OECD Regulatory Policy Outlook 2025

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Foreword

The *Regulatory Policy Outlook 2025* is the OECD's flagship publication on rulemaking, regulatory delivery, and review. It is a collaborative effort between the Members of the OECD Regulatory Policy Committee and the OECD Secretariat within the Regulatory Policy Division of the Public Governance Directorate.

This fourth edition of the Regulatory Policy Outlook was prepared under the leadership of Elsa Pilichowski, Director of the OECD Public Governance Directorate. It was co-ordinated by Christiane Arndt-Bascle and Paul Davidson under the direction of Anna Pietikäinen, Head of the Regulatory Policy Division.

The main authors include Paul Davidson and Anna Pietikäinen (Chapter 1); Richard Alcorn, Paul Davidson, Ramisa Huq, Tobias Querbach and Estera Szakadatova (Chapter 2); Paul Davidson, Marianna Karttunen, Johannes Klein, Alexander Roberts and Yola Thuerer (Chapter 3); Miguel Amaral, James Drummond, Guillermo Hernández, Ramisa Huq, Becky King, and Tobias Querbach (Chapter 4); Manuel Gerardo Flores Romero, Ramisa Huq, Giuseppa Ottimofiore, Tobias Querbach, and consultants Emmanuel Eckard and Ekaterina Zakharyan (Chapter 5).

Various drafts of the Regulatory Policy Outlook were reviewed and commented on by Members of the OECD Regulatory Policy Committee, the OECD Network of Economic Regulators and BIAC. The Outlook also significantly benefited from the comments of Daniel Trnka, along with specific comments from Carlotta Alfonsi, Joanne Caddy, Conor Das-Doyle, Shemsije Jashari, Jesper Johnson, Sarah Kups, Clare McEvoy, Mauricio Mejia Galvan, Seong Ju Park, Wiktor Samek, Pierre Sarlieve and Bagrat Tunyan from the Public Governance Directorate. Particular thanks go to Olof Bystrom and Katherine Hassett from the Environment Directorate and to Julia Carro, Gallia Daor, Molly Lesher, Karine Perset, Audrey Plonk, Maximillian Reisch, and David Winickoff of the Directorate for Science, Technology and Innovation.

The Outlook relies heavily on the Indicators of Regulatory Policy and Governance led by Paul Davidson, which were designed, implemented, verified and prepared for publication (including the country profiles and reader's guide) by the Measuring Regulatory Performance team, also including, Ramisa Huq, Gloriana Madrigal, Tobias Querbach, Estera Szakadatova, and consultant Renny Reyes.

The Indicators on the Governance of Sector Regulators led by Martha Baxter were developed in consultation with the OECD Network of Economic Regulators. Selected indicator results prepared for the Outlook was made possible with contributions from Vincent van Langen, Valeria Prieto La Noire and Alexander Roberts.

The main chapters and underlying data of the *Regulatory Policy Outlook 2025* were approved at the 31st Regulatory Policy Committee meeting on 20-21 November 2024. The Outlook was prepared for publication by Jennifer Stein. It benefitted from editorial assistance from Jennifer Allain and Andrea Uhrhammer. Statistical advice was provided by Alessandro Lupi.

The work on regulatory policy at the OECD is conducted under the supervision of the Regulatory Policy Committee, whose mandate is to assist both Members and non-Members in building and strengthening capacity for regulatory quality and regulatory reform. The Regulatory Policy Committee is supported by the Regulatory Policy Division of the Public Governance Directorate. The Directorate's mission is to help governments at all levels design and implement strategic, evidence-based and innovative policies to strengthen public governance, respond effectively to diverse and disruptive economic, social and environmental challenges and deliver on government's commitments to citizens.

Editorial

In today's rapidly-evolving policy environment, governments need to ensure that their regulatory frameworks are adaptive, efficient and proportionate to their underlying policy objective. By tackling unnecessary regulations, and ensuring regulatory frameworks are focused on better outcomes for people, governments can contribute to a supportive policy environment for strong, sustainable and inclusive growth. This fourth edition of the Regulatory Policy Outlook provides evidence-based recommendations for developing best practice regulatory frameworks to achieve these objectives.

Regulations are improved when those affected by them are considered and involved in the rule-making process. People are more likely to support and comply with rules when they have had meaningful opportunities to help shape them, allowing governments to better deliver on their promises. This year's edition of the Regulatory Policy Outlook shows that OECD Members have made good progress in ensuring meaningful engagement with stakeholders, particularly consultation through digital platforms, extending feedback periods, and enabling the public to provide evidence on both the anticipated and actual impacts of regulations. However, OECD data also shows that a lack of effective communication with stakeholders about how their contributions have influenced decisions is leaving stakeholders disillusioned and less inclined to participate in future consultations.

This Outlook also highlights the importance of responsive and agile regulatory processes. Governments should move beyond reactive approaches and employ anticipatory regulation to proactively address emerging challenges. This involves using strategic intelligence tools, such as horizon scanning and strategic foresight, to anticipate future trends and risks. These tools can help governments adapt regulations in real time, ensuring they remain relevant and responsive to changing circumstances. Governments will also need to invest in regulatory capacity and co-operation among regulatory institutions.

New technologies offer significant potential to improve the quality of regulatory policy design and implementation. Advanced data analytics and regulatory experimentation can support more evidence-based regulatory decisions. Moreover, digital tools can improve regulatory delivery by streamlining processes, reducing burdens, and enhancing the efficiency of compliance monitoring and enforcement.

For environmental regulations, significant challenges remain in translating governments' commitments into effective action while preserving economic growth. However, licensing and permitting remain barriers to new sustainable projects. To achieve meaningful environmental outcomes, governments should prioritise risk-based regulation and focus enforcement efforts on areas where the greatest risks to the environment exist.

By building on the tools and strategies outlined in the Regulatory Policy Outlook, governments can seize new opportunities from the green and digital transformations, manage the risks and ultimately secure a sustainable and prosperous future for all.

Mathias Cormann,

OECD Secretary-General

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Reader's guide

Most of the data presented in this Outlook, including the composite indicators, are the results of the 2014, 2017, 2021 and 2024 Regulatory Indicator Surveys. This Reader's guide aims to help explain the scope of the data collected through these surveys and some of the limitations related to the use of indicators. Please note that this edition of the Outlook also features results of new survey questions that were designed in conjunction with the Measuring Regulatory Performance (MRP) Steering Group on agile regulatory governance, compliance and enforcement, and the green transition. None of these questions were used to develop composite indicators in the Regulatory Indicators Survey.

The Regulatory Indicators Surveys gathered information at four points in time: as of 31 December 2014, 31 December 2017, 1 January 2021 and 1 January 2024. Data for 2014 are from 34 OECD Member countries and the European Union whilst data for 2017 are from 36 OECD Members and two accession countries (at the time of data collection) as well as the European Union. The 2021 and 2024 surveys collect data from the 38 OECD Member countries and the European Union. The surveys focus on countries' regulatory policy practices as described in the *2012 OECD Recommendation of the Council on Regulatory Policy and Governance* (OECD, 2012[1]). The surveys investigate three principles of the 2012 Recommendation in detail: stakeholder engagement, regulatory impact assessment (RIA) and *ex post* evaluation. For each of these areas, the surveys have collected information on formal requirements and have gathered evidence on their implementation. Information might be collected in the future on the implementation of other principles in the Recommendation.

While stakeholder engagement, RIA and *ex post* evaluation are all very important elements of regulatory policy, they do not constitute the whole better regulation framework. The 2024 Regulatory Indicators Survey also includes a range of questions relating to agile regulatory governance in part from the *2021 OECD Recommendation of the Council for Agile Regulatory Governance to Harness Innovation* (OECD, 2021[2]) (Chapter 3), international regulatory co-operation in line with the *2012 Recommendation* and the *2022 Recommendation of the Council on International Regulatory Co-operation to Tackle Global Challenges* (OECD, 2022[3]) (Chapters 2, 3 and 4), as well as coherence across all levels of government, and risk-based regulation (both Chapter 4).

Scope of the Regulatory Indicators Survey data and its use in the Outlook

The survey focuses on the processes of developing rules (both primary laws and subordinate regulations) that are carried out by the executive branch of the national government and that apply to all policy areas. However, questions regarding *ex post* evaluation cover all national regulations regardless of whether they were initiated by parliament or the executive. Based on available information, most national regulations are covered by survey answers, with some variation across countries. Most OECD Members have parliamentary systems. The majority of their national primary laws therefore largely originate from initiatives of the executive. This is not the case, however, for the United States and Türkiye where no primary laws are initiated by the executive, and, to a lesser extent, for Austria, Colombia, Costa Rica, Chile, France,

Korea, Lithuania, Mexico, and Portugal where the share of primary laws initiated by the executive is low compared to other OECD Member countries.

Survey results are used throughout the Outlook in multiple ways. First, results of individual questions are displayed to show trends in the number of Members applying particular practices. Second, qualitative information and examples provided through the survey are used to enrich the analysis. Third, composite indicators for stakeholder engagement, RIA and *ex post* evaluation were constructed to provide an overview of country practices. Fourth, a transparency indicator has been presented, based on the methodology and composite indicators (Chapter 1).

Each composite indicator is composed of four equally weighted categories: 1) Systematic adoption which records formal requirements and how often these requirements are conducted in practice; 2) Methodology which gathers information on the methods used in each area, e.g. the type of impacts assessed or how frequently different forms of consultation are used; 3) Oversight and quality control records the role of oversight bodies and publicly available evaluations; and 4) Transparency which records information from the questions that relate to the principles of open government, e.g. whether government decisions are made publicly available.

Limitations of the Regulatory Indicators Survey and composite indicators

In interpreting the survey results, it is important to bear in mind the methodological limitations of composite indicators, particularly those that, as in the current survey, are based on categorical variables.

Composite indicators are useful in their ability to integrate large amounts of information into an easily understood format (Freudenberg, 2003[4]). However, by their very nature, cross-country comparable indicators cannot be context specific and cannot fully capture the complex realities of the quality, use and impact of regulatory policy. While the current survey, compared to previous editions, puts a stronger focus on evidence and examples to support country responses, it does not constitute an in-depth assessment of the quality of country practices. For example, while OECD Members needed to provide examples of assessments of some specific elements required in RIA to validate their answers, the OECD Secretariat did not evaluate the quality of these assessments nor discussed with stakeholders the actual impact of the RIAs on the quality of regulations.

In-depth country reviews are therefore required to complement the indicators. Reviews provide readers with a more detailed analysis of the content, strengths and shortcomings of Members' regulatory policies, as well as detailed and context-specific recommendations for improvement. OECD Members have a wide range of governance structures, administrative cultures and institutional and constitutional settings that are important to take into consideration to fully assess regulatory practices and policies. While these are taken into account in OECD Member peer reviews, it is not possible to reflect all these country specific factors in a cross-country comparison of regulatory practices.

It is also important to bear in mind that the indicators should not be interpreted as a measurement of the quality of regulations themselves. While the implementation of the measures assessed by the indicators aim to deliver regulations that meet public policy objectives and will have a positive impact on the economy and society, the indicators themselves do not assess the achievement of these objectives.

The results of composite indicators are always sensitive to methodological choices, unless country answers are homogeneous across all practices. It is therefore not advisable to make statements about the relative performance of countries with similar scores. Instead, composite indicators should be seen as a means of initiating discussion and stimulating public interest (OECD/European Union/EC-JRC, 2008[5]). To ensure full transparency, the methodology for constructing the composite indicators and underlying data as well as the results of the sensitivity analysis to different methodological choices, including the weighting system, has been published (Arndt et al., 2015[6]).

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Abbreviations and acronyms

AI	Artificial Intelligence
AIDA	*Applicativo Integrato Di Autocontrollo* (Italian for Integrated Self-Control Application)
AIR	*Analisi di impatto della regolazione* (Italian for *ex ante* impact assessment)
ANEEL	*Agência Nacional de Energia Elétrica* (Brazilian Electricity Regulatory Agency)
ATR	*Adviescollege Toetsing Regeldruk* (Dutch Advisory Board on Regulatory Burden)
BMKOES	*Bundesministerium für Kunst, Kultur, öffentlichen Dienst und Sport* (Austrian Federal Ministry for Arts, Culture, Civil Service and Sport)
BOSA	*Federale Overheidsdienst Beleid en Ondersteuning/Service Public Fédéral Stratégie et Appui* (Belgian Federal Public Service Strategy and Support)
BRF	Better Regulation Framework (UK)
BRU	Better Regulation Unit
CBA	Cost-Benefit Analysis
CfE	Call for Evidence
CNEP	*Comisión Nacional de Evaluación y Productividad* (Chilean Commission for Evaluation and Productivity)
CONAMER	*Comisión Nacional de Mejora Regulatoria* (Mexican National Commission for Better Regulation)
COP	United Nations Climate Change Conference
COVID-19	Coronavirus pandemic
CSOs	Civil Society Organisations
DAGL	*Dipartimento per gli affari giuridici e legislative* (Italian Department for Legal and Legislative Affairs)
DBA	Danish Business Authority
DBRF	Danish Business Regulation Forum
DFØ	*Direktoratet for forvaltning og økonomistyring* (Norwegian Government Agency for Public and Financial Management)
DNP	*Departamento Nacional de Planeación* (Colombian National Planning Department)
DPF	Department of Public Finances (Colombia)
EANDCB	Equivalent Annual Net Direct Cost to Business
EC	European Commission
EEA	European Economic Area

EMM	Enforcement Management Model (UK Health and Safety Executive)
eNAP	*eNachhaltigkeitsprüfung* (German for Impact assessment)
EPE	*Ex post* evaluations
EU	European Union
FAA	Federal Aviation Administration (US)
FAQs	Frequently Asked Questions
FCRIA	Finnish Council of Regulatory Impact Analysis
GBA	Gender-Based Analysis
GCO	Government Control Office (Hungary)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GISA	*Gestione Integrata Servizi e Attività* (Italian for Integrated Management of Services and Activities)
goAML	Anti-Money-Laundering System
GSLPA	Greek Secretariat General of Legal and Parliamentary Affairs
IAC	Impact Assessment Committee (Belgium)
ICT	Information and Communication Technologies
ILRA	Israeli Regulatory Authority
IoT	Internet of Things
IRC	International Regulatory Co-operation
iREG	Indicators of Regulatory Performance and Governance
L&P	Licensing and permitting
MRP	Measuring Regulatory Performance
NGOs	Non-Governmental Organisations
NKR	Nationale Normenkontrollrat (German National Regulatory Control Council)
NUVIR	*Nucleo di valutazione dell'impatto della regolamentazione* (Italian regulatory impact assessment unit)
OGPC	Office for Government Policy Coordination (Korea)
OIA	Office of Impact Analysis (Australia)
OIOO	One-In One-Out
OIRA	Office of Information and Regulatory Affairs (US)
OMB	Office of Management and Budget (US)
OPSS	Office for Product Safety and Standards (UK)
ORCS	Online Regulatory Consultation System (Canada)
PAFER	Performance Assessment Framework for Economic Regulators
PCA	Parliamentary Control of the Administration (Sweden)
PEReN	*Pôle d'Expertise de la Régulation Numérique* (French Center of Expertise for Digital Regulation)

PlanAPP	*Centro de Planeamento e Avaliação de Políticas Públicas* (Portuguese Competence Centre for Planning, Policies and Foresight of the Public Administration)
PIRs	Post-Implementation Reviews
PM&C	Department of the Prime Minister and Cabinet (Australia)
REFIT	Regulatory Fitness and Performance
RIA	Regulatory impact assessment
RIAD	Regulatory Impact Assessment Department (Türkiye)
RPC	Regulatory Policy Committee (UK)
RRC	Regulatory Reform Committee (Korea)
RSB	Regulatory Scrutiny Board (EU)
SDGs	Sustainable Development Goals
SEA	Strategic Evaluation Agenda (Netherlands)
SEC	Securities Exchange Commission (US)
SECO	State Secretariat for Economic Affairs (Switzerland)
SEEA	Strategic Environmental and Economic Assessment
SEGPRES	*Ministerio Secretaría General de la Presidencia* (Chilean Ministry General Secretariat of the Presidency)
SILE	Silent Agents Affected by Legislation
SMEs	Small and Medium Enterprises
STPR	Social Time Preference Rate
STRATA	Strategic Analysis Centre (Lithuania)
SUCOP	*Sistema Único de Consulta Pública* (Colombian Single Public Consultation System)
TBS	Treasury Board Secretariat (Canada)
TRRs	Targeted Regulatory Reviews (Canada)
UN	United Nations
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UTAIL	Unidade Técnica de Avaliação de Impacto Legislativo (Portuguese Technical Unit for Legislative Impact Assessment)
VIR	*Valutazione di impatto della regolazione* (Italian for *ex post* impact assessment)

Executive summary

Governments worldwide are facing multiple challenges that require government action -- in some cases requiring regulation. But regulating must be done efficiently and effectively. This is a field where smarter, simpler and more streamlined are keywords for action. In a fast-changing environment like that of today, regulations in many areas are considered unduly burdensome for citizens and businesses. In others, the weak enforcement of rules is raising questions about the ability of government to act effectively and protect citizens, consumers and the environment. In this context, renewed government efforts are needed to better design, deliver, and review rules to help unleash potential for all while addressing societal risks. This strengthened but smarter rule making will be decisive not only for designing and implementing good policies, but also for improving trust in government.

This fourth edition of the *OECD Regulatory Policy Outlook* examines how regulatory reform can support the delivery of more effective rules for people, the planet and the future. The *Outlook* also provides country profiles that track recent progress and highlight areas for further improvement in OECD Members' regulatory systems and processes.

Regulating for people

Governments regulate both for and with people: they regulate to protect people from harm and with them to improve the quality of rules. Involving people in the rule-making process leads to better rules, and promotes a greater understanding of regulatory goals which in turn boosts public buy-in and improves compliance. This report notes a positive trend as governments continue to improve their stakeholder engagement practices, such as increasingly using digital means to call on the public to provide evidence on impacts of rules. In addition, OECD Members are progressively introducing minimum consultation periods (over 75% of Members), as well expanding consultation periods (49% for at least four weeks).

Despite these improvements, more needs to be done. This starts with systematically giving feedback to stakeholders about how their input has helped to shape regulatory decisions. Currently, only 33% of OECD Members provide direct feedback to stakeholders, missing an opportunity to make the exercise more meaningful and potentially dissuading people from participating again. Stakeholder engagement also needs to cast its net wider to increase inclusivity and to avoid potential undue influence from more selective consultations.

To regulate better for people and tackle inequalities, governments must more systematically estimate how regulatory impacts are distributed across society and account for regulatory burdens. Finally, rules and public service delivery must be kept as simple as possible to reduce costs and frustrations for both individuals and business owners.

Regulating for the planet

The green transition can only be realised with better and more adequate rules. A first step is engaging stakeholders to understand differentiated effects of the environmental risks and to overcome potential resistance to environmental policies and regulations. This report notes greater efforts to consider the environmental impacts of rules at the national level across OECD Members. But these efforts primarily relate to environmental rules themselves, rather than the potential environmental impacts of rules across other sectors. In fact, only 21% of OECD Members have reviewed rules with a "green lens" of environmental sustainability. Deepening such reviews to consider local and broader impact of pollution, carbon emissions and biodiversity is critical to ensure that rules actively support the green transition.

