



# **How to Implement Economic Reforms Improving Regulatory Impact Analysis (RIA) in South East Europe**

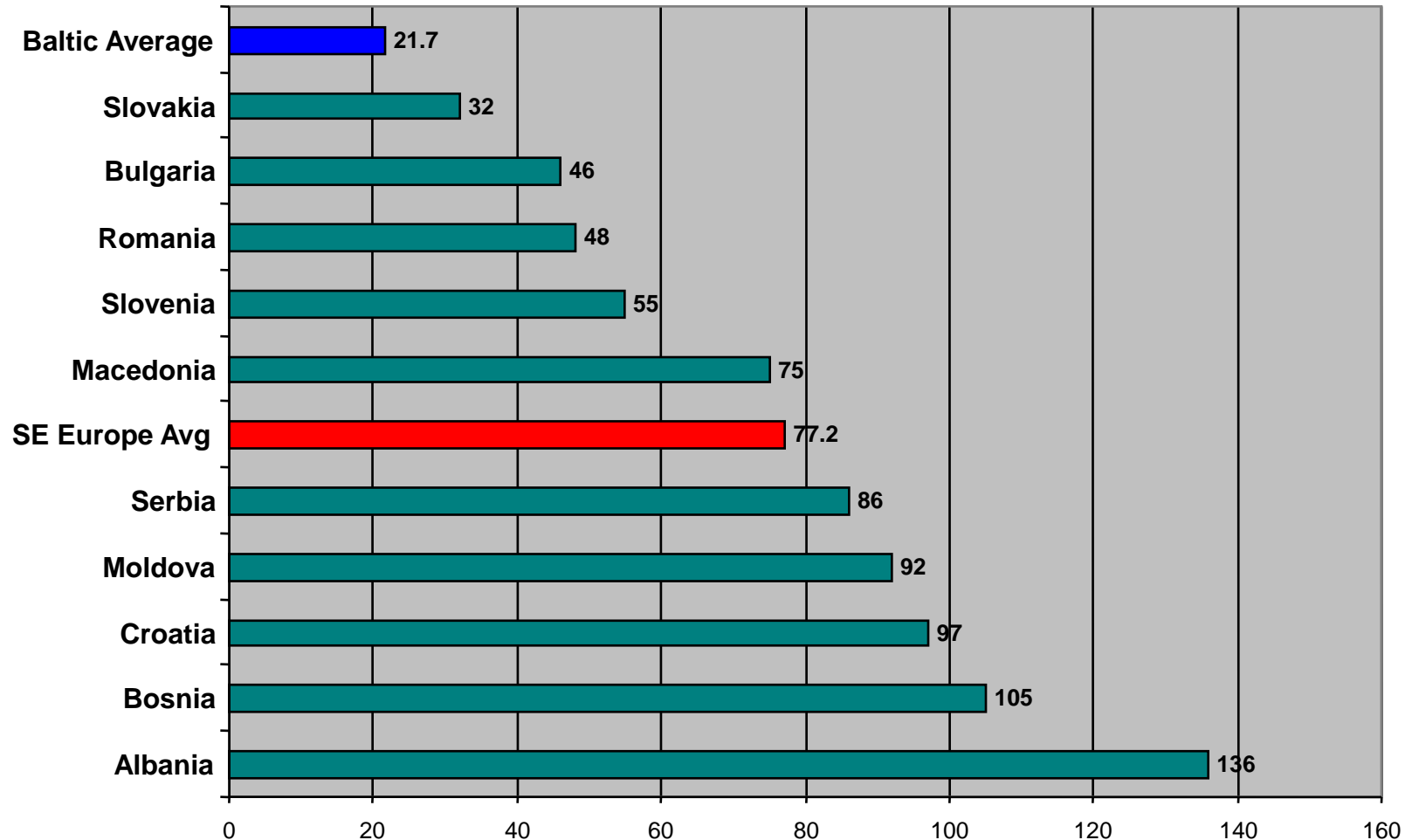
## **SESSION II – RIA SYSTEMS IN THE SEE COUNTRIES**

