IRC, A CRITICAL PILLAR OF REGULATORY QUALITY

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TBT SIDE EVENT ON IRC
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International regulatory co-operation (IRC): Quality Regulation in a globalised context

OECD 2012 Recommendation of the council on Regulatory Policy and Governance

1. Explicit policy on regulatory quality
2. Communication Consultation and Engagement
3. Regulatory Oversight
4. Integrated RIA
5. Review Regulatory Stock – ex post evaluation
6. Review performance of regulatory reform
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 sub-national level
12. International regulatory co-operation
Implementing Principle 12: OECD Regulatory Policy Committee work on IRC

What is IRC? (2012/13)
Definition
10 case studies,
Typology &
classification
of costs and
benefits

Focus on specific IRC approaches (2013 - 2018)
Mutual Recognition Agreements
Good Regulatory Practices
TGNs

Interface IRC / trade policy
Joint meetings of Regulatory Policy and Trade Committees
Understanding the trade costs of regulatory divergence and remedies

Quality of international instruments (2014-2019)
Partnership of 50 IOs on effectiveness of international rule-making
Stocktaking of governance & GRPs of 50 IOs
What is IRC?

OECD Typology of IRC approaches

“Any agreement or organisational arrangement, formal or informal, between countries to promote some form of co-operation in the design, monitoring, enforcement, or ex post management of regulation”

Why should regulators co-operate?  
A good governance and an economic imperative

Benefits
- Economic gains
- Managing risks and externalities across borders
- Greater administrative efficiency
- Knowledge flow

Costs and challenges
- Costs of additional layer of co-ordination
- Specificity of regulatory set-up
- Political economy of cooperation
- Implementation challenges

What costs of regulatory divergence are we talking about?

Heterogeneity-related trade costs for producers and traders

**Information costs**
- Obtaining & processing information on regulatory requirements
- The more opaque & complex the system, the higher the costs

**Specification costs**
- Adjusting products & services to different requirements
- May include extra labour and input costs, reduced economies of scale

**Conformity assessment costs**
- Demonstrating compliance with requirements
- May include costs of additional lab testing, certif, inspection, audits

**Other costs (not covered)**
- Costs of customs procedures (at the border)
- Costs to regulators & inspectors

Adoption of good regulatory practice
Adoption of international standards
Formal Partnerships
Mutual recognition
Regulatory provisions in trade agreements
Regional and multilateral platforms for cooperation among regulators

The solutions? From unilateral to multilateral, the IRC building blocks

Unilateral
Bilateral
Regional
Multilateral

Unilaterally, countries can foster IRC through more systematic good regulatory practices

Good regulatory practices (GRP) comprise *inter alia*:

- **Regulatory Impact Assessment (RIA)**
- **Stakeholder engagement**
- **Ex post evaluation**

=> Foundation of regulatory quality and IRC
=> Support evidence-based policy making and help channel the voices of affected parties, including trade-related concerns.
RIA provides opportunity to highlight impacts

Source: OECD (2015), *Regulatory Policy Outlook*
Adoption of international standards can drive regulatory convergence if they meet regulators’ confidence

**Benefits**

- Support globalised production and markets
- Reduce costs for countries of their development
- International platforms can help anticipate on new regulatory fields

**Challenges**

- Potential of standards is under exploited
- International dimension & appropriateness to local needs
- Potential quality issues

- Need to work with domestic regulators
- Need to work with IO
The diversity of the world of norm/standard setters

<table>
<thead>
<tr>
<th>Inter-governmental organisations</th>
<th>Supranational organisation</th>
<th>Private standard setting organisation</th>
<th>Secretariats of conventions</th>
<th>Trans-governmental networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>APEC, CARICOM, COMESA, ESCWA, NATO, OAS, OIF, OSCE, OECD, UNECE</td>
<td>ASTM International, IATA, IEC, IFAC, ISO</td>
<td>BRs, CBD, CITES, OZONE</td>
<td>EC</td>
<td>AHWP, IAF, IAIS, ICN, ILAC, IMDRF, IOSCO, PIC/s, SAICM</td>
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<td>Open membership (universal membership)</td>
<td>Closed membership (restricted membership)</td>
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Ensuring the quality of IO instruments: fairly developed SE, limited evaluation

Opportunity for stakeholder groups to comment on proposed actions
- Systematically: 23
- Occasionally: 14
- Frequently: 10
- Never: 3

Opportunity for the general public to comment on proposed actions
- Systematically: 9
- Occasionally: 4
- Frequently: 10
- Never: 27

Ex ante regulatory impact assessment (including cost-benefit analysis)
- Systematically: 8
- Occasionally: 8
- Frequently: 15
- Never: 19

Ex post evaluation of implementation and impacts
- Systematically: 11
- Occasionally: 13
- Frequently: 9
- Never: 17

Review of the overall stock of regulatory norms in the organisation
- Systematically: 7
- Occasionally: 13
- Frequently: 13
- Never: 17

The complex world of recognition: work in big GVC, where regulatory divergence is not too high

Mutual recognition of rules: equivalent objectives, regulatory requirements, standards, and conformity assessment procedures

The EU principle of Mutual Recognition as a corollary of the “free movement of goods” in the non-harmonised sectors

The Trans-Tasman Mutual Recognition Agreement

Mutual recognition of conformity assessment (procedures and results) for goods under different partner’s rules

MRAs incorporated in RTAs

Stand-alone MRAs

Government MRAs

Non-government MLAs (between CABs or Accreditation Bodies)

Bilateral MRAs

Multilateral MRAs

Regulators cooperate through TGNs and bilateral relations: how to harness their value?

- Regulators cooperate through a wealth of regional & multilateral, more or less formal platforms (IOs & TGNs)
- These platforms provide opportunities to share information & practices and develop common approaches & rules
- Horizontal approach supporting diffusion but may be weak in enforcement and hard decision

Source: The contribution of trans-governmental networks of regulators to international regulatory cooperation, draft OECD paper, 2017
Thank you

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

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