In some instances, the green transition is hindered by a complex patchwork of rules with both regulatory overlaps and gaps. OECD Members have taken positive initial steps towards risk-based environmental approaches, particularly for licensing, compliance promotion, and co-ordinated inspections. Systematically adopting these practices is the next step to reduce regulatory complexity. Finally, equipping the regulators of network services such as energy, transport, water and e-communications, with clear objectives and powers to support the green transition will improve outcomes.

Regulating for the future

Technological progress – from artificial intelligence and the Internet of things to quantum computing and neurotechnology – will continue to fundamentally transform our societies. It brings massive benefits to people, society and economies, but also risks and harm. Current regulatory frameworks often lag behind technological progress, and struggle with issues such as overlapping jurisdictions, legal fragmentation, and outdated rules. To better support innovation while managing risks, governments must embrace adapt-and-learn approaches and use horizon scanning and strategic foresight to improve anticipatory governance. Strong institutional setups are important to create a more cohesive and responsive regulatory environment that can foster sound rule-making and enforcement. Improving institutions' resourcing, skills and expertise helps build crucial knowledge to oversee and enforce the development of new technologies, while adequately protecting people from harm.

This report also highlights positive examples of governments and regulators harnessing new technologies for their own use. For example, governments are using digital technologies to more efficiently and effectively monitor regulatory impacts, more rapidly respond to emerging risks, and improve overall outcomes.

Regulating for effectiveness

Regulations are more likely to be effective if they are based on sound evidence. Governments have improved evidence-based decision making, requiring an examination of more social and environmental considerations alongside economic ones when using tools such as regulatory impact assessment. However, robust design of rules is not enough: it needs to be followed by effective implementation of regulations. In most OECD Members, there is scope to further support compliance and desired outcomes by adopting risk-based regulatory enforcement. Currently, more than half of OECD Members do not permit regulators to base their enforcement work on risk criteria. Sound regulatory design and delivery, with adequate resourcing, skills and capacities, are needed to support evidence-based decisions.

1 Strengthening regulatory quality for people, the planet and prosperity

This chapter begins with highlighting some of the contemporary challenges governments are facing. It then explains the importance of delivering better outcomes for people, the planet, and for prosperity through smarter and simpler regulation. This requires using the right evidence, engaging meaningfully, assessing impacts and burdens, and building effective and coherent institutions. It concludes by calling on all parties to renew their regulatory policy reform efforts to improve their own systems and to strengthen its implementation.

Introduction

Governments are grappling with complex systemic shifts, involving further and accelerated digital and environmental transitions. They also find themselves fighting the effects of ongoing geopolitical tensions and increasing international fragmentation with an erosion of trust in government institutions.

Together, these factors make for a landscape of uncertainty and complexity that demands innovative and resilient governance. They create an urgent need for governments to upgrade their capacity and tools for action as they are called on to manage and mitigate risks and harm, while enabling technological progress that can help solve contemporary challenges.

Reshaping the way governments regulate is critical to these tasks, especially given current fiscal constraints. If designed and used well, regulations have the potential to improve outcomes in many areas. Rules govern many facets of our lives as private citizens and consumers, as business owners or employees, or as government officials and political leaders. The right rules keep us safe by minimising risks and allow us to prosper by supporting innovation and growth. Wrong rules, or their faulty implementation, can make policies fail, stop people from accessing services, or undermine safety, in the worst case with tragic consequences. Poorly designed, or burdensome rules undermine the potential of societies to thrive. Many governments are currently prioritising smarter, simpler and more streamlined regulations.

It is therefore critical to enhance the capacity of governments to regulate efficiently and effectively. The results of the OECD Trust Survey provide a compass to map out the road ahead: only four in ten people (41%) find it likely that their national government would adequately regulate new technologies; 35% lack confidence that their country will reduce greenhouse gas emissions to meet climate goals; 41% do not believe governments can adequately balance the needs of different generations, and less that one in three (31%) think that government would adopt the opinions expressed in a public consultation (OECD, 2024[1]).

Given the magnitude of the challenges at hand, now is the time to get regulation right and to step up regulatory reform. This report examines how regulations and regulatory policy can support governments to effectively protect people, the planet, and to foster prosperity.

Getting regulation right in a landscape of uncertainty and complexity

Expectations on today's democratic governments are high. The effects of the environmental changes are impacting human safety and food production. New technologies and their applications are projected to hold significant potential for society, but are also expected by some to pose existential risks to humanity. In addition to tackling these global transformations, fraught with uncertainty and trade-offs, governments are tasked with continuing to deliver essential public services to their citizens and serve their administrative needs. If people feel that governments are failing to step up to these challenges and meet their needs, this will further erode trust. This section explores how we can get regulation right by using the right evidence, engaging meaningfully, assessing impacts and burdens, and building effective and joined-up institutions.

Using the right evidence

The right rules will reflect current policy priorities and trade-offs. Gathering evidence and communicating on the decision-making process will need to be done transparently. These efforts will also support successful policies and rules: evidence-based rules are more likely to achieve their objectives – for instance, providing information addressing people's concerns about emission reduction effectiveness, inequality, and household's gains and losses, can increase support for climate policies (Dechezleprêtre et al., 2022[2]).

Reforming regulatory governance will help ensure that rules and their implementation align to the reality of today's fast-paced world. Current regulatory frameworks often lag behind technological progress, and struggle with issues like overlapping jurisdictions, legal fragmentation, and outdated rules. Reviewing rules and developing adaptive, agile and outcome-based regulations enables natural evolution as technologies continue to progress, individual behaviours change, and new scientific evidence emerges. For instance, legacy rules and processes can delay the roll-out of technologies that support environmental goals. On the flipside, fit-for-purpose and risk-based environmental regulations or licensing and permitting practices can help regulators manage trade-offs and enable more effective policies.

Given the pace of change, governments and regulators themselves are continually trailing technological and scientific progress and urgently need to strengthen their capacities for horizon scanning and regulatory foresight. This will build knowledge to better anticipate emerging and future challenges and avoid harms playing out due to regulatory vacuums or institutional inertia, or having burdensome legacy regulations. In addition to increasing institutional foresight capacity, regulators on the frontline will need equipping with sufficient powers and resources to act on their insights. At times when the last resort of sanctions is reached, these may pale in comparison to the size and cross-border nature of regulated entities, calling into question the very efficacy of enforcement regimes.

Engaging meaningfully

Speaking with those that will be affected by rules, whether bearing their cost through implementation or reaping their benefits through mitigated harms, will make for better and more effective rules. Engagement will need to take place early enough in the process for meaningful contributions. Consultation must include a variety of stakeholders, with sufficient safeguards to limit undue influence and make sure that societal goals are upheld in the face of influence groups. For example, this can help ensure that objectives and interventions support innovation and growth while also bolstering protections, avoiding a perceived logic of "innovation at all costs". Speaking with stakeholders across the board also remains a central component of anticipatory approaches, when considering the effects of ongoing and future innovation for society and the economy.

The OECD Trust Survey shows that high trust dividends lie in government's engagement with people. The good news is that almost all OECD Members have requirements in place to carry out consultations in the development of both primary laws and subordinate regulations (see Chapter 2: Regulating for People). Centralised portals and minimum consultation periods have improved access to rule-making. Some governments have made strides in adopting more inclusive consultation strategies through various means such as sign language interpreters, Braille, translated materials, and allowing for submissions via audio or video recordings along with more traditional methods.

However, wide-ranging consultations are not yet clearly visible to all citizens and do not seem consistent enough to have marked the institutions of representative democracy towards a more inclusive picture. For example, governments tend to selectively consult stakeholders, potentially excluding some affected groups. More needs to be done across the board to continue making stakeholder engagement a meaningful process. This includes better planning and more accessible information about upcoming consultations. Earlier engagement needs mainstreaming to explore different options as potential solutions, before the way forward has been defined. And once defined, feedback loops that inform those who have taken the time to provide contributions must be strengthened. These efforts are needed to continue building trust in the integrity and usefulness of engagement and outreach.

Assessing impacts and burdens

Governments have a range of tools at their disposal, regulation being one of them, along with various other approaches including market-based instruments and industry-led self- or co-regulatory regimes, to achieve their goals. Impact assessments enable policymakers to consider policy problems, their magnitude, and

provide options to solve them. RIAs can help governments reduce knowledge gaps by engaging with stakeholders who can provide a wealth of information about the real-life consequences of regulatory decisions. Combined with information from regulators responsible for monitoring and enforcing rules, they can create a more complete picture on which to base decisions. Impact assessments are universally required across the OECD, although the scope widely varies. Currently, impact assessment is systematically used by over 80% of OECD Members.

Once put in place, rules need to be maintained to continue to deliver positive societal outcomes. Impact assessment processes do not guarantee that rules will work as intended, nor do they ensure that rules will remain appropriate over time. However, they do create an objective baseline against which policy decisions can be later evaluated.

As new rules are progressively added, they form a complex web. If the rules are badly designed and implemented, without meaningful consultation or introducing disproportionate burdens, they will miss the mark. There may be a backlash against the policy objectives they support and ultimately, against the democratic governments pursuing these policy goals. *Ex post* evaluations enable governments to look at the entire regulatory system to establish whether rules are delivering on their objectives and continually improve service delivery. Systematic requirements to undertake *ex post* evaluations exist in less than one-third of OECD Members.

While administrative burden reduction programmes are relevant, extensive work shows that they are most impactful when undertaken as part of efforts to manage the overall regulatory stock (OECD, 2020[3]). Governments can utilise simplification approaches as an initial step, supported by e.g., journey mapping, digitalisation, and one-stop shops – without jeopardising the achievement of regulatory objectives. Moreover, reducing unnecessary administrative requirements helps support growth and competitiveness through increased consumer choice, more product/service innovation, and enhanced employment and investment.

Building effective and joined-up institutions

Regulatory institutions have existed for decades, creating a complex web of actors responsible for various sectors and policy issues. The challenge is that their mandates, functions and powers are often static while economies are flexible and transforming, with major shifts fundamentally challenging these institutional, sectoral and jurisdictional arrangements. For instance, effects of environmental changes can, simultaneously, impact access to water, food safety, energy concerns, and crisis response – each traditionally overseen by individual institutions that now must see the problem and enact solutions collectively. Failure to recognise and act on these interlinkages can leave institutions ill-equipped to address the contemporary regulatory challenges facing governments, possibly contributing to low confidence in governments.

In this regard, there needs to be investments in future-ready regulatory institutions that can support regulatory regimes and deliver regulatory outcomes that match the high expectations of society. Fostering joined-up actions across governments is one key frontier of investments, solving cross-cutting policy issues with concerted, co-ordinated and co-operative policy responses. The Indicators of Regulatory Policy and Governance survey data shows that approximately 40% of OECD Members state that their ministries and regulatory agencies co-ordinate to identify and address issues where different bodies have shared responsibilities related to innovation (OECD, Unpublished[4]). These include formal co-ordination mechanisms between groups of regulators and less formal use of knowledge hubs, knowledge sharing and expert groups. Improved domestic co-ordination has also led to common practices beyond national borders, which is especially germane for both the green and digital transitions where countries need to work together to yield joint positive outcomes.

Co-ordination is not enough – governments need to invest in building strong institutional capacity to effectively manage digital technologies. For instance, this concerns the institutional preparedness of regulatory agencies to deliver on their important roles in supervising and enforcing digital regulation – especially considering the pace of technological change and the increasing complexity of new technology products. This requires that governments develop capacities to regulate into national strategies, adapting institutional frameworks related to mandates, powers and legal systems to align new regulatory structures with evolving sector needs, and establishing central oversight, co-ordination and advice to overcome silos.

It also requires a clear focus on building the skills and expertise of regulators to have technical expertise match the outputs of regulated sectors and needs of society. However, a survey of regulators on staffing and funding arrangements highlights that more than have difficulty hiring well-qualified staff, especially in the digital domain (OECD, 2022[5]). A possible solution may be in pooling resources and investing in technical guidance, tools and training to better equip government agencies.

The pace of change requires agility at all stages of the policy making cycle. Digital technologies and their development bring opportunities for regulators to gather evidence in novel ways and inform decisions and actions in response to real life evolutions. This report brings a wide array of examples from across the world on how governments and regulators are embracing data driven and digitally enabled tools for more accurate and effective design and delivery of regulations. In particular, new tools allow for analysing vast amounts of data, enabling more effective monitoring and enforcement of regulations. For example, the use of AI, web scrapers, and real-time data systems can identify non-compliance, optimise resource allocation, and streamline processes. The effectiveness of these tools will hinge on data quality and the thoughtful implementation of technology to avoid biases and ensure transparency, security, and trust in regulatory systems.

A final word: A call for action to improve regulatory quality

Good regulatory design and implementation are crucial levers to unleashing progress and tackling today's challenges. Better regulatory practices support innovation while fostering growth; enable people to help shape, support, and trust rules; and help policymakers manage trade-offs in a transparent manner.

Despite these tangible benefits, progress in adopting good regulatory practices has been stagnating. For the past decade, the OECD has monitored the implementation of the agreed standards Members need to adopt. And while the use of fundamental tools of better regulation such as impact assessment has become more generalised and the transparency of rule-making has improved, this has not taken place across the board. Moreover, the use of good practices is often embedded in a box-checking approach with insufficient focus on outcomes.

As argued in this report, going forward it will no longer suffice to continue as business as usual on the road towards adopting good regulatory practices. These practices themselves need to adapt to remain relevant and support governments achieve their goals of a leaner, simplified, more efficient and effective regulatory environment that helps unlock societal prosperity:

- Setting priorities and getting the right rules in place hinges on applying strong regulatory design principles.
- Engaging with affected parties is key to transparent rule-making and generating buy-in and trust of rules. At the same time, avoiding regulating to protect rent-seeking behaviour is key to ensuring that rules continue to deliver positive outcomes for the entire community and not just a select few.
- Basing decisions on evidence is integral to successful rules. As new rules are made, and as time passes, rules need refreshing to ensure they do not overlap, leave gaps, and remain sufficiently flexible to cover emerging risks.

- Elevating regulatory quality requires strong governance arrangements to successfully deliver on the green and digital transitions. Improved co-ordination, domestically and internationally, is key to creating a robust framework that minimises overlaps and can quickly respond to governance gaps if they emerge.
- Systematically applying rule-making processes enables greater regulatory flexibility to combat emerging and future risks. Governments are also better placed to facilitate an innovative environment while advancing objectives to protect people from potential harms.

Reforming regulatory governance will require renewed effort from all parties. It needs the political commitment to do things better, be open to change, and acknowledge uncertainty. It will require policymakers to engage earlier and with a broader range of stakeholders, design human-centred rules, and better consider how they will be monitored and enforced. It also needs clear mandates and appropriately resourced regulators to help foster compliance and adopt risk-based enforcement approaches. The OECD has a repository to assist countries to elevate their regulatory governance from improving impact assessment and *ex post* evaluation, along with proportionate compliance and enforcement strategies, to strengthened institutional arrangements for key network regulators. This report identifies priorities avenues for reforming regulatory policy for people, planet and the future.

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2 Regulating for people

This chapter begins with an introductory discussion of the importance of getting regulation right and ensuring people have a say in rule-making. It then examines how to engage citizens in rule-making and how to enable inclusive participation. The following section includes a discussion on understanding the impacts of rules on people followed by a discussion about removing unnecessary barriers that rules can create in people's lives. The final section reviews how to better communicate rule-making to the public.

Key messages

- **Governments regulate both for and with people.** Rules are made to improve fundamental aspects of people's lives, from the quality of the water and food they consume to accessing services and running businesses. Regulations are improved when those affected by them are considered and involved in the rule-making process. People are more likely to support and comply with rules when they've had meaningful opportunities to help shape them, allowing governments to better deliver on their promises. Overall, continuous engagement can help boost trust in government.
- **OECD data show that countries' overall systems and practices for stakeholder engagement have improved over the past decade:**
  - Governments now regularly advertise consultations through a variety of media, potentially reaching more people. Information, data and assumptions underpinning anticipated impacts have become more readily available.
  - Governments have provided increasing opportunities for people to engage in rule-making. In particular, consultations are now generally available online across the OECD, and more countries are adopting minimum consultation periods.
  - While governments more often provide acknowledgement to people on consultations, providing feedback on how stakeholder input helped shape policy design still remains a weakness in many OECD Members.
- **These steady advances can be amplified by sustained attention to**:
  - **Understanding impacts:** Rules have a powerful impact on human welfare and can affect different groups in different ways. Governments are recognising the need to complement traditional cost-benefit analysis and go beyond assessing economic factors to capture broader impacts on people and their environment. While some OECD Members already apply methodologies to assess distributional impacts, their use is not yet universal. Gathering more evidence on policy impacts is especially important given the complex policy environment, including the climate and cost-of-living crises as well as high levels of inequality across OECD Members.
  - **Enabling inclusive participation:** Some governments have begun to engage people through more tailored and diversified consultations, community outreach and citizen assemblies, but not all people have equal opportunities to engage in rule-making. Under-represented groups can be harder for governments to reach, and this may require additional resources. At the same time, some stakeholders and lobbyists with more resources and capacities to engage may have disproportionate influence in rule-making. This risks undermining the effectiveness of and trust in government action.
  - **Removing unnecessary barriers:** Most countries have implemented programmes to streamline administrative and compliance procedures. Interactions have been improved via one-stop shops that bring together information requirements, approvals and payment in a single location. Governments have also adopted user-centred solutions to make administrative processes easier to navigate, basing services on life events such as a birth, moving house or retirement. Administrative burden relief programmes for business can also significantly benefit people, with some 50% of OECD businesses comprising just one person. Simplifying existing rules through engagement with users requires constant and dedicated efforts.

Introduction: Why getting regulation right matters to people

Regulations govern countless facets of our daily lives, from the food we eat and the water we drink to the air we breathe. Rules define people's experiences as they access government services, or those of entrepreneurs and business owners as they undertake their daily operations. Given their ubiquity, getting rules right is critical to improving people's lives. Similarly, getting rules wrong – or not making them good enough – risks lives and livelihoods.

Governments regulate *for* people by improving safety and reducing harm as well as by ensuring prosperity. Rules exist, for example, to ensure the safety of cars, roads, electrical appliances and buildings. Getting their design and implementation right is fundamental to achieving positive outcomes for people (Box 2.1). For instance, regulation to phase out the use of ozone-depleting substances has greatly contributed towards the recovery of the ozone layer, helping avoid global warming by 0.5°C and decreasing human exposure to harmful ultraviolet rays from the sun (UNEP, 2023[1]). At the same time, adverse examples abound, where burdensome rules, unclear roles and responsibilities, inadequate inspections and enforcement, or a general lack of education and awareness of applicable rules have led to negative outcomes. At times these come with disastrous results, as was the case with the tragic Grenfell Tower fire in 2017 (Hackitt, 2018[2]), or at a more systemic level, the 2008 financial crisis.

Box 2.1. Leveraging regulatory governance to reduce malnutrition, inequality and poverty

The OECD is supporting a major global effort to ensure the effective regulatory governance of food fortification. Along with vaccinations, food fortification is one of the most cost-effective and beneficial public health measures available. It combats micronutrient malnutrition, a key driver of poverty and inequality that affects one in two pre-school age children and two in three women aged 15-49 globally. It involves adding essential micronutrients such as vitamins A and D, iodine, iron, folic acid, and zinc to widely consumed foods such as flour, oil, rice or salt during processing.

The regulatory governance of food fortification often falls short, hindering the effectiveness of interventions worldwide. It plays an essential role in setting the right fortification standards, creating efficient and transparent licensing procedures, conducting proper supervision and enforcement, incentivising businesses to invest in fortification industries, and communicating effectively to consumers and the public.

