

COMPARISON OF RIA SYSTEMS IN OECD COUNTRIES

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RIA SYSTEMS IN OECD COUNTRIES

- Regulatory Impact Analysis (RIA) is an important tool for regulatory management and reform.
- Even though the terms used for impact analysis systems differ - RIA (Regulatory Impact Analysis or Regulatory Impact Assessment), RIS (Regulatory Impact Statement), or RIAS (Regulatory Impact Analysis Statement) - the key elements of these systems are similar.
- Australia, Canada, Denmark, Italy, Japan, Korea, Mexico, New Zealand, Norway, Poland, the United Kingdom, and the United States have a similar impact analysis system with regards to scope of coverage, quality control, cost-benefit analysis, and the consideration of effects on competition and market openness.

RIA SYSTEMS IN OECD COUNTRIES

A number of other OECD countries have somewhat different systems

- The Netherlands has adopted the Business Effects Analysis, focusing on the impacts arising from business.
- The Czech Republic uses a system that measures Financial and Economic Impacts
- Austria, France and Portugal use Fiscal Analysis, focusing on the direct budget costs for government administration.
- Finland has a wide range of partial impact analyses on budget, economy, organisation and manpower, environment, society and health, regional policy, and gender equity. These partial analyses are not integrated into one and they are performed by various ministries.
- Belgium carries out risk assessment in cases of health, safety and environmental regulations.
- Spain fills in a checklist on the impacts arising from regulations.

1. The legal basis of RIA

- Based on a law: Czech Republic, Korea and Mexico
- Based on a presidential order, or a royal decree: the United States and Norway
- Based on a decree or guidelines of the prime minister: Australia, Austria, France, Italy and Netherlands
- Based on a cabinet directive, cabinet decision, government resolution, policy directive, etc.: Canada, Denmark, Finland, Ireland, Japan, New Zealand, Poland, Germany, Portugal and the United Kingdom

2. Scope of coverage

- Primary laws and major subordinate regulations: Czech Republic, Denmark, France, and Hungary
- Selected primary laws and all subordinate regulations: Portugal
- Major primary laws and major subordinate regulations: Netherlands and the United States
- Primary laws, subordinate regulations and administrative regulations : Germany
- Primary laws, subordinate regulations and also policy proposals that result in government bills: New Zealand

3. Public disclosure

- Canada, Denmark, Finland, Italy, New Zealand, Norway, Poland, the United Kingdom and the United States disclose their RIA in a consultation step.
- France, Japan, and Portugal disclose their RIA for consultation only in the case of major regulations or in selected cases.
- Australia and the Netherlands disclose their RIA when regulations are submitted to their parliaments.
- Sweden circulates RIA to affected groups in draft form, but does not publicly disclose for consultation.
- Austria, Czech, Germany, Hungary, Ireland, Korea, Mexico, Spain and Switzerland do not disclose RIA.

4. Quality control

- Australia, Canada, Czech Republic, Hungary, Italy, Korea, Mexico, Netherlands, Poland, Sweden, Switzerland, United Kingdom and United States have independent central bodies for quality control.
- In Canada and Korea the independent control body can ask ministries to revise drafted RIA.
- In the United Kingdom, ministries need an agreement of the Regulatory Impact Unit (RIU) in making RIA on significant regulations. However, the RIU does not have a formalised challenge function.
- Austria, Denmark, Finland, Germany, New Zealand and Norway do not have an independent control body; instead controlled by regulators themselves or a few ministries such as the finance ministry, the justice ministry, etc.
- Countries without a formal quality control body at all include: France, Iceland, Japan, Portugal and Spain.

5. Cost-benefit analysis

- Cost-benefit analysis is the most important and difficult part in RIA.
- Research on how well cost-benefit analysis has been carried out is not very encouraging.
- This implies that it is important to prepare adequate criteria to screen the cases which require a fully quantified RIA.

5. Cost-benefit analysis

- If monetization of the effects is impossible, explain why and present all available quantitative information along with the timing and likelihood of the effects.
- If monetizing benefits is difficult, use “Cost- Effectiveness Analysis” rather than Cost-Benefit Analysis.
- If the cost and benefits are not traded in market, use willingness-to-pay measure to monetize the effects.
- Cost and benefit estimates often depend heavily on certain assumptions - make assumptions explicit and carry out sensitivity analyses using plausible alternative assumptions.

6. Social discount rate

- A social discount rate is a key element in calculating costs and benefits because it is a discounting factor of future costs and benefits.
- The United Kingdom has a good theoretical model of the discount rate – it is determined by three factors: (i) time preference of individuals; (ii) annual growth in per Capita consumption; (iii) and elasticity of marginal utility of consumption.
- The United States determines the discount rate based on the marginal pre-tax rate of return on an average investment in the private sector of recent years.

7. Risk Assessment

- One of the more important analytical methods in RIA is risk assessment, which allows regulators to more clearly understand the risk to humans and the environment arising from regulations.
- Australia, Belgium, Canada, Hungary, New Zealand, Poland, the United Kingdom and the United States require risk assessment in all cases.
- Austria, Germany, Italy, Mexico, Iceland, Sweden and Switzerland require risk assessment only in selected cases.
- The Czech Republic, Japan and Norway require risk assessment on environmental regulations in all cases while they require it in selective cases of health and safety related regulations.

8. Ex-post monitoring

- The ex-ante analysis of a regulation is difficult given the many factors to be considered and items difficult to quantify. Ex-post monitoring is a vital feedback mechanism.
- Systematic ex-post monitoring is carried out by Australia, Denmark, Hungary the Netherlands and the UK.
- In Korea, some regulations have a sunset clause which requires review within the duration period.
- Canada is developing a life-cycle approach to the regulatory process.