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**SUMMARY OF THE MEETING OF THE GROUP ON REGULATORY
MANAGEMENT AND REFORM OF THE PUBLIC MANAGEMENT SERVICE
COMMITTEE, OECD, CHATEAU DE LA MUETTE, PARIS 29-30 JUNE 1998**

**The PUMA Regulatory Quality Review: Cross-country Indicators and Review
of the Netherlands and United States**

For additional information you may contact Rex Deighton-Smith at
(33-1) 45 24 16 32; fax (33-1) 45 24 87 96;
e-mail: rex.deighton-smith@oecd.org.

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SUMMARY OF THE MEETING OF THE GROUP ON REGULATORY MANAGEMENT AND REFORM OF THE PUBLIC MANAGEMENT COMMITTEE, OECD29-30 JUNE 1998

Subject: The PUMA Regulatory Quality Review: Cross-country Indicators and Review of the Netherlands and the United States

1. This meeting represented a significant point of departure for the Group on Regulatory Management and Reform in two ways:

- For the first time, comparative data on the quality of regulation-making and regulatory review processes in Member countries were presented and discussed.
- The group conducted its first peer review process, reviewing draft Secretariat chapters on the Netherlands and the United States as part of the OECD's multidisciplinary work on regulatory reform.

2. Participation was nearly 100 percent of Member countries (63 participants from 28 Member countries, the EC, BIAC and TUAC). The meeting was chaired by Dr. Luigi Carbone from the Ministry of Public Administration in Italy.

SUMMARY OF CURRENT DEVELOPMENTS ON REGULATORY REFORM

3. Member countries continue to invest substantial resources in regulatory reform initiatives. The pace of change has not slowed from earlier years.

4. While a complete list is not possible, current reforms are illustrated by the following examples. *France* has adopted a law on relations with citizens that improves access to law and consultation with the public, and established a simplification programme that aims to permit entrepreneurs to create an enterprise in 24 hours. Based on a Prime Minister instruction, the programme is now organised into four main activities: simplification of administrative procedures, improving the quality of regulation through RIA ("fiche d'impacts"); enhancing regulatory communication through the Internet and an effort to codify laws, and mandating the Commissariat au Plan to evaluate existing regulations. In *Sweden*, a high-level commission is exploring means of simplifying and making more effective the regulatory impact analysis programme, such as by setting up business test panels. A major focus of these efforts is to improve the Small and Medium-sized enterprise (SME) regulatory environment. *The Netherlands* has launched its anticipated programme of rolling audits of the quality of the legislation-making process in 14 ministries. *Finland* adopted new instruments for regulatory impact analysis to improve assessment of economic and environmental impacts of new regulations. *Belgium* has begun a review of professional services regulations, and is setting up an Agency for Administrative Simplification located in the prime minister's office responsible for regulatory analysis (fiche d'impacts). *Norway* has issued a new set of guidelines for legislation-making.

5. In *Korea*, the framework law for regulatory reform took effect in June 1998, introducing a range of new quality controls on regulation, such as sunseting and regulatory review. New guidelines for regulatory analysis were issued by the *German* Federal Ministry of Interior, and a range of other reforms -- including modernisation of the cartel law to reduce exemptions and simplification of administrative procedures for the self-employed -- were undertaken. In *Portugal*, a one stop shop for businesses is being improved. *Canada* launched a new regulatory review process to examine the regulatory impacts of the Year 2000 computer bug. The *United Kingdom* reported about a key conference in Manchester where a EU 10 steps strategy was launched. A follow-up meeting will be organised by Austria next October. The *European Commission* has published another volume of its scrutiny on improving the regulatory environment, primarily for SMEs.

CROSS-COUNTRY INDICATORS OF REGULATORY QUALITY

6. Participants discussed the Secretariat's report on Indicators of regulatory capacities in OECD countries: Preliminary analysis [PUMA/REG 98(3)]. The regulatory indicators work is based on a database developed from countries' responses to the OECD regulatory indicators questionnaire [SG/RR(98)2]; hence, this work is largely based on self-assessment. The Regulatory Management and Reform Group was instrumental during its meetings in 1996 and 1997 in developing that section of the questionnaire dealing with the capacities of governments to assure high quality regulation.¹ The analysis presented was preliminary, since the database has very recently been constructed. A combination of simple indicators, based on specific questionnaire sections, and "synthetic" indicators, based on cross-cutting themes of importance to regulatory quality assurance was presented.

7. Due to the fact that documents were circulated late by the Secretariat, Members were not well prepared to discuss the report. However, there was great interest in the work and a widespread view that such indicators could be of considerable value to Member countries' self-assessments and, potentially, to the country review process. There were concerns that the underlying country responses were not always comparable due to varying interpretations of the questions, that the presentation gave an overstated sense of precision, and that the conceptual framework was not clear. Participants suggested improvements and reformulations of the material. Participants also asked the Secretariat to consider how it could work with countries to improve the comparability of the responses, and asked that the report be revised for further discussion in the meeting scheduled for 22-23 October 1998. Any further comments would be submitted in writing by 1 September.