Enhancing the regulatory environment will support governments' efforts to deliver improved health, social and economic outcomes for people. Eliminating micronutrient deficiencies in developing countries is estimated to boost GDP by up to 16%. Reducing micronutrient deficiencies helps break the cycle of poverty, leading to reduced illnesses and birth defects and improving people's employment prospects.

Source: Nugent et al. (2020[3]); Keats et al. (2019[4]); Horton and Venkatesh Mannar (2018[5]); Luthringer et al. (2015[6]); Stevens et al. (2002[7]).

Regulatory policy looks at how rules are made and implemented. It is a transversal tool across government that can enhance impact across ministries and agencies by ensuring high-quality, evidence-based rules. People-centred regulatory policy also considers how rules impact people differently. This may affect whether and to what extent their behaviour changes in response to the policy, and impact the potential success or failure of rules. Poorly defined rules, or ones that have been developed without considering their distributional impacts, can also exacerbate existing inequalities. Designing rules that acknowledge

differences in access and opportunity can lead to more informed decisions about the impacts rules have on people.

Governments also seek to regulate *with* people to increase the effectiveness of rules: when engagement works, rules are more likely to be accepted and followed. For instance, people's lived experience with rules can help governments become more citizen-focused, helping governments meet their objectives. More responsive governments have developed ongoing feedback mechanisms that allow people to highlight issues where rules are not working as intended and aim to improve them. People experience rules' real effects, and can provide essential data and information to help improve policy design and ensure that rules continue to deliver positive outcomes for the community into the future (see Chapter 5).

Regulating with people also helps build trust. There are concerns about a lack of opportunities to contribute to rule-making and government responsiveness to issues people face as well as low levels of government transparency and accountability (Smid, 2023[8]). People can experience pain-like feelings when they are excluded from rule-making (Lind and Arndt, 2016[9]). Combined, these factors – alongside other factors discussed in this and subsequent chapters, like satisfaction with administrative services, confidence in government's ability to tackle complex policy issues, and confidence in the government's use of evidence in decision making – contribute to trust in government (OECD, 2024[10]). Giving people a voice in the rules that govern them is crucial to fostering trust in government action (Brezzi et al., 2021[11]).

This chapter discusses how to place people at the centre of how the rules that govern their lives are designed and delivered. This includes:

- ensuring people have a say in rule-making
- understanding the impacts of rules on people
- removing unnecessary barriers that rules can create in people's lives
- better communicating rule-making to the public.

Having a say in rule-making

Engaging people in rule-making is intrinsically linked to trust in government action. For instance, slightly less than one-third of people surveyed think their government would adopt opinions expressed in a public consultation (OECD, 2024[10]). Thirty-nine per cent said that their government would improve a poorly performing service, implement an innovative idea or change a national policy in response to public demands (OECD, 2024[10]). When considering more overtly democratic political processes like elections and political priority-setting, only 30% consider the political system in their country lets them have a say (OECD, 2024[10]). A person's sense of having a say in government actions is one of the most powerful drivers of trust in government: 69% of those who feel they have a say in government actions trust national government while only 22% of those who feel they do not have a say (from 53% overall) express trust (OECD, 2024[10]).

Trust in governments has declined in recent years. The 2024 OECD Trust Survey, implemented across 30 countries, shows that the share of people with low or no trust in the national government (44%) outweighs the share of those with high or moderately high trust (39%). In the 18 countries with available data for 2021 and 2024, trust in the national government has registered a two percentage point drop since 2021, partly driven by reduced trust from women and people with a lower education (OECD, 2024[10]). Data show that people are also less satisfied with opportunities to engage meaningfully in policymaking and with government's accountability to public feedback and needs (OECD, 2024[10]). Deteriorating levels of trust can also manifest more generally as a result of political scandals, integrity issues, and whether and the extent to which people use the media to inform themselves about current affairs (OECD, 2024[10]). Low

trust is linked to high transaction costs in social, economic and political relationships; risk-averse behaviour among investors; and non-compliance with rules (Fukuyama, 1995[12]; Algan and Cahuc, 2010[13]).

A fundamental aspect of rule-making is engaging with those affected by the resulting rules; this is commonly known as stakeholder consultation. The persons or groups concerned with and affected by regulation include citizens, businesses, consumers, employees (including their representative organisations and associations), the public sector, non-governmental organisations, international trading partners and other stakeholders (OECD, 2012[14]). Providing opportunities to discuss, present and challenge ideas, and develop innovative solutions all emanate from giving people a say in the rules that affect them. Governments are responsible for informing people of consultations, inviting them to contribute and addressing feedback received. Some individuals and groups lack the resources of other larger entities in terms of their ability to have a say in rule-making. Governments can support these groups to engage in consultations, avoid feelings of exclusion and improve policy development.

Consultations on regulatory proposals are beneficial in and of themselves. In addition to trust and improved compliance with any resultant rules, consultations have helped stakeholders to improve their understanding of the rationale for and process of regulating (OECD, 2023[15]).

Meaningful engagement can also lend legitimacy to and strengthen compliance with resultant rules (Lind and Arndt, 2016[9]). People's views provide a more informed understanding of various issues and potential solutions, which helps strengthen the data and evidence put before decision makers (see Chapter 5). Taken together, this can improve rules' implementation and their overall impact.

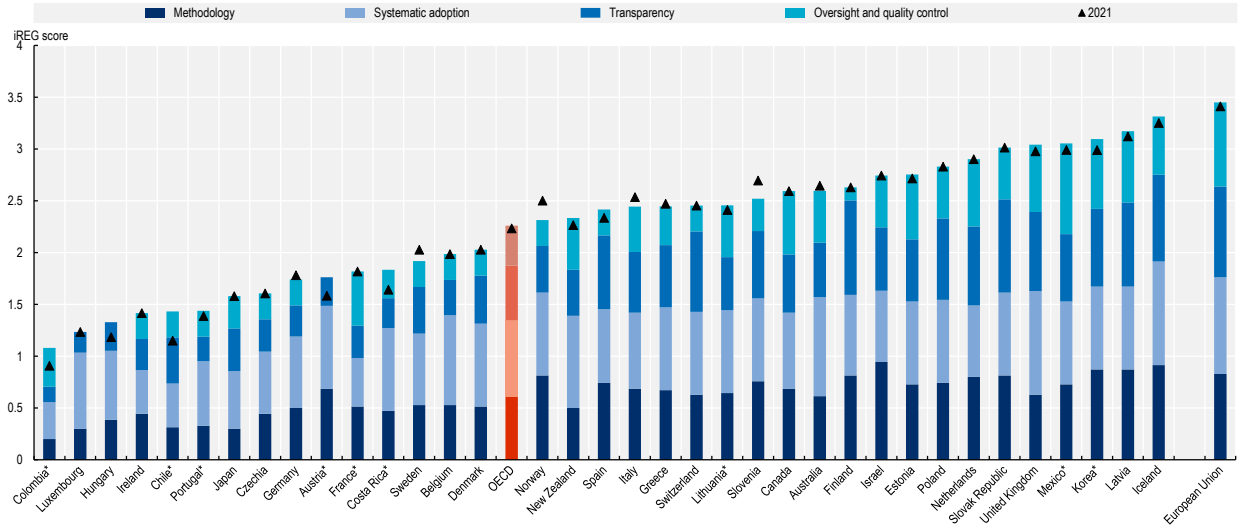
Having a say in rule-making should not be a one-time event. People have lived experiences that they can leverage to help improve the quality of rules. Continuous engagement with people helps to test ideas, elicit feedback, and create increased buy-in and acceptance for resulting policies. However, engagement is not without cost, neither for governments nor participants. Continual engagement can also bring about stakeholder fatigue, especially if policymakers do not provide feedback about how input has been considered. Hence, there is a need to not only make engagement straightforward, but that more intense and extensive consultations be reserved for policies with larger potential impacts and where there are greater levels of uncertainty (see below).

Governments have progressively improved their engagement with stakeholders over the past decade. This is essential to effectively seizing the benefits of engagement when both citizens and policymakers are working with limited time and resources. Despite these improvements, avenues remain for governments to further engage with people in rules that affect them.

Stakeholder engagement over the past decade

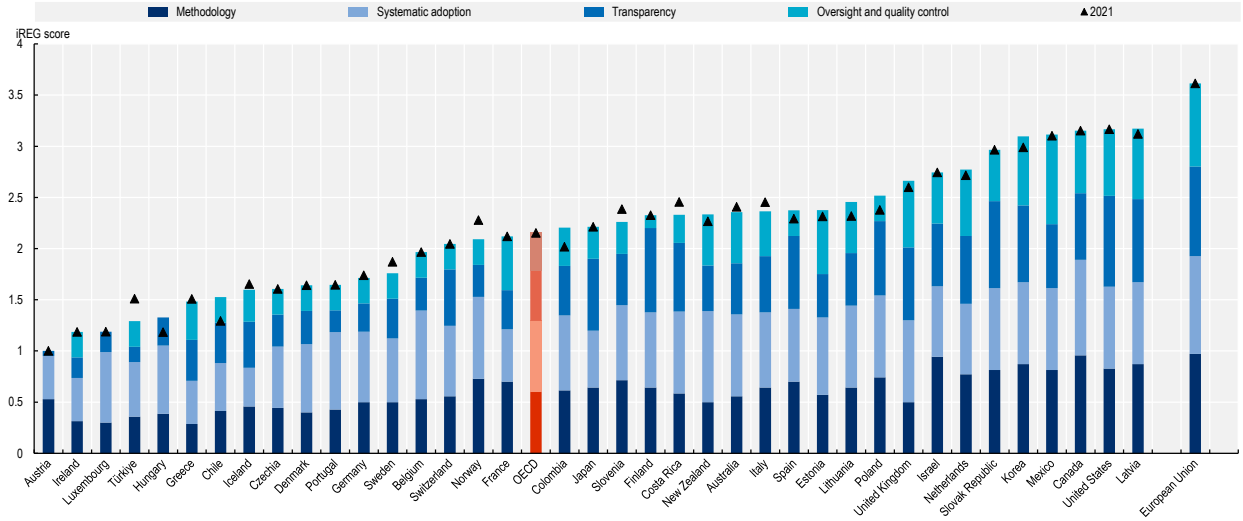
To understand how having a say in rule-making works, the OECD has tracked stakeholder engagement systems and practices through the indicators of Regulatory Performance and Governance (iREG) since 2014. Data show that countries' systems and practices for stakeholder engagement have remained stable since 2021 (Figure 2.1 and Figure 2.2). Most OECD Members have requirements in place to conduct stakeholder engagement in the development of both primary laws and subordinate regulations.[1] Over 97% of OECD Members require public participation in consultations on some primary laws and subordinate regulations, with 82% systematically requiring public participation.

Figure 2.1. Composite indicators: Stakeholder engagement in developing primary laws, 2021-24



* Most primary laws are initiated by the executive in the majority of OECD Members, except in Austria, Chile, Colombia, Costa Rica, France, Korea, Lithuania, Mexico and Portugal, where a higher share of primary laws are initiated by the legislature.
Note: The more regulatory practices as advocated in the 2012 *Recommendation of the Council on Regulatory Policy and Governance* a country has implemented, the higher its iREG score. The indicator only covers practices in the executive. This figure, therefore, excludes Türkiye and the United States, where all primary laws are initiated by the legislature.
Source: Indicators of Regulatory Policy and Governance (iREG) Surveys 2021 and 2024.

Figure 2.2. Composite indicators: Stakeholder engagement in developing subordinate regulations, 2021-24



Note: The more regulatory practices as advocated in the 2012 *Recommendation of the Council on Regulatory Policy and Governance* a country has implemented, the higher its iREG score.
Source: Indicators of Regulatory Policy and Governance (iREG) Surveys 2021 and 2024.

Over the past decade, OECD Members have improved requirements, practices and institutions for citizen and stakeholder engagement in rule-making – an improvement that is marginally greater for engagement on primary laws than for subordinate regulations. This improvement can be largely attributed to newly established or significantly reformed oversight and quality control mechanisms. The sharpest period of

growth was between 2015 and 2018; since then, most countries have either levelled out or continued to make steady, marginal improvements. Between 2018 and 2021, slight improvements in methodology could be explained by the increased use of virtual meetings for consultations (linked to the COVID-19 pandemic), and different documents being made available during consultations (OECD, 2021[16]).

A key trend since 2015 is the use of more modern platforms and innovative, more participative means to engage stakeholders worldwide. Relevant examples include:

- **Austrian** legislation in 2021 expanded public consultation requirements beyond initiatives developed by the executive. Stakeholders can now comment on legislative initiatives introduced directly in parliament.
- A new online platform for engaging on regulatory issues allows people in **Canada** to see and build off comments from other people and from consultation administrators. Citizens can also engage through tools like stories, virtual post-it notes, questions to administrators, polls and surveys.
- **Denmark** has used a variety of creative means for people to engage meaningfully and provide recommendations to decision makers on climate change issues – from a Citizens' Assembly, composed of 99 randomly selected citizens, to the Youth Climate Council.
- Business and community stakeholders in **France** convene to discuss thematic and territorial challenges – such as the ecological transition – and propose solutions through the new *Conseil National de la Refondation*.
- In **Korea**, a consortium of industry, expert and government representatives conduct joint tests within a new conflict resolution-oriented sandbox and use the resulting data to identify and propose regulatory improvements.
- The "Unified Portal for the Development and Agreement of Draft Legal Acts", an online portal launched by **Latvia** in 2021, allows stakeholders to find and comment on all regulatory proposals across ministries.

Enabling inclusive participation

All people should have the opportunity to engage in the making of rules that impact their lives. Beyond democratic principles and other means of participation, all societal groups have valuable information to help enhance the quality of rules but are sometimes not given the opportunity because of ineffective or limited consultation means. A lack of access is exacerbated when governments only consult the "usual suspects", that is interest groups with resources and capacities to engage. While approaching these groups may have substantive merit depending on the policy issue at hand, it should not be the default option or exclude other practices.

OECD Members are gradually diversifying how they engage, to reach people in more convenient ways. People should expect to receive timely notifications through various channels to engage in consultations. The use of traditional and social media platforms as well as direct communication through emails or newsletters can play a significant role in reaching a broader audience. Multi-channel approaches help engage stakeholders with different accessibility levels and communication preferences. But an increase in the number of communication channels does not necessarily result in improved communication. Governments need to systematically gather insights about stakeholders' preferences and concerns, particularly by building capacity to conduct organisational listening at scale. Combined with other means of citizen and stakeholder participation, this could enable a feedback loop between government and citizens that builds trust (OECD, 2023[17]). Moreover, utilising networks, professional associations and other intermediary groups helps build community awareness of consultations, especially for those who might not directly engage with digital platforms. Diversifying communication channels, considering stakeholders' digital literacy, preferences and resources, and ensuring accessibility are essential elements in promoting inclusivity.

Broad engagement mechanisms, online and offline

Various consultation approaches should all aid people to easily contribute. As seen in the above examples, governments are leveraging online platforms to improve users' consultation experiences, saving both the time and energy of people who want to have a say in rule-making. Currently across 19 OECD Members, the public can find all ongoing consultations listed on a single central website. Someone looking to engage in consultations for climate-related proposals, for instance, can thus easily identify relevant proposals being advanced across the transportation, energy and agriculture ministries. This is the case for example in **Brazil** which launched "Participa + Brasil" in 2022, containing information on ongoing social participation processes across the federal administration related to rule making. The growing availability of interactive websites and social media platforms also helps to make consultations easier to access by reaching people online.

As technology continues to advance, online tools are increasingly used to make consultations easy to access and navigate for the widest possible audience. Platforms can be developed to support dialogue and collaboration beyond the independent submission of a comment. For instance, **Estonia** is developing an online platform that allows experts and other stakeholders to co-work on the same legislative text directly with civil servants across ministries. These tools not only make it easier for the public to participate in the regulatory process, but also provide people an avenue for more in-depth, substantive engagement.

Communication via digital channels is not the sole means to engage people. Policymakers should tailor the forms of consultation to, for instance, reflect widespread industry standards (e.g. online, paper or a variety of forms), cognisant that not all affected stakeholders universally use the same communication forms. Inappropriate or underutilised forms of communication run the risk of excluding stakeholders from having a say, thereby undermining a sense of shared ownership, and potentially adversely affecting compliance and trust in eventual regulations (Lind and Arndt, 2016[9]).

Governments can also consider using other representative deliberative processes, such as citizen panels, to bring people closer to policymaking (Box 2.2). Deliberative approaches typically refer to a randomly selected group of people broadly representative of a community spending significant time learning and collaborating through facilitated deliberation to form collective recommendations for policymakers (OECD, 2020[18]). The OECD's understanding of such approaches is based on three criteria: deliberation, representativeness and impact – which is measured by a clear link between the process and decision making (OECD, 2020[18]). Carefully choosing the number and issues covered is important given the resources involved in undertaking such approaches (OECD, 2020[18]), coupled with the fact that they may delay decision making. In some countries, broader engagement still is possible via referenda. In **Switzerland,** for example, the electorate decides on political issues up to four times a year. Public votes are held on popular initiatives and on certain parliamentary decisions (e.g. referendum on legislative amendments if either 50 000 persons or 8 cantons request it).

Box 2.2. Differing forms of engagement

Denmark's Youth Climate Council aimed to bring new climate policy ideas and provide input to the Minister for Climate on future climate solutions. The members of the Youth Climate Council are appointed for a one-year period and come from all parts of Denmark, from different educational backgrounds, to bring different views and approaches to the table to address the climate challenge.

The **European Commission** increasingly uses citizens' panels. They bring together randomly selected citizens from all 27 Member States to discuss key, upcoming proposals. Participants are identified through a random selection process with a quota system to ensure gender balance and that one-third of participants are 16-25 years old. Participants work together with the support of a facilitation team to

develop recommendations for the European Commission. The first set of citizens' panels, which concluded in April 2023, addressed the issues of food waste, virtual worlds and learning mobility.

In **Finland**, the Centre of Excellence in Public Opinion Research at Åbo Akademi University, together with the Finnish Parliament, organised a Citizens' Parliament, where randomly selected citizens participate in democratic deliberation and decision making. The Citizens' Parliament develops Finnish democracy by involving people in deliberative processes. The aim of the Citizens' Parliament is to provide an appreciation of an informed public opinion and increase diversity in public discourse. In addition, the method aims to increase citizens' acceptance of political decisions.

Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024; https://citizens.ec.europa.eu/european-citizens-panels_en; Åbo Akademi University: 650 Finns participate in the Citizens' Parliament – drugs policy and fuel taxation as themes.

Organised stakeholder groups and under-represented stakeholders

Engagement inherently involves people – already busy in their day-to-day lives – lending their time and energy to help inform rule-making. As such, people should be able to simplify their involvement through clear and concise engagement strategies. Requiring people to navigate outdated or complex consultation systems potentially dissuades participation, particularly from time-poor stakeholders.

Individuals and small businesses lack the resources of organised interest groups. This lack of resources creates an imbalance between actors who can engage in consultations and those who are unable or unwilling to do so. As a result, individuals may utilise intermediaries as a proxy to have their voice heard.

The OECD *Recommendation of the Council on Principles for Transparency and Integrity in Lobbying* calls on Members to grant stakeholders equitable access to public policymaking. Lobbying (i.e. communication with a public official to influence policy or administrative decisions) is a democratic right and can be a positive force in ensuring that people's voices are heard and important insights are shared with the government. However, lobbying groups with power and money can exert their influence at the expense of groups with fewer resources (OECD, 2021[19]) and abuse of lobbying practices can be a source of policy capture (OECD, 2017[20]).