Cesar Cordova-Novion, Jacobs and Associates  
Margo Thomas, FIAS/IFC

*Belgrade, 30 - 31 OCTOBER 2007*



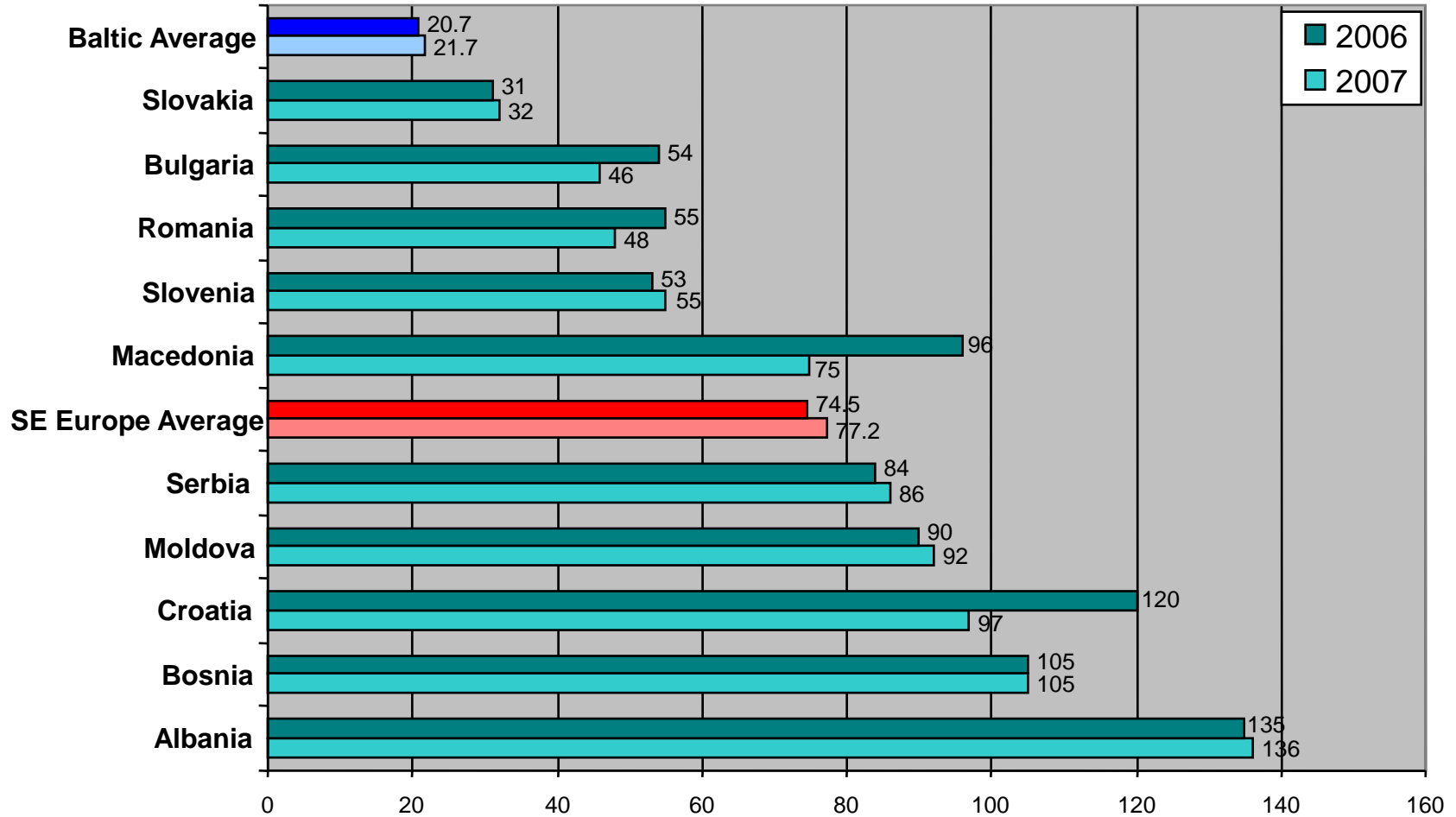
# Overall Ease of Doing Business in SE Europe



