr>
<tr>
<td>Other groups (non-profit sector including charities)</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Specific regional areas</td>
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<td>25</td>
</tr>
<tr>
<td>Foreign jurisdictions</td>
<td>19</td>
<td>21</td>
</tr>
</tbody>
</table>

Note: Data is based on 34 OECD member countries and the European Union. Source: 2018 OECD Regulatory Policy Outlook.
Start carrying out reality checks of your regulations

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Pay attention to the undue costs of “regulatory” heterogeneity

Their definition

- Information costs
- Specification costs
- Conformity assessment costs

The evidence

- They are non-negligible in some sectors
- They distort GVC
- They may be fixed (affect market entry) or variable (act as a tariff)
- They are country and sector specific
- They are not a priority in highly restricted markets

For example: the costs of regulatory divergences in the financial sector

2018 Study by International Federation of Accountants (IFAC) and Business and Industry Advisory Committee (BIAC)

Regulatory divergences cost financial institutions 5-10% of their annual turnover (on average).

73% of respondents report increases or substantial increase in costs related to divergent regulation over the past 5 years.

Source: BIAC&IFAC (2018), *Regulatory Divergence: Costs, Risks, Impacts*
How to foster IRC in domestic rule-making?

Unilaterally, countries can foster the consideration of the international environment in the development and revision of laws and regulations.

- Consider international "standards" in regulatory development and ex post evaluation
- Use RIA to collect evidence of foreign practices and assess « international » impacts
- Engage foreign parties to identify frictions & inconsistencies
- Anticipate & deal with frictions due to diverging enforcement & CAP
On going work & next steps

• Imminent publication of Best Practice Principles in i) Stakeholder engagement; ii) Regulatory Impact Assessment; iii) Ex Post Evaluation

Joint OECD/WTO report on role of SPS & TBT in GRP & IRC launched at the Aid for Trade Global review 2019

• New analytical work on GRP&IRC provisions in trade agreement

• Practical guidance & Toolkit on IRC, in part with the APEC Economic Committee
Background information:
The Regulatory Policy Committee was created by the OECD Council on 22 October 2009 to assist countries in implementing government-wide policies to promote regulatory policy and governance.

Our work on regulatory policy is available at: www.oecd.org/gov/regulatory-policy

Our work on international regulatory co-operation is available at: www.oecd.org/gov/regulatory-policy/IRC

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