Targeted consultation can facilitate meaningful engagement when carried out transparently and equitably. For instance, if a policy issue is highly technical or niche, there may only be a few stakeholders capable of providing informed input. Focusing resources on engaging these groups can help to ensure that the most relevant and impactful evidence is gathered. On the other hand, limited consultation may originate from a lack of political will to engage in public debate, coupled with apathy from policymakers. In these instances, because there is no commitment to genuine engagement, consultation is unlikely to have an impact. Currently, 25 OECD Members conduct formal and informal consultations with selected groups, for example relevant stakeholders, businesses, NGOs or citizen representatives. OECD Members tend to consult selectively more often once a regulatory draft has been prepared (where 15 do so systematically) than when policy problems first arise (13 do so systematically). In this context, in-depth discussion with select stakeholders may be a valuable tool at an early stage to help define a problem and options but should be followed by broad engagement to validate the input received.

Many countries are also taking steps to allow those traditionally excluded from decision-making processes to have a say. In **Canada**, people with disabilities stressed the importance of "nothing about us, without us" in the development of federal accessibility legislation. Accordingly, to ensure that people with a range of needs could participate, consultations took place in-person and online; with real-time captioning; sign language interpreters; intervenor services for participants with vision or hearing impairments; as well as information provision in plain language, Braille, large print, audio, sign language and e-text. Participants were also invited to share ideas by email, phone, teletypewriter, or by sending audio or video recordings

(Employment and Social Development Canada, 2017[21]) (see Box 2.3 for more examples of how countries have undertaken targeted initiatives to reach traditionally under-represented groups in policymaking). These practices help to highlight the types of barriers to overcome to improve the participation of people with disabilities – and other traditionally excluded people – in consultations.

Engaging under-represented groups requires intentional efforts by policymakers: they must first identify which social group(s) are the most affected and how they are impacted, specifically on the nature, effects, magnitude and length of time. Such an approach not only helps to identify the various groups affected (e.g. young, elderly, socially disadvantaged, etc.), but also potential differences within the identified groups (OECD, 2023[15]). For instance, youth voices are key for policies with long-term environmental impacts, but indigenous youth may have unique perspectives that are especially important to consider. Inclusion of a wider group of stakeholders also contributes to enhanced transparency, and the buy-in for and trust of rules.

Box 2.3. Engagement and consideration of under-represented groups in policymaking

Finland's SILE (Silent Agents Affected by Legislation) project

SILE is a joint project between the University of Helsinki, the University of Turku, and the Finnish Institute for Health and Welfare. It focuses on improving the engagement with silent agents affected by legislation. The project aims to promote socially and ethically sustainable legislation that considers the voice, rights and well-being of silent agents who would usually be under-represented or excluded from the policy-making process. The project also involves participation from some Finnish government ministries.

The SILE project concentrates on vulnerable societal groups, such as children, prisoners, residents facing instability, and individuals dealing with challenges like debt and mental health issues, acknowledging that policymakers often overlook these groups. Additionally, the project extends its focus to animals, recognising the growing discourse on animal welfare and rights in contemporary discussions.

Child and youth participation in decision making

In 2021, **Finland** also published new guidelines on how law drafters should consult children – a demographic frequently overlooked despite being directly impacted by many policy choices – in the lawmaking process. The principles and practical methods set out in the guidelines were piloted as part of the reform of the Child Welfare Act.

The **Irish** government developed the National Framework for Children and Young People's Participation in Decision-making to provide useful information and guidance for departments, agencies and organisations to foster the quality of their engagement with children and young people. Broadening the engagement with different groups calls for the development of new tools and expertise across the public administration. The provision of training and capacity-building activities can help overcome barriers to involving specific groups (e.g. youth, elderly, etc.) in rule-making.

Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024; Children's Consultation Handbook for Law Drafters; Silent Agents Affected by Legislation; Hub Na Nóg Participation Framework; OECD (2023[15]).

Even when all affected parties are identified, they may be disengaged or unable to participate. Beyond disabilities, challenges can also include cultural or language barriers, geographical distance, or socio-economic difficulties. Diversified consultation approaches can help to engage a broader group of people

and reach under-represented groups (OECD, 2023[15]). They do, however, require additional resources and careful planning. It will require a degree of judgment about the potential value of the engagement – both the information received from participants and the opportunity to articulate the policy in more detail. Governments have begun to recognise the benefits of diversified consultation approaches to engage with disadvantaged stakeholders. For example, **Health Canada** conducted a successful targeted consultation with citizen groups. The consultation increased stakeholders' trust by educating and explaining the rule-making process to those involved. **Finland**'s experiences with separate consultations on integrating migrants and with prison inmates identified critical success factors to engage with under-represented groups. Elements such as providing interpretation services, addressing the issues in an accessible and understandable way, and designing workshops close to the relevant communities have been fundamental to build trust in the administration (OECD, 2023[15]).

The participatory cycle

People need time to organise themselves to meaningfully contribute to rule-making. Advance notice and visibility, as well as providing sufficient time for input, can assist stakeholders. Governments can also clearly denote the areas where input is requested. In the specific case of citizen engagement, the OECD has produced a ten-step path of planning and implementing citizen participation processes (OECD, 2022[22]). Providing people with feedback on their input helps to facilitate meaning in consultations, build acceptance of rules and foster trust in government action. Providing ongoing feedback channels can identify areas where rules are not working as intended and the possibility to suggest improvements.

On the contrary, governments can hinder people's participation through rushed consultations or by providing insufficient time and direction to aid engagement. Consultations undertaken for the purposes of meeting internal obligations or as box-ticking exercises rather than to test ideas and elicit feedback create an adverse sentiment among stakeholders. In some instances, consultations are avoided altogether. The absence of consultation risks underinformed and ineffective policies. It also undermines transparent and open policy development and can erode trust in government action.

Proportionate participation

People's input is essential to informing viable rules – but engagement can be a costly and time-consuming exercise for both people and policymakers. Asking the same people for input too frequently, asking for too much input, or asking for input and not showing meaningful results can all lead to consultation fatigue. Broad consultations can require resources that policymakers cannot afford to spare. Making consultations too long or too extensive can unnecessarily compromise the timely passing of measures.

To ensure that the public and the government use limited time and resources wisely, consultations should be proportionate to the significance and impact of the rules being discussed. **Australia's** guidelines allow for targeted consultation through direct engagement or small-scale social media activities in cases where there is a small, well-defined group of affected stakeholders and where consultation efforts would be otherwise wasted involving unaffected parties. For more impactful regulatory changes, the default approach involves broader public consultations, including written submissions, public forums and workshops. In **Canada**, whole-of-government efforts to consolidate and co-ordinate consultations with indigenous communities aim to minimise risks of fatigue arising from repeated and extensive engagement (Government of Canada, 2024[23]).

Planning for participation

Advanced notice is essential for both consultations on proposed rules and on reviewing existing ones. Stakeholders can sufficiently familiarise themselves with emerging issues and then contribute to shaping proposals once consultations commence. People are given the opportunity to collect data and provide

information to support the development of new rules. At the same time, their experiences of existing rules, their successes or failures, can help policymakers determine appropriate courses of action. Advanced notice for the review of or modification to existing regulations enables stakeholders to offer their informed feedback. OECD Members have gradually improved standards on informing people of forthcoming consultations. The **European Commission** for example, outlines its consultation plans on specific initiatives. Depending on the initiative, the consultation plan may include a call for evidence, planned public consultation, targeted consultation, working groups and so on (OECD, forthcoming[24]). Governments tend to inform people less frequently for forthcoming review of rules, with only 42% of countries currently doing so.

Governments use different means to alert people to forthcoming consultations. Currently 44% of OECD Members inform people through announcements on websites and 32% inform people through a road map or similar type of early warning document. **Estonia**'s Information System for Legislative Drafts, for example, sends automatic alerts to notify registered people about upcoming consultations.

Participation periods and formats

Governments typically launch consultations at two distinct moments. Early-stage consultation takes place when policymakers have identified a problem and are considering various ways to solve it. Late-stage consultation occurs when a draft regulatory proposal exists (OECD, 2021[16]).

Early-stage consultation (when issues are first identified) is crucial. Input at this stage, before rules are drafted, informs how problems are defined and how solutions are designed. Early involvement fosters a sense of public ownership and commitment towards any solutions developed. When people feel their voices are heard and their concerns are taken into account from the outset, they are more likely to support and engage with the resulting policies (OECD, 2021[16]). Early engagement is fundamental in creating policies that are not only effective and targeted, but also enjoy a higher level of public acceptance and legitimacy. People bring first-hand experiences, often with unique insights, practical knowledge along with data and evidence, that can lead to a more accurate understanding of the problem (OECD, 2023[15]). Early engagement is, therefore, key to crafting viable policies, setting the foundation for discussions and decision making later in the policy cycle.

Once regulations are drafted, engaging people is key to gauge practicality, potential impact and areas for improvement. It allows those affected to critically assess draft rules. People can then highlight unforeseen consequences, suggest improvements and offer insights into how the regulation could be more effectively implemented. Governments have tended to consult more broadly on draft regulations in OECD Members in the past decade; that is, through late-stage consultations.

Participation in rule-making does not work when governments use consultations to inform stakeholders of decisions already taken. Consultations generally take place under this guise to meet requirements rather to provide people with genuine opportunities to help improve policies. Such "consultation for compliance" should be avoided, as it adds little value to rule-making and, moreover, can breed cynicism among both policymakers and the broader public (OECD, 2023[15]). Evidence suggests that people want to be involved in decisions that affect them. For example, more than 90% of people involved in a public consultation process in **Finland** reported that they would like to participate in future policy development (OECD, 2023[15]).

People lose the ability to meaningfully participate when consultations are rushed. While consultations during genuinely unforeseen emergencies may warrant very limited time frames, these should be the exception (OECD, 2020[25]). Governments have partially addressed this issue through the introduction of minimum periods during which consultations must be open to allow stakeholders sufficient time to provide their feedback, though the extent of this practice varies widely. In 47% of OECD Members, the minimum consultation period is at least 30 days or 4 weeks. Prescribed minimums still provide flexibility for

governments to extend consultations beyond these time limits, which may be appropriate when regulatory impacts are expected to be significantly large and/or uncertain.

People's ability to participate meaningfully can be hampered when government shares information that is too complex. Information needs to be understandable. Rules should be articulated clearly to the public, in plain language that avoids technical jargon so that people can understand what the rule means for them (OECD, 2012[14]). Many countries – including **Denmark, Korea, New Zealand, Norway** and the **United States** – have requirements, guidance or training initiatives for drafting rules using plain language (see Box 2.4 for examples from Norway). An effective mix of requirements and training can be especially important to help policymakers and drafters navigate concerns of plain language creating legal ambiguity, inconsistency or imprecision.

Box 2.4. Plain language

In **Norway**, two key policy documents address the need for plain language:

1. The Language Act has a provision requiring all public bodies to communicate in a clear and correct language adapted to the target group.
2. The government's communication policy sets out objectives for people to receive correct and clear information about their rights, duties, opportunities and the state's activities.

The Faculty of Law in the University of Oslo has an initiative to train future lawyers to design clear rules and write easy-to-understand legal decisions.

Source: https://lovdata.no/dokument/NLE/lov/2021-05-21-42; https://www.regjeringen.no/en/dokumenter/central-government-communication-policy/id582088.

Despite the substantive benefits, consultations are sometimes avoided altogether. In times of unforeseen crises this may be initially justified, but it also justifies embedding review clauses to ensure that rules made under such circumstances are checked and people are given an opportunity to comment on their continued need (OECD, 2021[16]). Governments are also unlikely to report the reasons for avoiding consultations. Only 29% of OECD Members provide published reasons about avoided consultations. Bypassing consultation processes can erode trust in government (OECD, 2024[10]).

A lack of engagement on proposed rules risks their efficacy. Resultant policies may miss information that stakeholders could have provided to improve the quality of decision making. People have been shown to be less compliant with rules made without engagement, with concomitant increases in enforcement costs as more resources need to be devoted to ensure compliance (OECD, 2020[25]). Rules made under such circumstances support neither open nor responsive government.

Providing feedback

For stakeholders to view resultant rules as fairer and more transparent, communication and information between citizens and the government should flow both ways (Lind and Arndt, 2016[9]). Stakeholders should not only be able to provide feedback, they should also be given feedback on how their input has, or has not, been considered in shaping rules. Giving stakeholders an opportunity to have their voice heard then showing that their input was taken into consideration signals to them that their voice is seen as having sufficient value as a member of the community and their views matter to the design and implementation of rules (Lind and Arndt, 2016[9]).

People are more likely to contribute to rule-making if they believe their input helps shape decisions (OECD, 2021[16]). Conversely, people who invest the effort to participate once may be dissuaded from future engagement if it is not clear whether or not their input was even used. To address this potential barrier, governments should create a feedback loop acknowledging and responding to comments, actively demonstrating the role and value of public input in policymaking.

For example, it is common among OECD Members that the views of participants expressed through a consultation process are made public, usually by making comments available on line. However, practices that demonstrate a high-level consideration of comments, like a summary or formal report, are slightly less common. Some countries like **Australia** include a section in their regulatory impact assessment template for describing feedback and explaining how it was used. **New Zealand** has previously published a "Summary of Submissions" document after consultations, outlining key points raised by stakeholders and how they informed the final proposed rule. Since 2021, marginally more countries have started responding more actively to people – whether by publishing a response to consultation comments on line or by responding in writing to the authors or comments. On **Canada's** Let's Talk Federal Regulations platform, for example, policymakers have responded directly to specific comments to seek clarification or encourage commenters to expand further on their thoughts, which ultimately helps enhance the quality of the input received. Though most countries have not yet adopted this practice, it can play an important role in helping to bolster peoples' perception of government responsiveness and value of participation in government processes.

Ongoing participation mechanisms

Enabling continual feedback on rules helps to maintain trust in them. During implementation and evaluation, continued public engagement ensures that policies remain relevant and effective, and facilitates necessary adjustments based on feedback and changing circumstances. Ongoing involvement of the public not only enhances the quality and efficacy of policies but also builds trust and accountability in rule-making (OECD, 2019[26]).

People and businesses have direct experience with the consequences of regulations. Their real-world insights are particularly germane for existing regulations. Those affected by regulation can help establish whether rules are working as intended, the existence and extent of unintended consequences, and note regulatory gaps in response to changing circumstances or new information. Engaging with those directly affected ensures that these concerns are heard and place the onus on governments to continue to deliver for people (OECD, 2021[27]). Around 85% of OECD Members actively engage stakeholders in *ex post* evaluation of existing regulation, a number that has remained stable over the years.

Understanding impacts on people

Laws and regulations have a powerful impact on human welfare and can affect different groups in different ways, e.g. how we access or buy medicines, heat our homes, or access transportation services. Delivering rules for all people requires governments to take concrete steps to better understand their impacts on people's lives and environment. This is especially important as governments respond to increasingly complex policy crises, including climate change and the cost-of-living. In addition to giving people a voice in the process, policymakers should evolve how they gather and analyse evidence to inform decisions. In particular, *ex ante* impact assessments need to go beyond assessing economic factors to anticipate broader social impacts, including their distributional impacts of regulations. Despite some progress across OECD Members, more remains to be done, as assessments of various social impacts and distributional analysis remain less developed and less widely implemented than those for economic impacts.

Refocusing rule-making efforts to shed light on social impacts

With inequality worsening in OECD Members (OECD, 2021[28]), social impacts are steadily growing. Policymakers need to understand how different groups (e.g. unemployed and impoverished citizens, SMEs, regional and local governments) bear the costs and share in the benefits of rules. For instance, low-income households and workers have been shown to bear a disproportionate share of the burden of regulatory interventions (Thomas, 2019[29]). Across age groups, policies with longer term impacts (for example, on competitiveness (Davidson, Kauffmann and de Liedekerke, 2021[30])) often have an inherent trade-off – particularly impacts associated with irreversible effects such as climate change (OECD, 2018[31]).

Governments are recognising the need to go beyond assessing economic factors and embrace a holistic approach to assessing impacts, in particular by integrating broader social impacts, e.g. on employment, poverty and health (OECD, 2020[32]). Currently, 35 OECD Members require an assessment on social goals and 33 require an assessment of the impacts on poverty, making these two of the most commonly assessed social impacts (OECD, 2020[32]; forthcoming[33]). However, social impacts can materialise in a variety of ways and analysing them remains both less developed and implemented than those for economic or budgetary impacts, across the OECD. Distributional impacts have even been shown to affect people's attitudes towards policies, at least as far as climate change is concerned (Dechezleprêtre et al., 2022[34]).

Governments need to evolve and further complement traditional cost-benefit analysis (CBA) to better capture impacts on people and their environment. Distributional, environmental, social and economic impacts are often examined with separate tests (e.g. through environmental impact assessments, social impact assessments), often focusing only on macro groups (e.g. government, firms/business, citizens) in the majority of cases, with few addressing the effects on specific population subgroups (Deighton-Smith, Erbacci and Kauffmann, 2016[35]). Assessing the costs and benefits of a rule while accounting for the different realities of diverse people can be a technically demanding task, particularly when it comes to measuring intangible aspects. Thirty-three OECD Members explicitly and systematically require identifying and quantifying the costs of regulation. On the other hand, requirements to quantify benefits are less commonplace. One reason for this might be that intangible benefits tend to be harder to quantify or monetise than costs. However, while the full value of certain goods can be challenging to quantify, the European Commission's Better Regulation Toolbox proposes different techniques to assign a market value and monetise these benefits. These include, for example, revealed or stated preference techniques to arrive at an estimate of the total economic value (European Commission, 2023[36]).

Accordingly, policymakers can use the distributional impacts assessed to ensure that the regulation does not adversely impact vulnerable groups or marginalised communities and so that they can enjoy the benefits. For instance, the **European Commission's** Better Regulation Toolbox underscores the importance of considering how the regulatory option can affect people's income or risk of poverty as well as the income distribution and wealth. In addition, OECD Members have widely acknowledged the importance of assessing distributional impacts, e.g. in **Australia's**, **Canada's**, the **United Kingdom's** and the **United States'** regulatory impact assessment (RIA) guidelines, for example (Box 2.5). However, the scope and quality of distributional analyses vary across countries and ministries and agencies (Zimmermann and Pye, 2018[37]; Robinson, Hammitt and Zeckhauser, 2014[38]; Revesz and Unel, 2023[39]).

Box 2.5. Assessing the distributional impacts of regulations

Successive *Regulatory Policy Outlooks* have reported that officials are increasingly required to assess social impacts within regulatory impact assessments (RIAs) on different social groups, including, for example, on particular social groups, gender equality, poverty, social goals and income inequalities. In

addition, several OECD Members have instituted methodological guidelines on how to assess distributional impacts, or how the costs and benefits of regulations fall upon different income groups in society, for example:

- In **Canada**, the Triage template (the preliminary step in the RIA process) expressly requires consideration of the impacts on vulnerable social and economic groups, such as aboriginal communities, official language minorities, lower income Canadians, women, children, the elderly, cultural groups and recent immigrants.
- In **Ireland**, the assessment of impacts on socially excluded and vulnerable groups, and on poverty generally, is one of the main pillars of the RIA system. Both the RIA guidelines and other official documents explicitly mention these among the specific impacts to be considered in RIA.
- In the **United Kingdom** and the **United States**, RIA guidelines (the UK Treasury Green Book and Circular A-4, respectively) specify that the distributive effects should be described quantitatively, using distributional weightings, based on income quintiles.