2007 Ranking (where "1" is the best)



# Overall Ease of Doing Business in SE Europe

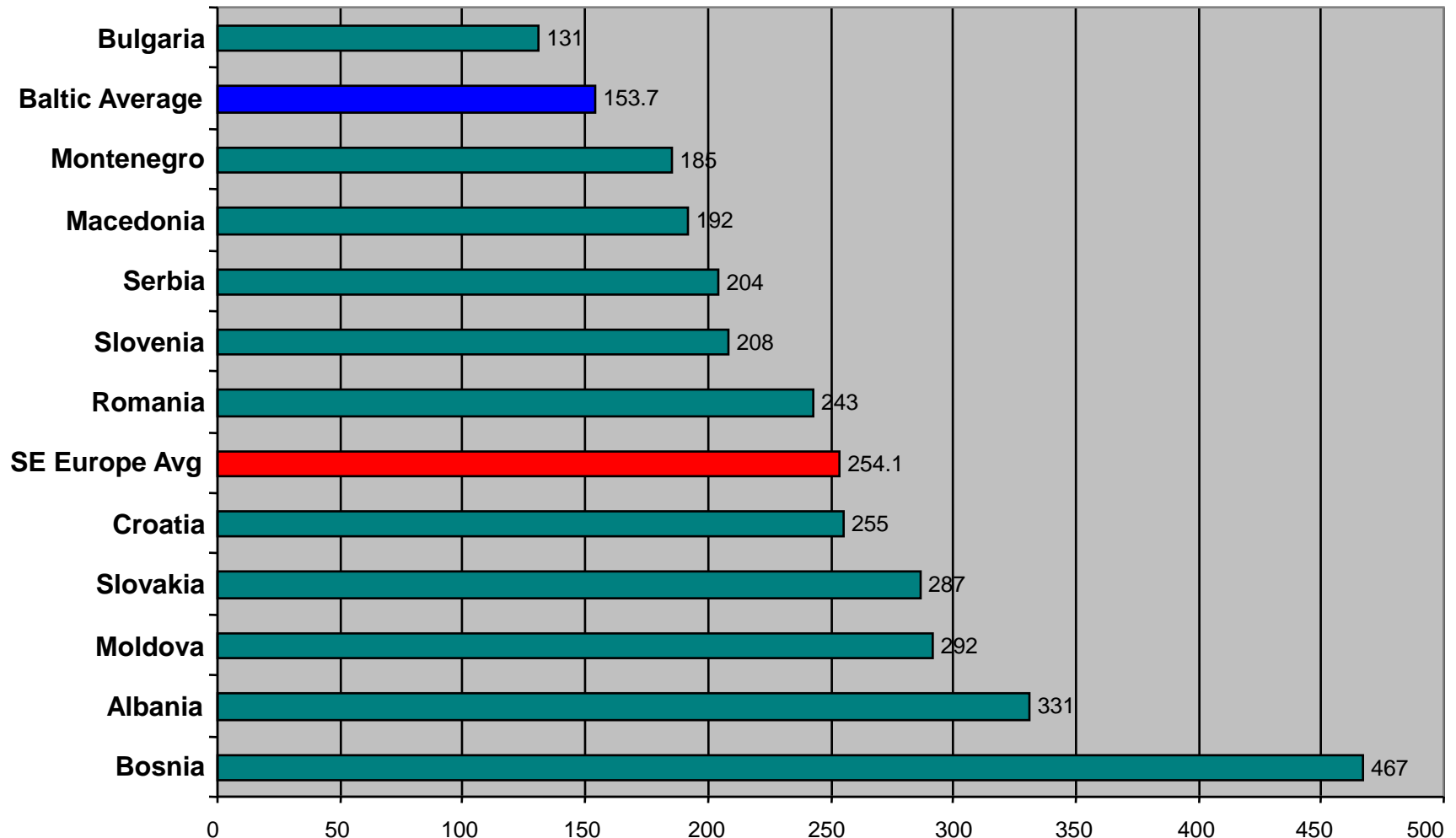


2007 vs 2006 Ranking (where "1" is the best)

