

Regulatory Impact Analysis

Regulatory Impact Analysis (RIA) is the systematic process of identification and quantification of benefits and costs likely to flow from regulatory or non-regulatory options for a policy under consideration. Countries apply a variety of analytic techniques as part of the RIA process, including cost-benefit analysis, cost-effective analysis, and multi-criteria analysis. RIA represents a core tool for ensuring the quality of new regulations through an evidence-based process for decision making. A well-functioning RIA system can assist in promoting policy coherence by making transparent the trade-offs inherent in regulatory proposals. RIA improves the use of evidence in policy making and reduces the incidence of regulatory failure arising from regulating when there is no case for doing so, or failing to regulate when there is a clear need. The process fosters integrity and trust in the regulation-making system through levers of transparency and accountability by disclosing the development process of the regulation. Yet, despite being one of the tools most widely adopted internationally as part of regulatory policy, effective implementation of RIA remains elusive in many cases. This is evidenced, for instance, by the existing gap between the legal mandate to conduct RIA and its actual practice and the limited number of countries that ensure that regulations guarantee a net benefit to society (Table 8.5).

Survey data shows that the majority of OECD countries have both established the requirement to conduct RIA in a legal or official document, and are conducting RIA in practice. However, there is a significant gap between requiring RIA, as established in a legal or official document, and the actual practice of RIA (Table 8.5). This gap is more pronounced in the case of subordinate regulation. Despite RIA being a cornerstone of evidence-based policy making and one of the most promoted regulatory policy tools by the OECD for the past 20 years, ensuring its even implementation in all OECD countries remains a challenge.

High quality regulations are expected to bring benefits to society as a whole. At the same time, they also bring about costs: implementation and compliance costs, administrative burdens and potential distortions in other markets. One of the core objectives of RIA is helping countries to design and implement cost-effective regulations, which add to overall wealth of society, by providing net positive benefits. It is common practice across OECD member countries to identify benefits and costs of draft regulation as part of the RIA process. However, only a small minority (about 34%) of OECD countries including the United Kingdom and Mexico amongst others ensure that the benefits of regulations outweigh the costs (Table 8.5). In many cases, this result stems from a lack of human and capital resources to overcome methodological challenges in carrying out cost and benefit analysis. Furthermore, this finding may demonstrate that RIA is used mainly as a tool to determine which regulatory proposals are the least costly. In any

event, much more needs to be done to systematically identify benefits and thus fundamentally improve the utilisation of RIA.

A key OECD recommendation for an effective RIA system is to establish a body that is responsible for reviewing the quality of RIAs prepared by line ministries and regulators. An oversight body for the RIA process has been established in the majority of OECD countries (Table 8.6). However, in a significant number of cases, oversight bodies do not yet function as effective gatekeepers to guarantee regulatory quality, namely the capacity to return the RIAs alongside the corresponding draft regulation to line ministries and regulators when the oversight bodies deem them to be inadequate or inconsistent with regulatory principles. All in all, the question of the effectiveness of RIA systems in warranting that the implemented regulations are “fit-for-purpose” remains unanswered.

Methodology and definitions

The indicators draw upon country responses to the 2014 OECD Regulatory Indicators Survey for all OECD member countries and the European Commission. Responses were provided by delegates to the OECD Regulatory Policy Committee and central government officials. The data only covers primary laws and subordinate regulations initiated by the executive. All questions on primary laws are not applicable to the United States, as the US executive does not initiate primary laws at all.

Primary laws are regulations which must be approved by the parliament or congress, while subordinate regulations can be approved by the head of government, by an individual minister or by the cabinet – that is, by an authority other than the parliament/congress.

Further reading

OECD (forthcoming), *Regulatory Policy Outlook 2015*, OECD, Paris.

OECD (2014), “OECD Work on Regulatory Impact Analysis”, www.oecd.org/gov/regulatory-policy/ria.htm.

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD, Paris, www.oecd.org/gov/regulatory-policy/2012-recommendation.htm.