Source: OECD (2021[16]; 2018[40]); Deighton-Smith, Erbacci and Kauffmann (2016[35]); HM Treasury (2022[41]).

Intersectionality can create an additional layer of complexity for policymakers. For instance, the impact of a regulation on women can be very different if they suffer additional discrimination based on race, identity, religion, etc. (La Barbera, Espinosa-Fajardo and Caravantes, 2023[42]). Paying attention to how different characteristics of a group or individuals interplay to shape their regulatory outcomes can help inform decision makers about who bears the costs and benefits of rules. For example, **Canada** has instituted the Gender-based Analysis Plus (GBA Plus) analytical tool to support the development of responsive and inclusive policies, programmes and other initiatives. GBA Plus is an intersectional analysis that goes beyond biological (sex) and socio-cultural (gender) differences to consider other factors, such as age, disability, education, ethnicity, economic status, geography (including rurality), language, race, religion and sexual orientation (Government of Canada, 2023[43]).

Refining methodology to address political challenges

Addressing the impact of rule-making on human welfare is a complex task. It requires governments to possess and allocate adequate resources, time and data to inform decision making. Developing and disseminating appropriate methodologies to assess impacts on (different) people can support policymakers in this endeavour but comes with its own political challenges, e.g. when attempting to attach values to different costs and benefits for different groups. Additionally, policymakers face the challenge of analysing and appropriately presenting a myriad of potential impacts and (unintended) side effects for different policy options to objectively inform what are inherently political decisions on trade-offs.

Some critics have argued that traditional methodologies of the better regulation toolbox, such as CBA, are too focused on economic efficiency, and fail to take account of how impacts fall upon different societal groups (Goodwin, 2020[44]). For instance, traditional CBA methodologies to estimate potential losses from flooding of beachfront properties might lead to mitigation policies that are more favourable to wealthier households, whose losses involve more expensive houses. Yet damage to beachfront residences of wealthier households (which may be their secondary residence) might affect those households relatively less than damages to the primary (and likely only) residence of poorer households. Assessing losses purely on monetary terms might hence underplay social vulnerability (Kind, Botzen and Aerts, 2020[45]).

To prevent this, policymakers can use weighted analysis, where benefits for lower income households are given a higher social value than the equivalent benefits for higher income households. For example, the **United Kingdom**'s methodology for assessing costs and benefits of different regulatory options notes that it may be desirable to "weigh" costs and benefits, depending on their incidence across various groups (in addition to estimating the "unweighted" costs and benefits) (HM Treasury, 2022[41]). The recent update of Circular No. A-4 on Regulatory Analysis in the **United States** also suggests that regulatory agencies may apply weights to benefits and costs accruing to different groups, in particular to reflect differences in income, consumption or other measures of economic status, either as a primary or supplemental estimate (The White House, 2023[46]).

However, attempts to address these perceived deficiencies in CBA have proven contentious. Some academics contend that applying distributional weights reflects subjective values and may encourage factional fights for favourable treatment (Dudley, 2023[47]). The ranking of various aspects of inequalities when performing a distributional analysis can risk moving the rule-making process from the policy realm to the political one. Therefore, and to ensure transparency, weighted estimates should be presented alongside unweighted estimates to demonstrate the impact of the chosen methodology and the trade-offs of different alternatives should be clearly stated.

Another key challenge for policymakers is to anticipate how regulatory impacts unfold and impact people differently over time, potentially involving intergenerational trade-offs. For instance, tighter environmental regulation is likely to result in short-term costs but will yield a positive impact on climate change and the quality of life of future generations in the long run. To account for such issues before taking decisions, governments are employing the discounting method in their CBA. This allows them to ascertain how much the value of a cost or benefit declines when it is experienced in the future. Determining the exact discount rate is critical, as a higher rate will decrease the expected long-term future values of costs and benefits (and vice versa) and hence "move the dial". OECD Members have adopted different approaches to determining discount rates. The **European Union** and the **United Kingdom** focus on normative welfare methodologies whereas in the **Netherlands, Norway** and the **United States** discount rates are linked to observable market rates of return, e.g. in the United States to the real (inflation-adjusted) return on long-term government debt (OECD, 2018[31]) (Box 2.6). The choice of discount rates should be clearly established, along with guidelines and manuals to conduct sensitivity analysis.

Box 2.6. Assessing the value of regulatory effects at different times: Discounting in the United Kingdom and the United States

Discounting guidance in the United Kingdom

The United Kingdom's Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also sets out the role of discounting in appraisal, noting that discounting in the public sector allows costs and benefits with different time spans to be compared on a common "present value" basis. That discount rate is adjusted for social time preference (value attached to present consumption over future consumption) across different points in time or different generations.

The Green Book discount rate, known as the Social Time Preference Rate (STPR) is set at 3.5% in real terms. This rate has been used in the UK since 2003. As an exception to the STPR, "the recommended discount rate for risk to health and life values is 1.5%. This is because the 'wealth effect', or real per capita consumption growth element of the discount rate, is excluded."

Discounting in the United States to prioritise future benefits over present costs

To determine the appropriate discount rate, the 2003 version of Circular A-4 – the federal government's guidance on cost-benefit analysis – used the real (inflation-adjusted) return on long-term government

debt as a measure. It is an essentially risk-free rate of return on savings observed in a widely traded market. This approach – using market data to value benefits and costs – is at the core of cost-benefit analysis.

However, the 3% discount rate that Circular A-4 recommended be used in 2003 to capture this value was not adjusted as the data evolved. The US government updated the discount rate in the revised Circular A-4 in 2023 by using up-to-date numbers and an almost identical approach to estimating as was taken in 2003. The result is a new default estimate of 2%. To ensure that this estimate does not become out of date over time again, the data used in this formula will now be updated every three years so that the discount rate evolves along with changes in the economy.

Source: HM Treasury (2022[41]); presentation delivered by Richard Revesz, Administrator of the White House Office of Information and Regulatory Affairs, during the 29th Session of the OECD Regulatory Policy Committee in Paris, 29 November 2023 (unpublished).

Integrating distributional analysis and being transparent about potential "winners and losers" from rule-making creates risks. Policymakers may worry that reporting expected distributional impacts will raise issues they lack the legal authority to address (e.g. the distributional analysis could cause new groups to coalesce in opposition to proposed rules); they may also lack needed data, technical guidance, time or resources to actually develop the analysis (Robinson, Hammitt and Zeckhauser, 2014[38]). A lack of political commitment has been advanced as the main reason for the limited assessment of distributional impacts (Nykvist and Nilsson, 2009[48]). Distributional analysis can be problematic under strict compensation principles where winners need to compensate losers. For instance, the government ended discussions to broaden and increase **Australia's** value-added tax (Goods and Services Tax) in exchange for reducing personal and business taxes after it became apparent that the compensation costs for lower income households were significant, and thereby reduced much of the anticipated economic gains (Australian Treasury, 2016[49]; 2015[50]). As inequality continues to worsen in OECD Members (OECD, 2015[51]), proposals that offer economic gains can become politically difficult to adopt due to the substantial payments (potentially) required to offset adverse effects on lower income households.

The provision of guidelines, clear methodologies and data is critical to foster high-quality distributional analysis. Recently updated guidance in the United States, for instance, provides that policymakers "should not assume that average incidence of a regulatory benefit or cost is equally applicable to particular groups, or that incidence for only one population group is equally applicable to other groups, without justification" (The White House, 2023[46]). OECD Members have adjusted rule-making processes to reflect the need for more robust and granular analyses. Data from OECD Members and the European Union show that 19 jurisdictions require assessing distributional impacts, with several outlining methodologies for doing so. Clear, accessible and robust materials can support ministries, agencies and departments in the development of distributional assessments by providing guidance on methodological issues and defining criteria for the scope of analysis.

While clear guidance and methodologies are essential, they can still be subject to an implementation gap. A way to bridge this gap is to create communities of practice, where policymakers can discuss and exchange experiences on the use of specific methodologies, lessons learnt and common challenges in the measurement of non-monetised impacts. In March 2023, the **United States'** National Science and Technology Council established a new Subcommittee on Frontiers of Benefit-Cost Analysis as a technical community of practice where federal agencies can share knowledge and expertise on advancing CBA; aid each other in accessing new data, methods and expertise; and identify areas where additional research, including by non-governmental actors, could meaningfully advance agencies' capacity to quantify or monetise costs and benefits (The White House, 2023[52]).

Removing unnecessary barriers in people's lives

Interactions with government services often occur at busy or stressful times in peoples' lives, such as when applying for healthcare, a driver's license, registering a birth or death, and so on. People reasonably expect that these activities should require the minimum effort necessary. People should not have to wade through government information and advice that is unclear, incomprehensible and inconsistent. A starting point for governments is to abandon the philosophy of regulating people (i.e. treating them like subjects), and to instead regulate *for* people, adopting a human-centric approach.

The OECD *Recommendation on Human-Centred Public Administrative Services* defines a human-centred approach as one that focuses on the needs, experiences, expectations and perspectives of the people and communities that use public services. One of its pillars is the design, development and delivery services to ensure a seamless user journey from the initial need to access a service to achieving the desired outcome. This includes prioritising design and delivery of services on frequent interaction points, preventing unnecessary burdens and removing unjustified barriers for users, from tangible financial costs to intangible stresses and anxieties (OECD, 2024[53]).

Reducing unduly cumbersome administrative and compliance procedures in people's lives is critical to driving equal opportunities for all and enabling them to develop to the best of their abilities in their private and professional lives. Making it easier for people to interact with governments reduces the time and effort required for all. Modernising and simplifying existing rules can result in reduced psychological impacts (OECD, 2024[54]) and frustrations with avoided delays, and increased certainty and transparency, improving trust in government. Removing unnecessary barriers empowers people and economic actors via increased regulatory certainty, potentially boosting investment, employment and production.

The human cost of regulatory barriers

People's interactions with government requirements can tangibly impact their quality of life. Unnecessarily complex rules and processes force people to invest significant time and energy (Herd and Monyihan, 2019[55]). People can feel angry and frustrated after experiencing the costs of collecting and deciphering complex information, as well as the psychological costs of stress and a perceived loss of power or autonomy from the state (Moynihan, Herd and Harvey, 2014[56]). Vulnerable populations, like people with a low income or with disabilities, can feel further stigmatised as they are more greatly impacted by the costs of these barriers (Sunstein, 2020[57]) and are likely to be further excluded. Behavioural science offers sludge audits, a method to assess equity and psychological costs as well as financial costs and time inefficiency to help advance government priorities and programmes aimed at making processes more accessible, easier to use and fairer (OECD, 2024[54]).

Some people are required to navigate regulatory frameworks and are confronted with barriers as part of their work. Across OECD Members, 99% of all firms are SMEs (OECD, 2023[58]). As more than one in eight people are self-employed with no employees, a lot of people stand to substantially benefit from administrative burden reforms (OECD, 2024[59]). In one-person operations, working days dedicated to navigating regulatory processes mean time that they cannot spend managing their business or undertaking, for example, leisure activities. For these people, bureaucratic hurdles can challenge both the existence of their firm and their personal well-being. Whereas large companies may have dedicated departments to navigate regulatory compliance, the ease of compliance with regulations for smaller entities may be a question of survival.

The extent to which people are confident with administrative services is a significant driver of their trust in the civil service. According to the 2024 OECD Trust Survey, 66% of respondents are satisfied with administrative services and approximately half say they trust the civil service. Higher satisfaction with administrative services is associated with a 4.7 percentage point greater likelihood that a person will have

high or moderately high trust in the civil service (OECD, 2024[10]). Conversely, if people feel treated unfairly by the administration, they emerge from those experiences less willing to comply with regulations and with less trust in government (Lind and Arndt, 2017[60]).

People increasingly expect accessible and user-friendly government interactions, leveraging opportunities created by digital transformation of the public sector. Recognising this, OECD Members are increasingly leveraging user-centric tools and approaches to prioritise their consideration of how people experience and navigate the rules around them when designing and delivering public services. The **Netherlands**, for example, has developed an "Ability to Act" test to assess and ensure that rules and processes are feasible to navigate and comply with (Box 2.7).

Box 2.7. "Ability to Act" in the Netherlands

The Dutch Scientific Government Council advised in 2017 that many rules and processes assume that if citizens have enough information and appropriate financial incentives, they will naturally comply with the rules. However, in practice, when rules and processes are excessively complex or burdensome, it may not be realistic to expect people to act accordingly in order to comply.

The Dutch government developed an "Ability to Act" test that provides insights into whether rules are based on realistic assumptions about the ability of the target group to act, considering factors like:

- how many actions a rule expects a person to take
- whether there is a process that coincides with situations of stress, like separation or death
- whether there is an accumulation of steps required by other rules
- whether the consequences of inattention or lack of awareness are foreseeable and proportionate.

Source: https://www.kcbr.nl/beleid-en-regelgeving-ontwikkelen/beleidskompas/verplichte-kwaliteitseisen/doenvermogen; https://esb.nu/doenlijk-beleid-dientcentraal-te-staan-gedurende-het-hele-beleidstraject.

Journey mapping is a particular design tool that can be used to showcase the steps a person takes from end-to-end in navigating a regulatory process. Through mapping, governments can identify specific successes and challenges in the touchpoints between people and administrative services. Relatedly, life-event approaches support organising public services around common interactions people have with governments – from childbirth, employment, marriage and old age to the death of a relative – rather than by the bureaucracy and mandates of different government entities (Box 2.8).

Box 2.8. Life events approach in practice

Germany

Germany's Informationsportal Arbeitgeber is a platform intended to help all employers determine their reporting obligations under the German social security system. The information portal is structured according to "life events" relevant to employers, such as:

- "new employer" (which discusses requirements associated with an employer's first time hiring an employee)
- "new hires" (which includes information for experienced employers hiring new staff)

- "changes for employees" (which sets out requirements for when an employee, for instance, has an illness or a child)
- "closure of a business".

Netherlands

The Dutch Ministry of Economic Affairs and Climate works with the Ministry of the Interior, provinces, municipalities and private partners to implement a horizontal "Life Events Approach" interface for public services. Service categories include: studying, turning 18, starting one's own business, quitting a job, moving and death. "Interaction coaches" are also available to help people navigate the system.

Portugal

ePortugal.gov.pt is the common starting point for people to seek information on over 1 000 essential government services. Services are grouped by life event themes, such as:

- "housing" (which includes paperwork relevant to buying, selling, renting, moving and utilities)
- "family" (which includes registration, benefits and allowances related to birth, youth, marriage, divorce, old age and death)
- "working" (which covers rights, unemployment, retirement, job-seeking and self-employment).

Source: OECD (2020[61]); https://www.informationsportal.de; https://www.programmamenscentraal.nl/levensgebeurtenissen; https://eportugal.gov.pt/en/temas.

Streamlining administrative and compliance procedures

The establishment – and the associated sharing of responsibilities between governments and regulated entities such as citizens or business – of both administrative and compliance procedures have wide-reaching impacts. Apart from the clear burdens imposed (in both monetary cost and time, along with associated opportunity costs), they can reduce certainty, with concomitant reductions to investment and employment. Administrative and compliance procedures place additional difficulties on business entry, expansion and even exit, which combined can have implications for competition and growth.

While people will always experience some level of burden in navigating administrative procedures, governments need to be able to identify when burdens are unavoidable and when they are unnecessary. For instance, it may be a necessary burden for people to renew their driver's license every five years. However, there may be unnecessary burden within this process if a form must be submitted in-person or if the applicant must fill out excessive information that the government should already have on file. Box 2.9 illustrates how some countries have identified and addressed unnecessary administrative complexities.

Box 2.9. Identifying and addressing unnecessary burdens

Greece

From 2020 and 2022, the OECD worked with the Greek Ministry of Digital Governance to assess costs associated with various administrative, regulatory and judicial processes. The assessment used the Standard Cost Model (Standard Cost Model Network, 2006[62]), which is a costing methodology that involves breaking down a regulation into a range of manageable and measurable components, as well as surveys of relevant businesses and experts.

The analysis discovered that most costs related to acquiring and collecting documents multiple times and having to submit these documents in-person. Based on this, the OECD proposed reforms including the use of digital systems, more interconnection between the digital systems so that people provide documents "only once", and removing unnecessary and duplicative steps.

Franco-German Barometer

In the border regions between France and Germany, people face numerous legal and administrative obstacles as a result of the different frameworks between the two countries.

For instance, a 2017 European Commission report investigated a cross-border tramway line between Strasbourg, France and Kehl, Germany. The locals using this tramline experienced several negative impacts due to non-harmonised ticket pricing systems, such as excessive ticket prices and inaccessible or inadequate information about ticketing. These barriers led many cross-border workers to use their personal vehicles when commuting – which, in turn, led to increased traffic and pollution.

To assess the complexity of various such cross-border rules and administrative processes, French and German authorities are collaborating alongside the OECD and the European Commission to establish a Franco-German Barometer on Administrative Complexity. Informed by public input, the barometer will measure administrative complexity from people's perspective of crossing the border daily, whether for health, study or work. By identifying the most irritating barriers for the public, the tool will help prioritise processes that the two governments choose to simplify.

Spain

Spain's Ministry for Digital Transformation and Civil Service is collaborating with the Spanish Committee of Representatives of Persons with Disabilities to identify and address unnecessary administrative barriers faced by people with disabilities. The committee has identified 112 proposals for reducing burdens in collaboration with its membership, with issues ranging from the issuance of parking cards for people with mobility impairments to the accessibility of government web pages and content. Forty-two per cent of the identified proposals had been implemented as of April 2024.

Source: OECD (2022[63]); Purcher, Stumm and Schneidewind (2017[64]); https://diario.cermi.es/opinion/resultados-de-la-colaboracion-del-cermi-con-funcion-publica-sobre-reduccion-de-cargas-administrativas-para-personas-con-discapacidad.

Governments have recognised the existence of potential unnecessary barriers and have tried to improve their interactions with people. Primarily, this has been due to technological advancements through the establishment of one-stop shops, which bring together information requirements, approvals and payment in a single physical and/or virtual location, along with interoperability to meet the "once-only" principle of giving administrative details to government one time (Box 2.10). To some extent, these improvements are a consequence of moving beyond e-government towards a more holistic digital governance model (OECD, 2021[65]; 2022[66]). In the context of one-stop shops, this was the case for **Norway**, **Portugal** and the **United Kingdom**, where people and businesses alike can access a wide range of digital government services. For people who require in-person support, whether as a preference or for accessibility needs, physical one-stop shops remain an important offering allowing people to access several public services under one roof (OECD, 2020[61]).

Box 2.10. Overcoming burdensome administrative procedures through one-stop shops and interoperability

One frequent lament by both citizens and business is the difficulty of accessing relevant information on administrative procedures. Citizens and business do not – and, more importantly, should not – have to be experts in the operations of government to complete necessary administrative tasks, such as passport applications or tax returns. Separate government agencies need to work together to ensure that administrative procedures are established in a way that best serves users, which may not necessarily be the way in which governments internally operate. For the end user, this convenience saves the time, effort and frustration of navigating different systems, sometimes just to find themselves at the wrong door.

