

Executive summary

Regulation is an important tool for achieving governments' social, economic and environmental policy objectives. Governments have a broad range of regulatory instruments reflecting the complex and diverse needs of their citizens, communities and economy.

The quality of both the regulatory environment and regulatory outcomes is strongly dependent on the quality of processes for designing regulations. When developing interventions, whether policies, laws, regulations or other types of “rule”, governments do not always fully consider their likely effects. In addition, government intervention has costs, which might, in some cases, outweigh the anticipated benefits. As a result, there are many instances of unintended consequences and, ultimately, negative impacts for citizens, businesses and society as a whole that essentially result from badly designed interventions. Often, these negative impacts are felt more by smaller, unorganised, hard-to-reach, less informed or marginalised constituents in society. They are thus detrimental to achieving inclusive growth, sustainable development, building trust and maintaining the integrity of the rule of law.

Regulatory impact assessment provides decision makers with crucial information on whether and how to regulate to achieve public policy goals. RIA also helps policy makers defend decisions not to intervene in markets where the costs of doing so outweigh the benefits. RIA further helps defend policy makers' decisions by demonstrating that there are benefits to regulation – something that is often overlooked by society and governments.

The Principles provide policy makers, civil servants and other public sector practitioners with a practical instrument for better designing and implementing RIA systems and strategies. The Principles cover a wide range of institutional organisations, tools and practices and present a list of critical steps, as well as “dos and don'ts” for developing RIA frameworks.

As a minimum, every process of regulatory impact assessment should include these elements: problem definition, objective, description of the regulatory proposal, identification of alternatives, analysis of benefit and costs, identification of the preferred solution and setting out the monitoring and evaluation framework.

For RIA to be successful, it needs to:

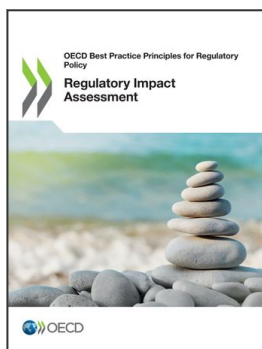
- Always start at the inception phase of the regulation-making process;
- Clearly identify the problem and desired goals of the proposal;
- Identify and evaluate all potential alternative solutions (including non-regulatory ones);
- Always attempt to assess all potential costs and benefits, both direct and indirect;
- Be based on all available evidence and scientific expertise;
- Be developed transparently with stakeholders, and have the results clearly communicated.

The Principles are organised under the following five topics:

- Commitment and buy-in for RIA – creating credible “internal and external constraints” that guarantee that RIA will effectively be implemented, securing political and stakeholders' support and ensuring transparency of decision making to enable public control of the RIA process;

- Governance of RIA/having the right set-up or system design – including integration with other regulatory management tools, adjusting to the legal and administrative system and culture of the country, ensuring quality oversight and an approach proportional to the significance of the regulation, and allocating responsibilities for IRA;
- Embedding RIA by strengthening the capacity and accountability of the administration – providing guidance and training and limiting exceptions;
- Targeted and appropriate RIA methodology – providing simple and flexible methodology, defining the policy context and objectives, taking into account all plausible alternatives, identifying all relevant direct and important indirect costs as well as benefits, developing strategies on collecting and accessing data, communicating results of RIA, and engaging with stakeholders throughout the RIA process;
- Continuous evaluation and improvement of RIA - validating the real impacts of adopted regulations after their implementation and comprehensive evaluation of the RIA framework and oversight bodies.

The Principles complement the 2012 *Recommendation of the Council on Regulatory Policy and Governance*. They can be used by OECD member and non-member countries to guide their reforms. They will be also used by the OECD Secretariat when reviewing regulatory policies in member and non-member countries.



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