Source: www.doingbusiness.org

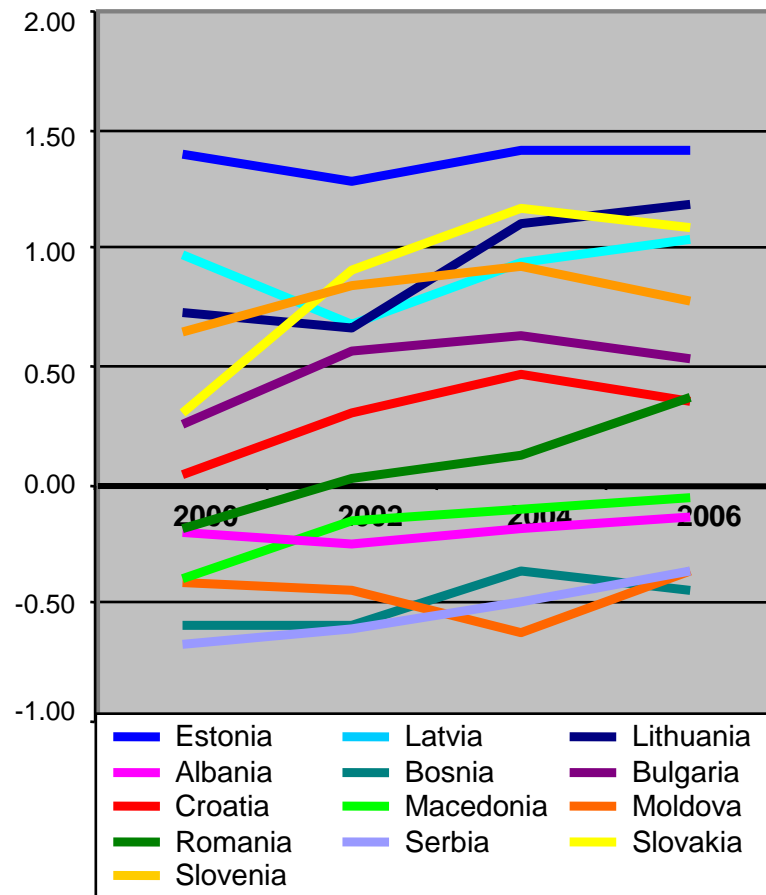
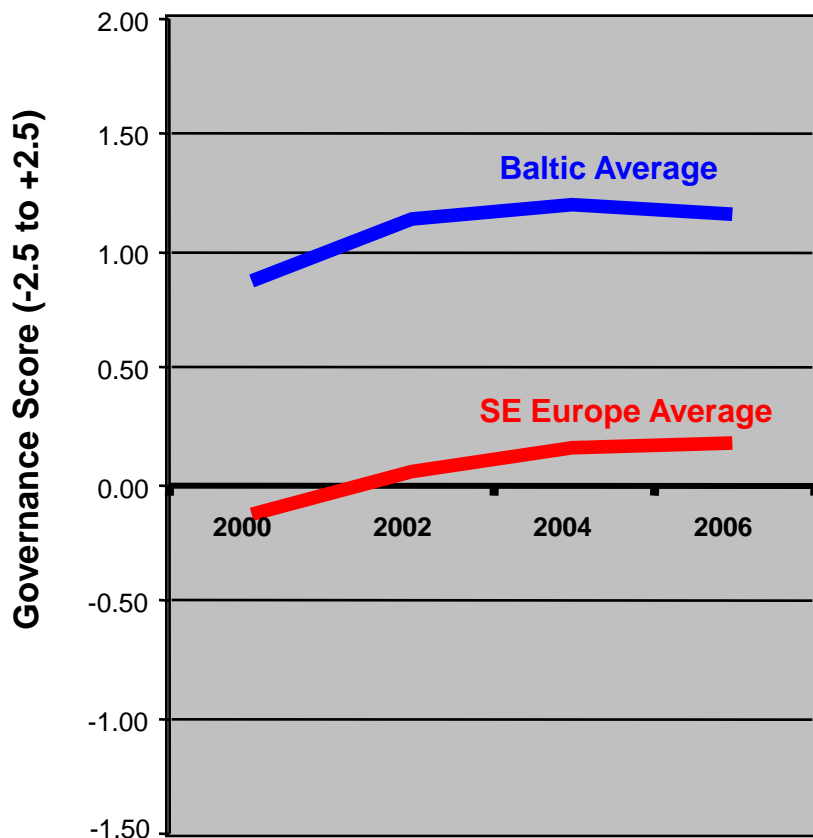


# Dealing with Licenses in 2007 in SE Europe





# Regulatory Quality in SE Europe 2000 - 2006



Source: Governance Matters VI: Governance Indicators for 1996-2006 by Kaufman, Kraay, & Mastruzzi, The World Bank, July 2007



# Three main axes for improvement

## I. Building a regulatory management system

- Regulate the regulators through transparency and accountability mechanisms (laws, policies, institutions, enforcement, etc.)
- Setting up enforcement institutions and procedures
- Building capacities

## II. Upgrading the quality of **existing** regulations

- **Control of the stock** (Guillotine, deregulation, codification and restatement, registries, one-stop shop, etc.)