Governments have invested in improved service delivery via the establishment of one-stop shops. For example, Norway's Altinn and Portugal's ePortugal services now each provide over 1 000 services to users. In **Norway**, for example, this has meant that 70% of employees and pensioners no longer need to sign and submit tax returns, instead using "silent acceptance" for automatic lodgement where there have been no changes since the year prior. **Portugal** developed the interoperability platform iAP to connect public entities and digital platforms that accumulate public information and allows public services to share data in real time, thereby facilitating the "once-only principle", whereby citizens do not have to repeatedly provide information that is already in a public administration database.

Physical one-stop shops like **Service Canada** deliver several public services under the same roof. As the organisation transitions to a "digital first" service model, people can still access multiple prominent programmes – from social insurance numbers to passports to pensions – across 611 points of service.

Source: OECD (2020[61]).

There are gains for governments too from streamlining administrative and compliance procedures. Submitted information is generally more accurate and complete, meaning fewer resources devoted to follow up actions or rejection of services. In turn, this reduces the intensity of people's interactions with government service providers, meaning resources can be allocated elsewhere to further improve service delivery (OECD, 2020[61]). There is unrealised potential for interoperable data to help improve the estimation of impacts on users and to better identify specific groups that stand to be more acutely impacted by new regulatory proposals. Shared data governance frameworks are an important best practice in the context of regulatory impact assessment (OECD, 2020[32]).

Simplifying existing rules

People experience the effects of rules well after governments have finished making them and can identify when rules are no longer working as originally intended. People experience a real psychological cost of frustration associated with navigating convoluted rules (Sunstein, 2020[57]). Giving people access to highlight issues for further action is important for improving the regulatory environment for all.

The **European Commission**, for instance, has an online portal where people can submit suggestions to simplify existing rules and to reduce regulatory burdens. An additional 30 OECD Members have similar standing mechanisms by which people can provide feedback. Relatedly, 17 countries and the European Commission have used mechanisms like regular reviews of submitted complaints or internal reviews to help identify issues and irritants in the past five years.

Italy is one of 23 countries to take a more targeted approach by undertaking an administrative burden-based regulatory review in the last five years. Through a 2022 public consultation, people identified aspects of rules that were unnecessarily complex or burdensome, with many highlighting requirements associated with paper-based processes.

In 2023, **Canada** invited input from stakeholders to help identify rules seen as overly restrictive, unnecessary or as barriers to efficiency. This consultation was part of an ongoing initiative to simplify rules through a recurring omnibus legislative vehicle known as the Annual Regulatory Modernization Bill. The 2019 edition of this Bill, for example, included changes intended to clarify requirements for industry under the Food and Drugs Act and to remove a duplicative review requirement under the Pest Controls Act.[2]

Monitoring the impacts and efficacy of rules helps ensure that barriers and complexities can be identified as they emerge. Chapter 5 further discusses the use of post-implementation reviews or *ex post* evaluation as a mechanism to monitor and manage unnecessary barriers in existing rules.

Communicating rule-making

The final building block of "regulating for people" is about ensuring good communication in rule-making. Some of that could stem from, for example, ensuring that information on rule-making is available and accessible in a timely manner. Publishing information on participation and how rules were shaped helps communicate the impact of engagement. Publishing the reasons for decisions helps provide people with information on why certain decisions were taken. However, it also involves reaching the target audience with relevant information. For example, focusing on plain English drafting, making information available in relevant languages and formats for the affected population, and using formats that stakeholders are more familiar and comfortable with, even if those may not be the default or preferred communication methods of governments.

Governments also have a role to improve people's awareness when deciding *not* to regulate. Although people may call for governments "to do something" about perceived policy problems, there may sometimes be reasons why introducing new rules would be disproportionate. For instance, after closer investigation, it may emerge that a problem is transitory, or not as large as first thought, which may, in turn, mean alternative policy actions lead to better community outcomes.

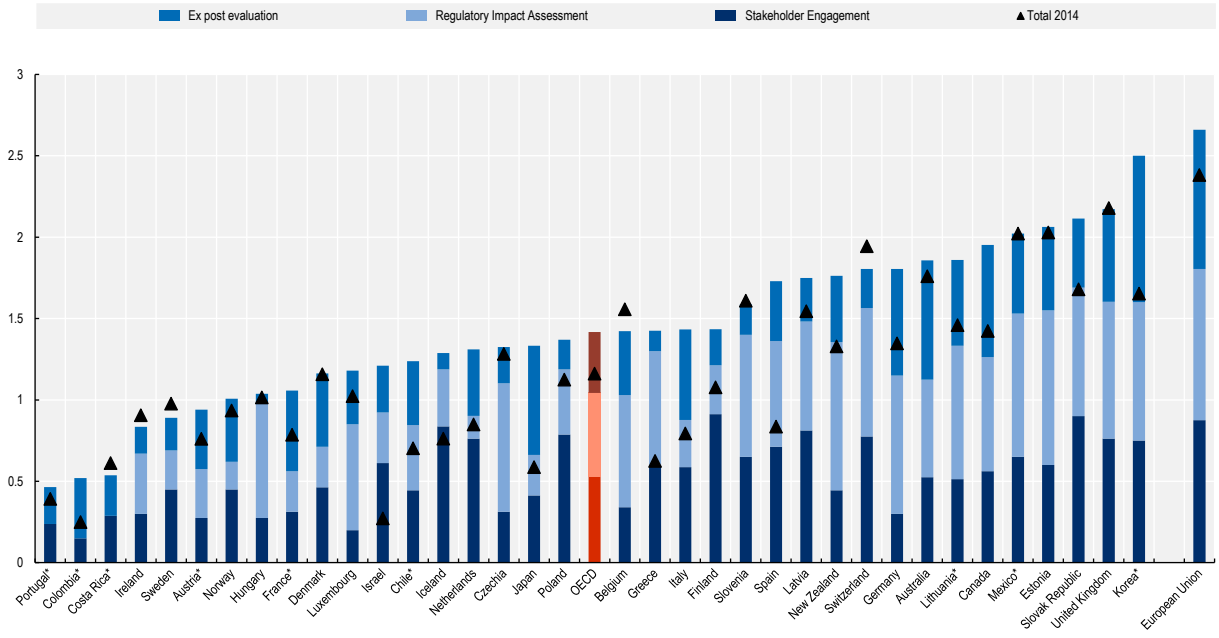
Around 40% of citizens from 30 OECD countries believe that their government clearly communicates how reforms would impact people. Clear communication is among the factors closely linked to trust in the national government (OECD, 2024[10]). Being transparent about the information used in rule-making and making information about rule-making easily accessible may help to improve perceptions of government trustworthiness (Argyrous, 2012[67]; OECD, 2024[10]). OECD data show that government transparency in rule-making has, on average, increased by approximately 8 percentage points over the past decade (Figure 2.3 and Figure 2.4). The levels of transparency are similar across stakeholder engagement and RIA. Meanwhile, scores have consistently been the weakest on *ex post* evaluation, although this indicator has seen the largest growth in the past decade. Transparency levels for primary laws are marginally greater than for subordinate regulations across the OECD overall. However, there are significant variations within countries as seven countries have transparency scores greater for subordinate regulations than for primary laws.

For many countries, embracing digitalisation to make information and engagement on rule-making more readily accessible has been central to improving transparency over the past decade. Specific areas of improvement vary across countries, but some general trends have been listing consultations on a central website, requiring RIAs to be released for consultation and establishing a standing electronic mailbox to receive feedback on existing rules. Key supporting initiatives include searchable databases of existing rules and more advanced reforms have included the development of interactive online consultation

platforms. Reforms to the transparency of *ex post* evaluation systems have included establishing online regulatory appeal systems; publishing evaluations and in some instances, government responses; and informing stakeholders in advance of planned evaluations.

Legislative frameworks in 24 OECD Members require regulators to publish decisions, resolutions and agreements and conduct public consultations (OECD, 2019[68]). In the case of energy regulators, for example, regulators in the majority of OECD Members publish draft decisions and collect feedback from stakeholders (OECD, 2019[68]).

Figure 2.3. Composite indicators: Transparency of primary laws, 2014-2024

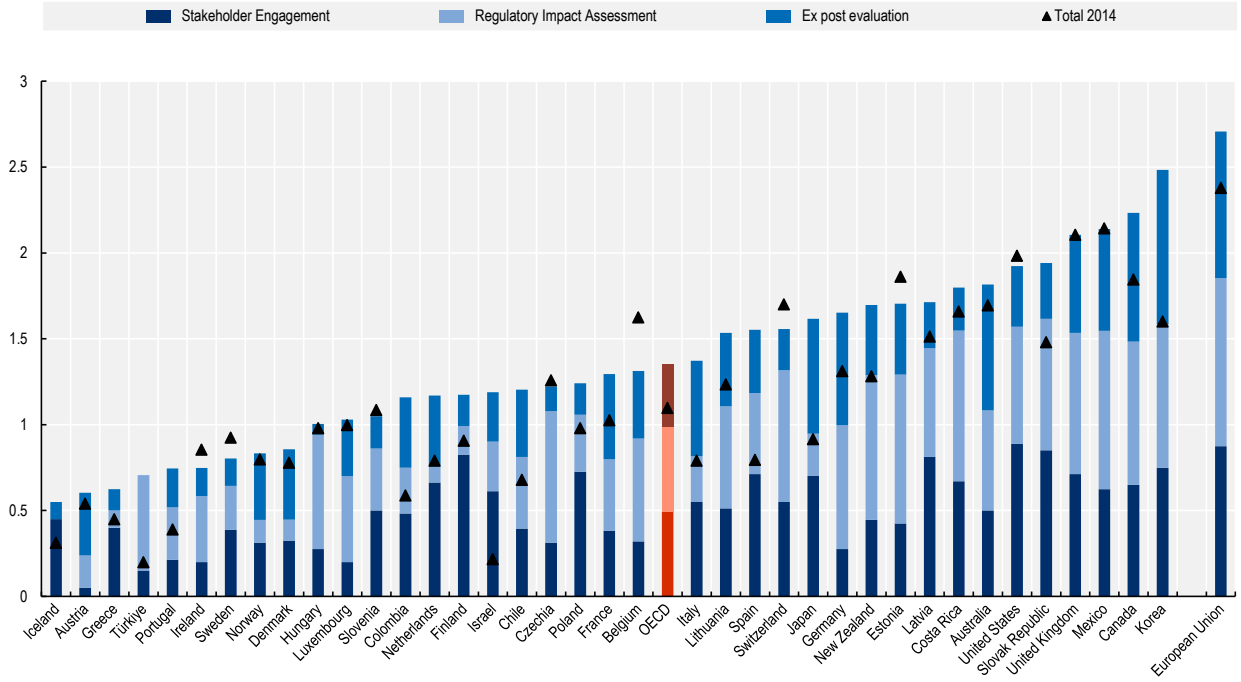


* Most primary laws are initiated by the executive in the majority of OECD Members, except for Austria, Chile, Colombia, Costa Rica, France, Korea, Lithuania, Mexico and Portugal, where a higher share of primary laws are initiated by the legislature.

Note: Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, regulatory impact assessment (RIA) and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. Data for 2014 are based on the 34 countries that were OECD Members in 2014 and the European Union. For the other four countries (Colombia, Costa Rica, Latvia and Lithuania), the "Total 2014" marker represents data from 2017. As the indicators for stakeholder engagement and RIA only cover practices in the executive, this figure therefore excludes Türkiye and the United States, where all primary laws are initiated by the legislature.

Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2014, 2017 and 2024.

Figure 2.4. Composite indicators: Transparency of subordinate regulations, 2014-2024



Note: Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, regulatory impact assessment (RIA) and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. Data for 2014 are based on the 34 countries that were OECD Members in 2014 and the European Union. For the other four countries (Colombia, Costa Rica, Latvia and Lithuania), the "Total 2014" marker represents data from 2017.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2014, 2017 and 2024.

Participatory information

People better understand how decisions are ultimately taken when the underlying data, information and assumptions are published. OECD Members have increasingly consulted on and published impact assessments. Twenty-three OECD Members now consult on impact assessments, up from 18 a decade ago, with 36 now publishing impact assessments. Governments have also gradually broadened the types of impacts required to be assessed, although a stronger focus on economic and financial impacts remains over both social and environmental ones (for more information on impact assessments see Chapter 5).

While the breadth of information may be increasing, it is neither perfect nor complete. All decisions are taken under a degree of uncertainty. Some uncertainty is irreducible, so clearly communicating the information limitations and assumptions helps the community to understand that mistakes may be made. In part, this reinforces the need for regulatory policy to reduce the risks of policy failure. Regulatory policy presents an objective view about the likely impacts of policy decisions, based on the available data and information (see Chapter 5).

Publishing the following information can assist people in understanding who participated: statistics on the types of stakeholders included, their representativeness and their location to capture regional dynamics (OECD, 2023[15]). Participation information is rare across the OECD, with only nine Members currently collecting statistics and even less publishing them. The publication of not receiving comments still provides relevant information to people. Policymakers should aim to identify why they were unable to engage people in consultations (OECD, 2023[15]). Reasons could include, for instance, because the issue had previously been recently exhaustively discussed; because consultation was rushed, selectively undertaken and/or poorly advertised, be it geographically, the mediums used or in terms of timing (e.g. consultations were undertaken at an already busy time for the industry).

Publishing the information that formed the basis for decision making helps to improve government accountability. For example, the relative absence of assessments of potential social impacts may be due to a lack of general information available. However, coupled with published consultation information, people can ascertain whether the lack of assessment was due to a lack of consultation with those affected where estimates could have originated from.

Publishing information about instances when standard rule-making processes were not observed similarly assists in improving government accountability. For instance, publishing information about why consultations were abridged or avoided altogether assists in ensuring that such occurrences are rare and for genuinely unforeseen events. Eighteen OECD Members publish instances where consultations were avoided; 13 of them provide reasons. Currently, eight OECD Members publish information about instances where impact assessments were avoided.

Participatory impact

Ensuring that participation is soundly undertaken by governments is a key aspect of its effectiveness. OECD Guidelines for Citizen Participation Processes highlight that ultimately governments should transition from ad hoc participation methods towards a more participatory culture (OECD, 2022[22]). Nevertheless, tracing participatory impact helps to identify the factors taken into account during rule-making. Publishing information throughout the participatory cycle (see above) helps to illustrate how decisions were reached. The publication, in turn, helps to increase public awareness of both rule-making processes and how governments treat the input received. The publication can help to build support for rules, even if some people were not directly involved but are able to see that their views (or similar ones) were advanced by others in the community and were taken into account in reaching a final decision.

Today 36 OECD Members publish the views of consultation participants, compared with 29 a decade ago. Most countries either publish individual consultation comments online or in the form of a consultation summary. Currently 24 OECD Members publish formal reports on individual consultations conducted and 16 publish consultation comments alongside RIAs. Publishing consultation comments helps to transparently indicate those who were engaged in rule-making.

While governments have made improvements in their engagement strategies with people – using multi-channel approaches, adopting different consultation means on specific issues (e.g. using citizen panels, etc. (see above)), they can still appear odd to people. Simply explaining consultation processes to people to help them understand what they can contribute, when and how has helped to reduce stakeholder angst (OECD, 2023[15]). It can also help foster participation in future consultations. If people have a positive experience of engagement, they are likely to want to be involved again (OECD, 2023[15]). Public insights gathered from diverse communication channels have recently been found to improve policy design (OECD, 2023[17]).

People want to receive feedback. Feedback encompasses more than acknowledgement of input, although that is important to people (Lind and Arndt, 2016[9]). Feedback includes providing information to people about how their input helped shape policies. Decision makers in 14 countries are required to respond in writing to comments received, which is linked to government responsiveness, something that people believe could be improved. Less than 40% of respondents from the 2024 OECD Trust Survey considered that their government would improve a poorly performing service, implement an innovative idea to improve a public service or change a national policy in response to popular demands (OECD, 2024[10]).

Publishing participatory impacts improves accountability and trust in government action. It demonstrates the extent to which policies were changed, and shows which input was influential in instigating the change. However, without clear explanations, it also highlights instances where governments have either avoided or ignored evidence provided by people.

While not mapping the entire participatory cycle (and being only online), the use of interactive consultation websites has the potential to illustrate this tracing for consultations where people can directly comment on draft regulatory proposals and policymakers and other people can directly respond. Both feedback and impact are integrated in the one place. Currently, however, only 21 OECD Members utilise interactive consultation websites.

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Notes

[1] Primary laws refers to laws approved by the national parliament or congress. Subordinate regulations refers to rules that are approved by the head of government, an individual minister or the cabinet, i.e. by an entity other than the national parliament or congress.

[2] https://www.canada.ca/en/government/system/laws/developing-improving-federal-regulations/modernizing-regulations/annual-regulatory-modernization-bill.html.

3 Regulating for the planet

This chapter explores why well-designed and delivered rules are critical to achieving the green transition. It begins with a discussion about why regulation is important for the environment. It then explores how to overcome barriers to the green transition before moving on to explain how to deepen existing rule-making techniques. It concludes with a discussion on improving domestic and international engagement.

Key messages

- **Regulating for the planet requires systematically considering climate and environmental aspects when making and implementing rules.** According to the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Environment Programme (UNEP), countries will not meet current climate targets and further government action is necessary to prevent an irreversible environmental catastrophe. Embedding environmental considerations throughout rule-making is a key enabler to achieving the green transition.
- **There has been some gradual improvement in regulating better for the planet:**
  - **Greater assessment of environmental impacts:** Progressively more OECD Members are systematically requiring policymakers to consider environmental impacts, but use is not universal. When undertaken, environmental impact assessments are often insufficiently detailed, ignoring specific issues such as carbon emissions and biodiversity. Closing the gap between requirements and practice is necessary to provide decision makers with better information about expected impacts.
  - **Reviewing rules with a green lens:** The rapid pace of climate change and technological innovations requires governments to continuously evaluate existing rules to detect undesired impacts and update them according to emerging realities. Thirteen OECD Members now regularly evaluate the efficiency and effectiveness of existing rules; however, only four consider governments' sustainability and international environmental obligations as part of the reviews.
  - **Countries have come together as a global community to set several environmental rules and standards.** Improved international regulatory co-operation (IRC), particularly through better data collection, and monitoring and evaluation, is key to fulfilling shared objectives. Two-thirds of OECD Members now explicitly recognise the importance of IRC from a whole-of-government perspective.
- **Going forward, some areas requiring attention remain:**
  - **Improving environmental engagement:** Governments need to better instil confidence that they can deliver for the environment. The 2024 *OECD Trust Survey* found that an average of four in ten individuals are confident that their country will succeed in reducing greenhouse gas emissions in the next ten years. Early and meaningful stakeholder engagement is crucial to overcoming distrust and resistance to necessary measures for the green transition. More effort is needed to engage with underrepresented societal groups, especially youth, and to adequately consider impacts on future generations.
  - **Using risk-based design and enforcement to efficiently achieve environmental outcomes:** Only a few OECD Members have taken steps towards a risk-based approach for the environment. Improved environmental licensing arrangements, compliance promotion and co-ordinated inspections are areas of recent focus, and more needs to be done to reduce regulatory complexity through a holistic risk-based approach.
  - **Empowering economic regulators to help achieve the green transition:** Economic regulators play a key role in the efficient delivery of essential services and networks such as energy, transport, water and e-communications, which are central to the green transition. Not only are some of these sectors responsible for much of a country's carbon emissions, they also potentially face trade-offs with price and quality of service. Providing clearer government guidance to network regulators will assist them in shaping the trajectory of the transition and prioritising specific competing objectives.