Table note

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

8.5. RIA – Formal requirements, practice and assessment of costs and benefits, 2014

| | Requirement to conduct a RIA to inform the development of: | | RIA is conducted in practice to inform the development of regulations for: | | Regulators are required to identify the costs of a new regulation | | Regulators are required to identify the benefits of a new regulation | | Formal requirement exists for regulators to demonstrate that the benefits of a new regulation justify the costs | |
|-------------------------|--|-------------------------|--|-------------------------|---|-------------------------|--|-------------------------|---|-------------------------|
| | Primary laws | Subordinate regulations | Primary laws | Subordinate regulations | Primary laws | Subordinate regulations | Primary laws | Subordinate regulations | Primary laws | Subordinate regulations |
| Australia | ▲ | ▲ | ▲ | ▲ | ■ | ■ | ▲ | ▲ | ▲ | ▲ |
| Austria | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Belgium | ■ | ▷ | ■ | ▷ | ■ | ■ | ■ | ■ | ● | ● |
| Canada | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ■ |
| Chile | ● | ● | ● | ● | ■ | ● | ■ | ▷ | ● | ● |
| Czech Republic | ■ | ■ | ■ | ▲ | ■ | ■ | ■ | ■ | ● | ● |
| Denmark | ■ | ● | ■ | ▷ | ■ | ■ | ■ | ● | ● | ● |
| Estonia | ■ | ■ | ■ | ▷ | ■ | ■ | ■ | ■ | ● | ● |
| Finland | ■ | ▷ | ■ | ▷ | ■ | ▲ | ■ | ▲ | ● | ● |
| France | ■ | ▲ | ■ | ▲ | ■ | ▲ | ■ | ▲ | ● | ● |
| Germany | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Greece | ■ | ▲ | ■ | ● | ■ | ▲ | ■ | ▲ | ● | ● |
| Hungary | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Iceland | ■ | ▷ | ■ | ▷ | ■ | ▷ | ■ | ● | ■ | ● |
| Ireland | ■ | ■ | ■ | ▲ | ■ | ■ | ▷ | ▷ | ● | ● |
| Israel | ■ | ■ | ● | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Italy | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Japan | ▲ | ▲ | ▲ | ▲ | ■ | ■ | ▲ | ▲ | ● | ● |
| Korea | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ▲ | ● | ● |
| Luxembourg | ■ | ■ | ● | ● | ■ | ■ | ● | ● | ● | ● |
| Mexico | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Netherlands | ■ | ▲ | ■ | ▲ | ■ | ▲ | ● | ● | ● | ● |
| New Zealand | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ▷ | ▷ |
| Norway | ■ | ■ | ▷ | ▷ | ▷ | ▷ | ■ | ■ | ● | ● |
| Poland | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Portugal | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● | ● | ● |
| Slovak Republic | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ● | ● |
| Slovenia | ■ | ■ | ■ | ■ | ■ | ■ | ▲ | ▲ | ● | ● |
| Spain | ■ | ■ | ■ | ■ | ▷ | ▷ | ▷ | ▷ | ■ | ■ |
| Sweden | ■ | ■ | ▲ | ▲ | ■ | ■ | ■ | ■ | ● | ● |
| Switzerland | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Turkey | ■ | ▷ | ■ | ▷ | ▷ | ● | ▷ | ● | ▷ | ● |
| United Kingdom | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| United States | X | ▲ | X | ▲ | X | ▲ | X | ▲ | X | ▲ |
| European Union | ▲ | ▲ | ▲ | ▲ | ▲ | ▲ | ▲ | ▲ | ▲ | ▲ |
| OECD Total | | | | | | | | | | |
| ■ For all regulations | 30 | 22 | 26 | 16 | 30 | 24 | 24 | 17 | 6 | 6 |
| ▲ For major regulations | 2 | 6 | 3 | 8 | 0 | 5 | 3 | 8 | 1 | 2 |
| ▷ For some regulations | 0 | 4 | 1 | 7 | 3 | 3 | 3 | 3 | 2 | 1 |
| ● Never | 1 | 2 | 3 | 3 | 0 | 2 | 3 | 6 | 24 | 25 |
| X Not applicable | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 |


Source: OECD (forthcoming), Regulatory Policy Outlook 2015 based on the 2014 OECD Regulatory Indicators Survey results.

StatLink  <http://dx.doi.org/10.1787/888933248940>

8.6. The oversight of RIA, 2014

| Government body outside the ministry sponsoring the regulation responsible for reviewing the quality of the RIA exists | An oversight body can return RIA where deemed inadequate | |
|---|---|--|
| | Primary laws | Subordinate regulations |
| AUS, AUT, BEL, CAN, CZE, DNK, EST, FRA, DEU, GRC, ISL, ITA, KOR, LUX, MEX, NDL, NZL, POL, SVK, ESP, SWE, CHE, TUR, GBR, USA, European Union | AUS, AUT, CAN, CZE, EST, FRA, DEU, ISL, ITA, KOR, MEX, NDL, NZL, POL, SVK, ESP, GBR, European Union | AUS, AUT, CAN, CZE, EST, FRA, DEU, ITA, KOR, MEX, NDL, NZL, SVK, ESP, GBR, USA, European Union |
| 26 | 18 | 17 |

Source: OECD (forthcoming), Regulatory Policy Outlook 2015 based on the 2014 OECD Regulatory Indicators Survey results.

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