COUNTRY REVIEWS OF THE NETHERLANDS AND THE UNITED STATES

8. Member countries agreed that peer review should be an integral element of the OECD country reviews on regulatory reform in order to maximise the exchange of information and views among countries. These were the first peer reviews undertaken by the Regulatory Management and Reform Group. On the basis of a draft prepared by the Secretariat, each country review was conducted with the assistance of two lead review countries (for the Netherlands, Australia and Finland; for the United States, Canada and New Zealand) who, with the Secretariat, identified core issues arising from the draft review,

¹ The indicators used in the Secretariat's paper are part of a dataset under construction as a contribution to the OECD Secretariat's horizontal work program on regulatory reform. They are based in part on a survey of all OECD countries carried out in March-April 1998. The dataset and its applications will be discussed by the Economic Department's Working Party No. 1.

around which the discussion was oriented. The core issues were closely linked to the Secretariat's draft policy advice. These in all cases related to systemic issues in the making and review of regulation. The Secretariat's policy advice discussed is as follows:

The Netherlands

9. The context for regulatory reform in the Netherlands is one of strong political commitment and a significant programme of activity which has been underway since 1994 and was recently reaffirmed following the election of a new Government. A small number of significant reforms are in place, while many more have been identified but have yet to be implemented due to lengthy and inflexible policy processes. Strong institutional arrangements exist and productive working relationships between major players in regulatory reform constitute a key strength. The work on regulatory compliance was widely seen as pioneering and highly valuable. However, changes to further improve transparency and empower the public to participate in policy debate are important to the future development of reform. Some of the issues discussed were also relevant to European-level regulation, some participants noted, such as co-ordination and training on regulatory impact analysis. RIA must also adopt a more comparative stance, if it is to focus regulation-making on optimal policy choices, while the focus must move away from business impacts and toward overall welfare concepts if public support is to be maintained.

- *Accelerate the scope and pace of reform by reducing the time required for reform proposals to be considered and implemented.*
- *Strengthen accountability for results within the ministries through development of measurable and public performance standards for regulatory reform.*
- *Improve the contribution of RIA to good regulatory decisions by increasing methodological rigour, including adoption of a benefit-cost test; expanding it to incorporate detailed consideration of alternatives; and integrating RIA with consultation processes.*
- *Further encourage the use of cost-effective alternative policy instruments by developing operational guidance for ministries.*
- *Improve transparency by extending requirements for transparency to non-governmental bodies with delegated regulatory authorities, and by publishing a plan of major upcoming regulatory actions.*
- *Better co-ordinate regulatory reform and regulatory quality initiatives.*

2. The United States

10. The United States continues to be a pioneer in regulatory reform and has a significant track record of removing harmful economic regulation in a wide range of areas, of implementing quality control measures to improve the effectiveness of social regulation and of using innovative alternatives to traditional regulation. Yet problems of regulatory complexity and rigidity are widespread, while the large number of players means that reform is often piecemeal and uncoordinated. Performance can be enhanced by broadening existing quality control processes, supplementing them with better guidance on alternatives from reform bodies and streamlining policy processes. The potential of regulatory alternatives is still underdeveloped and regulators remain reluctant to adopt alternatives. Other mechanisms such as

sunsetting of regulation could also be adopted more widely. In addition, attempts to forge effective regulatory co-operation between state and federal levels of government could yield major benefits.

- *Improve the responsiveness of the regulatory system by continuing to seek means to streamline regulatory processes through the NPR process.*
- *Increase regulatory benefits by improving interagency priority-setting capacities*
- *Expand the value, speed and scope of review of primary legislation and other regulations by launching a structured process of rolling reviews, reviewing policy areas rather than individual rules, and experimenting with use of advisory bodies for the reviews.*
- *Expand coverage of mandatory quality controls to economic regulation.*
- *Further encourage the use of cost-effective alternative policy instruments by developing operational guidance for ministries and by developing a wider range of co-operative methods.*
- *Develop a stronger role for the central reform authority in promoting, facilitating and providing practical guidance on reform to regulatory agencies.*
- *Encourage entrepreneurialism by streamlining permits and licenses at the federal level, by co-ordinating with the states on review and streamlining of permits and licenses, and by building more complete information systems for enterprises.*

11. There was wide participation by delegates in the review process, with extensive questioning of the representatives of the countries under review. Delegates agreed that the policy advice addressed the main issues for regulatory reform in the countries under review and that the material presented in the country chapters supports ongoing reform efforts in those countries.

MULTI-COUNTRY BUSINESS SURVEY

12. Progress on this initiative was discussed. The survey is an additional means of generating comparative data on regulatory quality and the effectiveness of reform initiatives. Ten countries have already begun data collection and several others are expected to begin before the March 1999 cut-off date. Response from the first group of countries was uniformly positive. The Secretariat indicated that an initial data analysis for some participant countries will be available by end-1998. A characteristic of this survey is that it responds to the increasing policy interest in small and medium enterprises (SMEs) in member countries by adopting a SME oriented sampling protocol.

NEXT MEETING

13. The next meeting of the group will be held in Paris on 22-23 October. This meeting will consider a revised set of regulatory quality indicators and will conduct peer reviews of the draft country review chapters for Japan and Mexico.