Why regulation matters for the environment

The world is facing a triple planetary crisis of climate change, biodiversity loss and pollution, each escalating at alarming rates. Historically, the environment has tended to be undervalued economically, causing environmental protection goals to be deprioritised. This neglect has resulted in severe consequences for the environment, including significant habitat loss, species extinction and air pollution, the latter claiming an estimated 7 million lives globally each year, according to the World Health Organization (WHO, 2024[1]). The OECD's forthcoming *Environmental Outlook* explores global threats and policy opportunities to address the triple planetary crisis.

Without government intervention, the planet will continue to suffer increased biodiversity loss, the worsening impacts of climate change and continued environmental degradation. As the United Nations (UN) reports, the "world is not on track to meet the long-term goals of the Paris Agreement" to limit global warming to 1.5°C (UNFCCC, 2023[2]). Regulation, including prescriptive "command and control" regulation and performance standards, can play a central role in overcoming the challenges of the triple planetary crisis and enabling countries to achieve the green transition. Environmental rules, combined with a "green lens" applied to broader policymaking, can drive behaviours that support sustainability. Despite an increased focus on climate and environmental protection efforts around the globe, the current political ambitions for the green transition, such as those enshrined in the Paris Agreement (UNFCCC, 2024[3]), will remain aspirational if environmental considerations are not better embedded in rule-making.

Regulatory design and implementation matter for the planet. Getting the right rules in place across all sectors, including high-impact ones such as energy and transport, is critical for the green transition. When well-designed and implemented, government regulation can promote environmental goals while encouraging technological innovation and economic growth. Well-designed rules can, for instance, facilitate deep emissions reductions (IPCC, 2023[4]), thereby helping to mitigate climate change.

Governments continue to face various challenges in implementing good regulatory practices, which particularly impacts environmental policy. Unduly shortening, complicating or completely avoiding rule-making processes have led to governments failing to achieve their stated environmental ambitions. Existing environmental and other rules can lack regular review, pose unnecessary burdens and stifle innovation, which is crucial for the green transition. Relevant stakeholders, such as those particularly vulnerable to environmental threats, are not sufficiently engaged in rule-making. Regulators can lack the competences and guidance needed to effectively consider environmental and economic policy trade-offs and contribute to policy coherence for achieving environmental goals.

Box 3.1. Global rules to improve the environment

Montreal Protocol on Substances that Deplete the Ozone Layer

The Montreal Protocol is a global environmental agreement that controls the production and consumption of ozone-depleting substances to protect the Earth's ozone layer. Adopted in 1987, it is one of the few international treaties to achieve universal ratification. Since it entered into force in 1989, parties to the treaty have phased out 98% of the chemicals covered under the treaty.

Convention on Biological Diversity

The Convention on Biological Diversity is an international treaty with 196 signatory parties which entered into force on 29 December 1993. It has three main objectives: 1) conserving biodiversity; 2) using biological resources sustainably; and 3) sharing the benefits of genetic resources fairly.

Paris Agreement – United Nations Framework Convention on Climate Change

The Paris Agreement is the first universal, legally binding international treaty on climate change. Adopted by 196 parties at the United Nations Climate Change Conference (COP21) in Paris, France, in 2015, it entered into force on 4 November 2016. Its primary objective is to limit the rise in the "global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."

Agreement on Biodiversity beyond National Jurisdiction

Following nearly two decades of negotiations, the United Nations adopted a new legally binding international agreement on high sea biodiversity in June 2023. The treaty aims to ensure the sustainable and fair use of the ocean and marine resources beyond national boundaries. It will enter into force 120 days after its ratification by 60 countries.

Source: UNFCCC (2024[3]); UNEP (2024[5]; 2024[6]); United Nations (2023[7]); European Commission (2023[8]).

Current public perceptions are ambiguous about whether governments will meet the objectives set out in these global policies. The 2024 edition of the OECD Trust Survey found that an average of four in ten individuals are confident that their country will succeed in reducing greenhouse gas (GHG) emissions in the next ten years (OECD, 2024[9]). Furthermore, evidence suggests that while most households in a number of OECD Members are willing to make sacrifices for the environment, they are not willing to spend more to do so, challenging policy approaches to encouraging more sustainable behaviours (OECD, 2023[10]). Governments need to strengthen trust by implementing more effective and equitable policies that align environmental objectives with economic realities while ensuring transparent communication and public engagement to promote greater confidence in environmental efforts.

This chapter explores why well-designed and delivered rules are critical to achieving the green transition. It reviews the challenges governments are facing and suggests good practices in three main areas:

- overcoming gaps in and regulatory barriers to rules
- deepening existing rule-making techniques
- improving domestic and international engagement.

Overcoming regulatory barriers to the green transition

Current rule-making approaches have led to gaps in some areas and overregulation in others – both of which are hindering the green transition. Without adequate rules, environmentally harmful activities may continue unchecked and investments and innovation in sustainability can be deterred. At the same time, overregulation can lead to a regulatory jungle of complex rules that undermines efficiency, innovation and economic growth. Disregarding or inadequately considering the impact of overregulation can lead to stakeholder frustration and undermine the achievement of regulatory objectives. Poor institutional frameworks and a siloed approach to rule-making further inhibit the green transition. Rules developed in isolation and in an uncoordinated manner may not coherently and consistently pursue environmental goals, nor effectively balance competing economic, social and environmental objectives (OECD, 2023[11]).

Closing regulatory gaps

Gaps in regulation are an important barrier to achieving the green transition. A complete absence of rules may undermine the attainment of a government's goals, environmental and otherwise. Without regulation, fewer incentives may exist to change harmful environmental behaviours, thereby undermining efforts to address the triple planetary crisis.

Governments are under increasing pressure to identify regulatory gaps and close them. While gaps are often created by rapidly changing technological advancements, e.g. in the case of renewable energy or transportation, they can also occur as result of broader changing political and economic developments. Regulatory gaps can also emerge due to the absence of adjustment arrangements, which are particularly pertinent in achieving green transition ambitions where significant and urgent structural change is needed.

Some unavoidable regulatory gaps exist. For instance, new species of animals and plants are still being discovered, and knowledge is improving about how the natural environment works and how the built environment interacts with it. These gaps are accompanied by the reality of the policy landscape – that an absence of scientific certainty warrants a degree of caution in decision making (OECD, 2023[12]). Uncertainty with respect to both environmental quality and policy impacts on environmental outcomes places increased emphasis on monitoring and evaluation to ensure that rules continually support the green transition as new information emerges.

Technological change further exposes regulatory gaps. For instance, hydrogen infrastructure for refuelling vehicles in some OECD Members has faced regulatory barriers, including outdated risk assessments, unsuitable site approval processes, and regulatory uncertainty. This has stifled the potential for broader adoption of hydrogen technology (OECD, 2023[13]) (Box 3.2). Regulatory frameworks can fail to account for new applications of technologies, creating challenges for industries as they navigate unclear or conflicting requirements, which hampers innovation and progress towards environmental goals.

To address these gaps, governments can adopt more agile regulatory approaches, such as horizon scanning, which allows policymakers to anticipate and prepare for future environmental challenges and technological advancements (OECD, 2021[14]). By scanning the horizon for emerging risks and opportunities, governments can proactively update existing rules and design more flexible regulatory frameworks that evolve with scientific evidence and technological progress. In addition, technological change has provided regulators with opportunities to better monitor and intervene earlier, enhancing governments' abilities to achieve the green transition. Evaluation efforts help assess if environmental goals are being met, emerging technologies are effectively regulated and rules contribute to the transition to a sustainable economy. Governments need to scan existing rules and update them accordingly to reduce regulatory gaps.

Box 3.2. Regulatory gaps in hydrogen refuelling infrastructure create a burden

A majority of European Union (EU) countries currently do not have specific regulation governing hydrogen dispensing in refuelling stations (OECD, 2023[13]). Instead, the production, transport, storage and distribution of hydrogen often falls under other rules, while certain aspects of the process are only partially regulated. The permitting of new hydrogen refuelling infrastructure sometimes follows existing "guidelines developed for conventional fuelling stations combined with industrial hydrogen requirements or compressed natural gas specific regulation" (MultHyFuel Project, 2021[15]).

The absence of regulation and lack of regulatory certainty results in added delays and costs to build and operate hydrogen refuelling stations. This puts them at a cost disadvantage *vis-à-vis* traditional refuelling stations, which are, in turn, more likely to be built and maintained with associated higher emissions from traditional combustion engines, delaying the green transition.

OECD research found that the adoption of dedicated hydrogen legislation and policy in the **United Kingdom** lags behind the initial implementation of low-carbon hydrogen production. Similarly, the **United States** Department of Energy acknowledged the absence of appropriate regulations and standards to achieve the US government's ambitious hydrogen plans (OECD, 2023[13]).

Source: OECD (2023[13]); MultHyFuel Project, (2021[15]).

Reducing regulatory complexity

The growing stock of rules can impose excessive burdens and complexity on citizens, businesses and civil society organisations (OECD, 2022[16]). Overly complicated or unnecessarily complex rules can lead to unnecessary compliance costs and compared to other regulatory environments, cause competitive disadvantages that are frustrating for people and businesses to deal with (see Chapter 2) (OECD, 2018[17]). Overly complicated rules can undermine efficiency, innovation and economic growth, which puts achieving sustainable development at risk (Box 3.3).

The triple planetary crisis has spurred an accumulation of rules due to the increased awareness of environmental degradation and the growing need to protect ecosystems. While many of the existing rules help generate important benefits, their effectiveness varies and due to their complexity, the associated costs can be important, in particular to businesses.

Regulatory obligations can also carry costs for the environment. For instance, unnecessary paperwork requirements are not only in and of themselves costly for all concerned, they also have environmental costs simply as pieces of paper or energy demand for electronic obligations. Likewise, storage requirements for future audits, be they on paper or in electronic form, impose environmental costs. The costs are equally relevant to bespoke environmental rules (e.g. waste disposal requirements) as they are to rules more generally (e.g. record keeping requirements for smallgoods stores).

Accelerating the energy transition requires faster deployment of renewable energy infrastructure and the rollout of new technologies. At the same time, regulatory frameworks need to balance risk, reconcile existing concerns and harness innovation. This is especially true in light of the uncertainty about the safety of emerging technologies that can help reduce carbon emissions and environmental degradation (OECD, 2023[12]). While governments should apply risk-based approaches to regulatory policy in general, the urgency of the climate crisis and increasingly severe threat of irreparable environmental damage have heightened their importance.

Box 3.3. Perceived regulatory burden and complexity risk undermining environmental objectives: example of perceptions linked to the European Union's Common Agricultural Policy

Farmers in some European Union (EU) Member States voiced dissatisfaction with what they perceived as increasing red tape, often linked to environmental regulations at the EU level, reported to be too complex and costly to implement. Under the European Union's Common Agricultural Policy's rules, farmers needed to respect a set of standards beneficial to the environment and climate to receive agricultural subsidies, which was perceived as overly burdensome by some of the protesters. Responding to the concerns, the European Commission allowed EU farmers a one-year derogation from certain agricultural rules meant to protect biodiversity and prevent environmental degradation while remaining eligible for subsidies under the Common Agricultural Policy.

Source: France24 (2024[18]); DW (2024[19]); European Commission (2024[20]; 2024[21]).

Streamlining licensing and permitting procedures

Licencing and permitting systems cover a wide range of economic activities, from driving a vehicle to exporting food. Well-designed licensing and permitting systems ensure compliance with regulations, safeguard public health and safety, protect the environment, preserve culture and heritage, and facilitate responsible economic development. At the same time, governments must balance these objectives and reduce regulatory complexity by minimising the use of L&P to what is strictly necessary to achieve

environmental goals and manage risks (OECD, 2023[13]). Additionally, governments can enhance certainty for the private sector by mapping areas less sensitive to development, which are more likely to receive approvals for renewable energy projects.

Licensing and permitting should be meaningful, effective and designed with the goal of mitigating an actual environmental hazard that has been identified through an evidence-based process. To that aim, the use of permitting and related requirements needs to be based on risk assessment and proportionality, burden reduction, and consideration of alternatives to regulation and existing trade-offs (for a more detailed discussion of methods and tools that can be used during the design stage, see Chapter 5). It also needs to be delivered in close relation with the regulatory inspections and enforcement system – through, for example, the collection of information for risk analysis, identification of emerging risks, barriers to compliance, etc. – to ensure appropriate, proportionate and effective regulatory delivery (OECD, 2014[22]).

The granting of permits for deploying and using low-carbon and renewable energy infrastructure requires a careful consideration of public risks. This includes the technical reliability of the infrastructure, environmental impacts, national security concerns, and occupational health and safety. Regulators have found it challenging to balance safety risks associated with the deployment of renewable energy technologies with the slow permitting processes resulting from technological uncertainty. Cost-benefit analysis can provide a clear picture of the risks, advantages and disadvantages of a range of policy options to support decision makers in this regard.

For situations where a risk is known to exist, but its probability and magnitude of harm are uncertain or unknown, the application of the precautionary principle is one way to approach risk assessments (OECD, 2023[13]). While risk and uncertainty are factored into traditional cost-benefit analysis, the precautionary principle can provide further safeguards to prevent potentially harmful activities altogether (Driesen, 2013[23]). For instance, the use of hydrogen for heating or as fuel still involves some imperfectly known safety risks, even though hydrogen has been used industrially for several decades. Applying the precautionary principle to reduce harm can help regulators balance safety concerns with the need to harness innovation (OECD, 2023[13]).

However, an “over-application” of the precautionary principle can undermine the development and use of green innovations and new technologies. Policymakers and regulators often adopt a cautious approach to permitting new technologies due to uncertainties surrounding safety. For example, in **Poland**, before the Law on Wind Energy was amended and the minimum distance was set to 700 metres in 2023, the rule required onshore wind farms to maintain a distance from settlements equalling ten times the height of the wind turbines used, equivalent to around 2 kilometres, which limited the maximum onshore capacity to approximately 10 gigawatts. The reform of the distance will positively impact wind development due to the increase of surface area available for wind energy (European Commission, 2023[24]).

Countries face the challenge of updating their permitting systems to meet transformational goals. Technical regulations, lengthy permitting procedures and broad environmental impact assessments are time- and resource-consuming. In the worst case, these rules can place significant financial and administrative burdens on businesses, reduce investment in low-carbon technologies and energy efficiency, and stifle innovation. Long and complex regulatory processes can also raise entry barriers for new players, thereby concentrating the market.

Slow permitting for low-carbon and renewable energy projects remains one of the biggest challenges for the green transition (IEA, 2023[25]). A proliferation of intricate regulations can add complexity to wind turbine projects, and combined with slow and bureaucratic processes to issue construction and operation permits can increase costs and delay project implementation. Lengthy approval time frames for assessing new projects under environmental laws can create bottlenecks for the construction of wind farms and slow the pace of the green transition. Over the last five years, for example, the approval time for large-scale renewable energy projects in New South Wales, **Australia** was, on average, 746 days, with 3 488 days (equalling 9.5 years) for wind projects (Norman, 2024[26]).

Licensing and permitting for renewable energy face many of the well-documented challenges seen in other industries, along with ineffective co-ordination within government:

- Inefficient and lengthy regulatory processes can create bottlenecks and place burdens on citizens and businesses. Introducing simplified licensing or permitting systems can help promote the green transition while optimising resource use and reducing burdens on government and businesses. To further improve the efficiency and effectiveness of permitting procedures, the application for and granting of permits could be digitalised. In **Portugal**, the Single Environmental Permit is an online platform that streamlines the administrative procedure for 12 different environmental permits through a single tool (Green Policy Platform, 2024[27]).
- Governments also face the challenge of managing low-carbon energy permitting within the broader context of climate policy. In this case, permitting should be co-ordinated across government, rather than allowing individual ministries to manage their permits in isolation. For example, in **Lithuania**, limited co-ordination between different authorities leads to considerable permitting delays for the development of green infrastructure.

The OECD recommends government authorities examine risks or public concerns and how they interact with climate risks in a joint effort rather than in isolation (OECD, 2023[12]). The need for co-ordination and holistic risk assessments is also one of the six lessons learnt from hydrogen deployment in the **Netherlands** identified by the OECD (Box 3.4).

Box 3.4. Six lessons to foster hydrogen deployment through regulatory delivery in the Netherlands

To support the transition toward the widespread use of low-emission hydrogen in the **Netherlands**, six key lessons have been identified:

1. Advances in knowledge and technologies allow for better managing hydrogen risks.
2. Holistic risk assessments can ensure regulation effectively balances the multiple risks at stake.
3. Additional caution should be applied where necessary and when risks are still largely unknown.
4. Focusing on outcomes rather than prescribing detailed procedures can support efficient licensing, inspection and enforcement practices.
5. Effective communication and guidance can support public trust and an enabling investment climate.
6. Role clarity, effective co-ordination and sufficient resources can empower public institutions to keep pace with changes.

Source: OECD (2023[13]).

Once rules and permits are in place, they must evolve to keep pace with changing circumstances and technological advancements. Continuously minimising pollution and striving for net zero emissions also necessitate periodic reviews of existing permits. Periodic revisions ensure that requirements, for instance related to emissions reduction, align with up-to-date best available techniques. Governments can also consult with stakeholders in permit reviews.

Enhancing co-ordination

Environmental issues often span multiple sectors, requiring co-operation across diverse policy areas to find effective solutions. Limited co-ordination can undermine governments' efforts to achieve their goals through environmental and other rules (OECD, 2023[11]). Moreover, regulations developed in isolation may also lead to unintended consequences, such as regulatory gaps in, or overlap with, other sectors.

Successful rule-making for the environment needs support from an appropriate institutional framework that promotes inter-ministerial co-ordination. The scope of the green transition extends beyond the Ministry of Environment to rules in other policy areas, such as transport and industry. The Intergovernmental Panel on Climate Change finds that "effective climate action requires […] well-aligned institutional frameworks, laws, policies, and strategies. It needs […] co-ordination across multiple policy domains, and inclusive governance processes" (IPCC, 2023[4]).

Achieving co-ordinated environmental policies requires appropriate holistic supervision. The *OECD Recommendation of the Council on Regulatory Policy and Governance* highlights the importance of "a standing body charged with regulatory oversight […] established close to the centre of government, to ensure that regulation serves whole-of-government policy" (OECD, 2012[28]). Regulatory oversight can be defined as the variety of functions and tasks carried out by entities in the executive, or at arm's-length from the government, to promote high-quality, evidence-based regulatory policy (OECD, 2018[17]). OECD data show that most countries have designated high-level responsibility for regulatory policy from a whole-of-government perspective (OECD, 2018[17]). Governments should focus on ensuring these bodies have appropriate functions, powers and capacity to effectively deliver on their oversight and co-ordination roles.

Some OECD Members have made compliance with the Sustainable Development Goals (SDGs) mandatory. For instance, in **Germany**, all new legislation must undergo an electronic sustainability impact assessment. Before a legislative draft can be presented to the parliament in **Luxembourg**, it passes a sustainability check (Box 3.5).

Box 3.5. Supporting policymakers with sustainability checks in Germany, Luxembourg and the Netherlands

Germany's electronic tool for sustainability impact assessment, eNAP (eNachhaltigkeitsprüfung), is now obligatory for all draft laws and regulations. eNAP's design provides officials with relevant data and information, particularly on the Sustainable Development Goals (SDGs), to enhance the quality of assessments. Information includes data sources for sustainable development indicators from the German Federal Statistical Office.

Luxembourg introduced a "Sustainability Check" (*Nohaltegkeetscheck*) for all draft legislation. Draft bills require a sustainability assessment, based on a set of 118 national indicators designed to measure progress towards the achievement of the 2030 Agenda.