## III. Improving the quality of **new** regulations

- **Control of the flow** (RIA, consultation, alternatives, co-ordination, etc.)



# RIA Best Practices

- **OECD developed quality criteria/benchmarks**
  - OECD Council Recommendation on Improving the Quality of Government Regulation, 1995
  - OECD 1997 *Regulatory Impact Analysis: Best Practices in OECD countries*, Paris
- **Based on**
  - OECD/RGI *Regulatory Governance In South East European Countries: Progress And Challenges*, July 2004
  - Thomas, Margo “South East Europe: opportunities and challenges for improving regulatory quality” in Kirkpatrick, Colin (ed.) *Regulatory Impact Assessment: Towards Better Regulation?* 2007 forthcoming
  - FIAS/IFC work in the region
  - OECD/Sigma analysis 2004-2006



# Some Important Dimensions

- Theory Vs. Practice
  - Experimental period and enforcement
- Fine tuning RIA system
  - A continuous quality process
  - Start small, scale rapidly
  - Shifting and balancing the emphasis on ‘carrots’ and ‘sticks’
  - Periodic external evaluation of RIA
- Key components
  - Check & Balance
  - Impact consultation



# The Overall Situation in 2004

|                                 | <b>RIA program</b> | <b>Mandatory and formalized RIA</b> | <b>Scope of RIA apply</b>                | <b>Guidance to conduct RIA</b> |
|---------------------------------|--------------------|-------------------------------------|--|--------------------------------|
| <b>Albania</b>                  | No                 | No                                  | None                                     | No                             |
| <b>BiH</b>                      | No                 | No                                  | None                                     | No                             |
| <b>Bulgaria</b>                 | Pilot              | Yes                                 | Primary and secondary legislation        | Yes                            |
| <b>Croatia</b>                  | Pilot              | No                                  | None                                     | No                             |
| <b>Rep. of Macedonia</b>        | No                 | No                                  | None                                     | No                             |
| <b>Moldova</b>                  | No                 | Yes                                 | Lower level regulation                   | No                             |
| <b>Romania</b>                  | Pilot              | Yes                                 | Laws, decrees and lower level regulation | Yes                            |
| <b>Rep. of Montenegro (SCG)</b> | In process         | No                                  | Laws, decrees                            | No                             |
| <b>Rep. of Serbia (SCG)</b>     | For some sectors   | No                                  | Laws                                     | No                             |



# The Overall Situation in 2007

|                                 | RIA program | Mandatory and formalized RIA | Scope of RIA apply                       | Guidance to conduct RIA |
|---------------------------------|-------------|------------------------------|--|-------------------------|
| <b>Albania</b>                  | Pilot       | No                           | None                                     | No                      |
| <b>BiH</b>                      | Pilot       | No                           | None                                     | No                      |
| <b>Bulgaria</b>                 | Pilot       | Yes                          | Primary and secondary legislation        | Yes                     |
| <b>Croatia</b>                  | Yes         | Yes                          | Laws & Decrees                           | Yes                     |
| <b>Rep. of Macedonia</b>        | Yes         | No                           | None                                     | No                      |
| <b>Moldova</b>                  | Pilot       | Yes                          | Lower level regulation                   | Yes                     |
| <b>Romania</b>                  | Pilot       | Yes                          | Laws, decrees and lower level regulation | Yes                     |
| <b>Rep. of Montenegro (SCG)</b> | Pilot       | Yes                          | Laws, decrees                            | No                      |
| <b>Rep. of Serbia (SCG)</b>     | Yes         | Yes                          | Laws                                     | Yes                     |



# OECD Benchmarks (1)

| Benchmarks  | Issues   | Initiatives   |
|---|--|---|
| 1. Maximise political commitment to RIA                           | <ul style="list-style-type: none"> <li>➤ Endorsement at the highest levels of government</li> <li>➤ Supported by clear ministerial accountability</li> </ul> | <ul style="list-style-type: none"> <li>➤ Croatia, Moldova, Bulgaria (Law)</li> <li>➤ Macedonia (Decree)</li> <li>➤ Serbia</li> </ul>                |
| 2. Allocate responsibilities for RIA programme elements carefully | <ul style="list-style-type: none"> <li>➤ <u>Check &amp; Balance</u></li> <li>➤ Decentralised functions</li> <li>➤ Central unit functions</li> </ul>          | <ul style="list-style-type: none"> <li>➤ Serbia (Reg Council)</li> <li>➤ Croatia, Macedonia, Romania (PMO unit)</li> <li>➤ BiH (EU unit)</li> </ul> |



# OECD Benchmarks (2)

| Benchmarks   | Issues  | Initiatives   |
|--|---|---|
| <p>3. Use a consistent but flexible analytical method</p>  | <ul style="list-style-type: none"> <li>➤ Qualitative Vs. Quantitative analysis</li> <li>➤ Benefit-cost analysis</li> </ul>                              | <ul style="list-style-type: none"> <li>• ?</li> </ul>   |
| <p>4. Develop and implement data collection strategies</p> | <ul style="list-style-type: none"> <li>➤ Experts (e.g. interviews)</li> <li>➤ Surveys &amp; studies</li> <li>➤ Panel tests</li> <li>➤ Models</li> </ul> | <ul style="list-style-type: none"> <li>• Bulgaria (economic studies)</li> <li>• BiH (economic studies)</li> </ul> |



# OECD Benchmarks (3)

| Benchmarks                                      | Issues  | Initiatives  |
|---|---|--|
| 5. Target RIA efforts                           | <ul style="list-style-type: none"> <li>➤ Primary and Secondary regulations</li> <li>➤ Thresholds</li> <li>➤ Two-step approach</li> </ul>  | <ul style="list-style-type: none"> <li>➤ Too early</li> </ul>  |
| 6. Integrate RIA with the policy making process | <ul style="list-style-type: none"> <li>➤ <u>Restructure rulemaking procedures</u></li> <li>➤ Start as early as possible</li> <li>➤ Assessment of alternatives to regulations</li> </ul> | <ul style="list-style-type: none"> <li>➤ Croatia (PMO)</li> <li>➤ BiH (European Integration, Public Administration Reform)</li> <li>➤ Serbia (Rules of Operation of the Government)</li> </ul> |



# OECD Benchmarks (4)

| Benchmarks                        | Issues  | Initiatives      |
|-----------------------------------|---|------------------|
| 7. Involve the public extensively | <ul style="list-style-type: none"> <li>➤ <u>Data gathering mechanisms</u></li> <li>➤ Democratic/participation dimension</li> <li>➤ Increase compliance</li> <li>➤ Accelerate and ease the implementation</li> </ul> | ?                |
| 8. Communicate the results        | <ul style="list-style-type: none"> <li>➤ Improves transparency and accountability</li> <li>➤ Improves regulatory compliance</li> <li>➤ Increases trust in government and RIA</li> </ul>                             | Serbia (Council) |



# OECD Benchmarks (5)

| Benchmarks  | Issues  | Initiatives  |
|---|---|--|
| <p>9. Train the regulators</p>                              | <ul style="list-style-type: none"> <li>➤ A decision-making technique</li> <li>➤ A vehicle for cultural change of regulators</li> <li>➤ A mechanism to improve and co-ordinate public policies in general</li> </ul> | <ul style="list-style-type: none"> <li>➤ Croatia, BiH, Romania (Bruges)</li> <li>➤ Macedonia (OECD Workshops)</li> </ul> |
| <p>10. Apply RIA to existing as well as new regulations</p> | <ul style="list-style-type: none"> <li>➤ RIA as a performance assessment instrument</li> <li>➤ Periodic analysis and feedback on the RIA process</li> </ul>   | <ul style="list-style-type: none"> <li>➤ BiH, Croatia, Macedonia (Guillotines)</li> <li>➤ Serbia (Council)</li> </ul>    |



# Conclusions

## ■ Achievements

- Better understanding of regulatory impacts
- Institution building and setting the legal infrastructure
- Early progress in using RIA (pilots)
- Cleaning the stock

## ■ Challenges

- Integrating RIA into administrative procedures (e.g. consultation, cabinet information system, etc.)
- Check & Balances and consultation aspects
- Quantification & targeting
- Adapting RIA to EU integration
- Permanence and patience