The **Netherlands** uses a "policy compass" to assess the impacts of draft rules and policies from a sustainability lens. It helps policymakers co-operate with stakeholders, consider all relevant quality standards and explore different policy options. Each rule's objectives are structured into different levels (strategic goals, specific goals and desired behaviours) and for each of them the impact on SDGs is detailed. The consequences of the options are also analysed under a sustainability approach and indicators of the impact on well-being are disaggregated into different time frames.

Source: Meuleman et al. (2022[29]); Government of Germany (2024[30]); OECD (2023[31]; 2022[32]; 2024[33]).

Facilitating implementation

Effective implementation of rules has a significant bearing on achieving regulatory objectives (see Chapter 5). Regulators need to be conscious of the burdens imposed, and regulated entities need to play their part in undertaking compliance activities. Compliance and enforcement shortcomings of existing rules can undermine the green transition (OECD, 2023[11]).

Improving compliance with environmental regulations

The implementation and enforcement of environmental laws and regulations falls far short of what is required to address environmental challenges (UNEP, 2019[34]). Appropriate regulatory delivery, which includes licensing and permitting, regulatory enforcement, and inspections, is essential to manage environmental hazards effectively and efficiently and close the compliance gap on environmental regulation.

Environmental regulations are not always complied with due to insufficient buy-in and understanding from stakeholders. Additional government support is needed to close the compliance gap. Ensuring that industry operators understand how to comply with rules is the first step to reducing potential environmental hazards. Environmental regulations cut across industries and impose different obligations depending on the location of the facility, its size, the type of activity, etc. Industry needs to keep up-to-date with regulatory changes and to understand how some of the technical regulations translate into practical requirements. In this context, small and medium-sized enterprises are disproportionately affected by compliance obligations, which can be burdensome for smaller players, which represent over 90% of businesses across the OECD, with 50% of all businesses being sole-person entities (OECD, 2023[35]). Achieving enhanced industry compliance is possible through the use of behavioural insights (Box 3.6).

Box 3.6. Using behavioural insights to promote compliance with environmental rules

The **Australian Department of the Environment** made use of behavioural interventions to improve entities' compliance with reporting obligations under the Ozone Protection and Synthetic Greenhouse Gas Management Act. Entities with a licence to import equipment containing ozone-depleting substances and synthetic greenhouse gases must submit quarterly import reports to the Department of the Environment. The department tested different approaches to simplify and frame government-issued information on reporting obligations in a randomised control trial with 667 licensed entities. The intervention resulted in a 26% increase in on-time reporting, saving 60 hours of staff time per year and on telecommunications costs.

The **Irish Environmental Protection Agency** engages and funds behavioural change research for climate action to facilitate the climate policy development and implementation. It carried out the Climate Change in the Irish Mind study, a nationally representative survey collected from May through July 2021. The study assesses citizens' climate change beliefs, risk perceptions, policy preferences and behaviours regarding climate change on a national level. Evidence and insights of this work are used to advise national, regional and local stakeholders, including the Department of the Taoiseach; Department of the Environment, Climate and Communications; and the climate action regional offices, and to inform the design of climate policies, including citizen engagement, the choice of different policy options to spark behavioural change on climate action, and strategies for regulatory delivery.

Source: OECD (2023[11]); Irish Environmental Protection Agency (2023[36]).

Opportunities remain for OECD Members to provide enhanced guidance to regulated entities. Advice and guidance can include initiatives such as capacity-building workshops, FAQs on enforcement agency websites, opinions on how certain actions will generally be treated, and so on. For instance, the **Korean** Ministry of Environment established an online contact point where questions on environmental rules must be answered within five working days (OECD, 2017[37]). Regulators also transcribe environmental regulations directly into checklists. Checklists and a toolkit comprised of non-conformity simulations, self-evaluation tools, and relevant guidelines and manuals of good practices have been developed in the **Italian** region of Friuli Venezia Giulia (Box 3.7).

Box 3.7. Environmental checklists in Friuli Venezia Giulia, Italy

Friuli Venezia Giulia, one of the Italian regions, started to introduce risk-based checklists and scorecards for inspections on wastewater treatment plants a few years ago. The OECD supported the region with enhancing these checklists and scorecards. Updates were made to reflect clear and easily understandable practices, and risk weights were assigned to classify facilities based on their risk level.

The risk-based method was extended to other administrative processes as part of the environmental inspections reform. This includes the re-engineering of complex administrative processes by introducing digital platforms, an approach that was subsequently applied to health inspections. The digital platforms were adopted by other Italian regions.

Friuli Venezia Giulia, so far, has developed a set of risk-based methods that are now ready to be shared with other inspection domains. The toolkit includes risk-based business ratings, checklists and scorecards, interregional working groups, inspector training, non-conformity simulators, self-evaluation tools, relevant guidelines and manuals of good practices.

Source: OECD work in Friuli-Venezia Giulia, Italy co-financed by the European Commission within the framework of the "Reforming Regulatory Inspections in Italy at National and Regional Level".

Industry co-operation and compliance are integral to realising the green transition. As reform efforts to promote electromobility demonstrate, industry support plays an important role in a regulation's success. Investing in widespread electric vehicle infrastructure underscores the challenge of regulatory delivery and implementation in the transition to sustainable transportation. Investing in charging infrastructure can be financially fraught at a nascent stage of industry development (Naor et al., 2015[38]). Moreover, uncertainty surrounding regulations and incentives further complicate decision-making processes for industry stakeholders and can risk discouraging timely and comprehensive investment in electric vehicle infrastructure (Hoffmann, Trautmann and Hamprecht, 2009[39]). Governments play a key role in closing related regulatory gaps, for instance by setting pollution limits and fuel efficiency standards, which, combined, can help overcome uncertainty for investment and innovation.

Governments can take several additional measures to improve regulatory enforcement and inspections to achieve environmental goals (OECD, 2023[11]) (see Chapter 5). The *OECD Regulatory Enforcement and Inspections Toolkit* provides government officials, regulators and stakeholders with a simple tool to assess the inspection and enforcement system in a given jurisdiction (OECD, 2018[40]). It recommends integrating risk considerations into environmental inspections, beginning with the development of inspection plans based on risk criteria to prioritise addressing the most urgent hazards. Regulators' limited inspection capacity requires targeting sectors and businesses with a combined increased probability and severity of causing environmental damage. Information collected during environmental inspections should be fed into databases to inform future decisions (OECD, 2023[11]). A common issue with inspection information is that agencies often operate individual databases that are not linked to those of other regulators. This practice

hinders necessary co-operation, as the enforcement of environmental rules may at the same time involve several regulators and different levels of government. A joint database of environmental regulatory delivery agencies responsible for permitting and inspections can facilitate information sharing and enable sector-wide risk analysis (see OECD (2023[11]) and Box 3.8).

Box 3.8. Connecting inspection systems in the Netherlands

Inspection View is an integrated online platform that enables data exchange and horizontal co-ordination between inspectorates in the Netherlands. It was initiated in 2013 and developed for different sectors. Through the platform, inspectors can consult information on inspection objects from other inspectorates' data systems. The integrated platform allows for inspections and enforcement to be carried out in a whole-of-government manner. Inspection View is now used by over 500 national, regional and local inspectors. It is developed as a government-owned platform, with outsourced maintenance and support.

Source: Featured in OECD (2023[11]), adapted from OECD (2021[41]).

Problems in monitoring regulated entities' compliance has reduced trust and worsened environmental outcomes. For instance, the regulatory failure in the case of the 2015 Volkswagen diesel emissions scandal illustrates consequences for both consumers and the environment that may occur if the responsible regulator does not carry out enforcement controls of NO_x emissions frequently or thoroughly enough (Eger and Schaefer, 2018[42]). It is thus important that governments dedicate resources for inspections, sanctions procedures and other enforcement activities to ensure compliance.

Private sector greenwashing presents a significant challenge to the effectiveness of regulatory policy in facilitating the green transition. Greenwashing occurs when businesses engage in deceptive practices to portray themselves as more environmentally friendly or sustainable than they actually are. Greenwashing slows down progress of the green transition by increasing misinformation, eroding trust and diverting customers away from more sustainably operating businesses. Greenwashing becomes relevant for regulators when it concerns false claims involving adherence to rules. Recent greenwashing cases in **Australia** were brought against companies for making misleading statements to the public about the sustainability of their investments, net zero targets or green energy claims (Longo, 2024[43]). Yet only a "few OECD countries have made consistent efforts to improve the way regulatory enforcement and inspections are organised and delivered in the environmental policy area" (OECD, 2023[11]). While limited enforcement and inspections may be the result of deliberate inaction, they can also be caused by a lack of regulatory capacity or an absence of clear guidance on what to enforce.

Equipping economic regulators to drive environmental goals

Economic regulators' engagement is crucial in the transformation to net zero. They play an important role in implementing and enforcing rules due to their role and mandate supporting the efficient delivery of essential services and networks such as energy, transport, water and e-communications.

Several functions that economic regulators routinely carry out can have important impacts on environmental outcomes. These may be direct outcomes (e.g. monitoring regulated entities' compliance with environmental standards) or more indirect ones, for example by shaping investment conditions in ways that incentivise investment in green technologies (OECD, 2023[11]).

In general, economic regulators face competing objectives, most commonly around price and the quality of service trade-offs. Adding environmental goals requires further considerations by economic regulators,

who may encounter trade-offs between environmental goals and other policy objectives. At a minimum, there is a question about the relative prioritisation of the objectives these institutions seek to achieve.

Providing clearer government guidance and assistance to network regulators on goal setting, managing trade-offs, data gathering and capacity building will assist them in shaping the trajectory of the transition and prioritising specific competing objectives. Setting economic regulators' objectives to align with overarching environmental goals provides regulators with a clear mandate to act and empowers them to adopt a green lens and deliver on their objectives, with new powers provided as appropriate.

Economic regulators with defined objectives relating to environmental sustainability and the legal powers to consider them in decision making are more likely to pursue actions which directly or indirectly impact the environmental sustainability of the sector(s) they oversee (OECD, forthcoming[44]). Providing economic regulators with a clear mandate, objectives and relevant powers is the first task and a primary enabling factor to spur action. However, results from a recent OECD survey indicate a significant proportion of economic regulators (58%) do not yet have objectives relating to environmental sustainability defined in legislation (OECD, forthcoming[44]). Similarly, a significant proportion of economic regulators (42%) lack the legal powers to consider environmental sustainability in decision making, regardless of whether they have defined objectives (OECD, forthcoming[44]).

Setting overarching goals for government, or sector targets, may not be sufficient for economic regulators to take environmental objectives into consideration in their decision making. An example is when regulatory requirements mandate regulators to prioritise other potentially conflicting policy objectives, such as in relation to price or quality of service. Data from an OECD survey of economic regulators conducted in 2023 indicates that, while almost one-third (30%) take quantitative targets relating to environmental sustainability defined for the sector into account in their decision making, one-quarter (25%) do not consider such targets, even though such targets have been defined (OECD, forthcoming[44]). Most economic regulators surveyed report that no quantitative targets have been defined – an area which governments could address in the near term, though, as noted, economic regulators might benefit more from decisive actions to clarify mandates and powers.

A significant proportion of economic regulators in the energy, communications, rail and air transport, and water sectors lack the legal authority to gather data on environmental sustainability. This can potentially impede their effectiveness in fulfilling environmental objectives. Data can be a powerful tool to support evidence-based policies and regulations and a vital ingredient in accurate impact assessments and continued regulatory development. Early work on environmental sustainability by economic regulators has often concentrated on data and measurement issues with the aim to understand the environmental impact of the sectors they oversee. However, OECD surveying of economic regulators indicates that less than half (45%) have the legal powers to collect relevant data on environmental sustainability in the sector they oversee (OECD, forthcoming[44]). Importantly, nearly one-quarter of economic regulators who have environmental objectives lack data collection powers, which could hamper their ability to deliver. Furthermore, economic regulators with the power to collect relevant data could be encouraged to do so more systematically – only half (48%) of regulators with the power to collect relevant data report doing so on a regular basis. A **Finnish** regulator's recent pilot study on the environmental impact of the information and communications technology sector shows the importance of data collection (Box 3.9).

Box 3.9. Data collection pilot on the energy consumption of ICT networks at Finland's Traficom

Finland's Ministry of Transport and Communications introduced the Climate and Environmental Strategy in 2022, which the regulator, Traficom, is involved in implementing. It is recognised that information and communication technologies (ICT) play an important role in environmental sustainability and, through action on energy consumption, emissions and material consumption, can play a role in

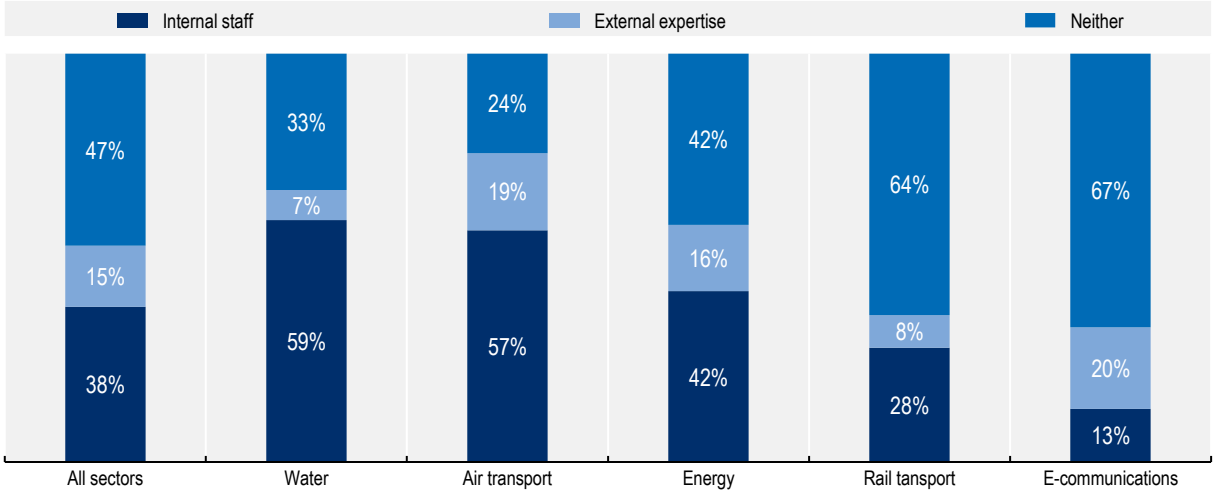
tackling climate change. One element of the strategy, and a first step in understanding how the ICT sector can combat climate change, concerns improving the transparency of the environmental sustainability of the ICT sector in Finland.

Traficom implemented a pilot data collection on the energy consumption of networks for the largest telecommunications operators in the country. The study was the first of its kind and through future iterations will enable Traficom to develop annual statistics. The data collected through the pilot programme have already provided a more detailed picture of the sector's environmental impact and can serve as a benchmark to monitor the development of the communications network and its energy consumption. According to the pilot data, the energy consumption of Finland's communications network in 2021 was approximately 650 gigawatt hours. The data showed how most energy is consumed by the network connections closest to the end user, including the access points for fixed networks and the radio networks associated with mobile communications, and that relative consumption was higher for mobile networks than for fixed networks. The study estimated that communications networks contribute approximately one-quarter of the ICT sector's total carbon footprint.

Source: Survey response provided by Traficom, 2023; Finnish Transport and Communications Agency Traficom (2022[45]).

Economic regulators need to build sufficient capacity and capabilities to deliver on new or expanded mandates for environmental sustainability. For instance, regulation related to decarbonisation involves considering the entire life cycle of substances and products, promoting low-carbon and circular technologies, which necessitates a whole range of different expert skills and knowledge. Close attention will also be needed around regulators' staffing and funding arrangements – such as their ability to hire new staff, allow existing staff to build new capacities, reorganise itself internally and manage resources autonomously – as these can have an important bearing on their agility to respond to new roles and expectations. In this area, OECD surveying of economic regulators shows 40% have built internal capacity in environmental sustainability expertise or plan to bring in capacity in the future (OECD, forthcoming[44]). However, a sizeable share (47%) of economic regulators have not built capacity in this area (Figure 3.1), (OECD, forthcoming[44]).

Figure 3.1. Proportion of regulators that have hired or plan to hire staff with relevant expertise in environmental sustainability vs the proportion who use external expertise



Note: n=1 178.
Source: OECD (forthcoming[44]).

Economic regulators' capacity and funding is also important beyond the area of sustainability. Even though economic regulators in many OECD Members enjoy a degree of independence, restrictions on how they receive or manage resources can limit their autonomy. Regulatory independence can help build greater confidence that decisions are impartial and contribute to regulatory certainty and stability (OECD, 2022[46]). Moreover, mandating an independent body to regulate can demonstrate a commitment to long-term policy objectives.

Reconciling competing economic, social and environmental objectives often entails managing trade-offs for economic regulators. While policy objectives may sometimes align, achieving environmental objectives may at times run counter to other policy objectives, such as promoting competition, improving cost effectiveness, or protecting consumer welfare and social inclusion. According to OECD data, 43% of economic regulators with the legal power to consider environmental sustainability in their decision making have either encountered or anticipate trade-offs between "green" and other policy objectives (OECD, forthcoming[44]). Economic regulators require greater support in the form of appropriate powers, knowledge, capacity and guidance to manage trade-offs that arise in decision making between environmental policy goals and other policy objectives. Clear guidance on balancing objectives can support regulators in situations where there is wide scope for discretion. OECD guidance recommends that where trade-offs between objectives are likely to be necessary, there should be a means for the responsible minister to provide an overall direction on priorities, or that legislation should include clear guidance as to how the regulator should resolve trade-offs between objectives (OECD, 2014[47]).

Using regulatory tools for greener rules

Regulatory impact assessment and *ex post* evaluation of regulations are essential tools for promoting the green transition because they provide a systematic framework for embedding environmental considerations in rule-making. Integrating these tools into the regulatory process enables governments to adopt a "green lens" to rule-making to ensure that both environmental and other rules contribute to achieving environmental goals, ultimately driving meaningful progress in achieving the green transition.

The *OECD Better Regulation for the Green Transition Stress-testing Toolkit* (OECD, forthcoming[48]) helps policymakers assess the readiness of their regulatory policy frameworks for the green transition. It provides self-assessment criteria to evaluate practices for designing, implementing and evaluating primary laws and subordinate regulations with a green lens across all policy areas.

Counting the cost of inaction

Embedding environmental considerations when designing new rules is critical to achieving the green transition. Around the world, policymakers are recognising that doing nothing to reverse the environmental crisis will eventually cause irreparable damage (Alberini et al., 2016[49]; OECD, 2015[50]). Further forestalling will make the necessary adjustments more severe, particularly for people with more limited ability to mitigate impacts (OECD, 2021[51]).

Regulatory impact assessment can help identify likely environmental impacts, feasible alternatives and various trade-offs by providing information on the costs and benefits of different policy options (Box 3.10). Results from the OECD iREG Survey indicate that 28 Members systematically require an assessment of environmental impacts as part of regulatory design, up from 25 a decade ago.

Box 3.10. Improving the design of environmentally related regulatory proposals

A proposal in **Canada** was put forth to address the release of methane and associated compounds. It involved managing five primary emission sources, establishing specific limits for significant emission sources and anticipating compliance actions aimed at reducing emissions from each of these sources. Public consultation led to the regulator changing the commencement dates to account for businesses' operational difficulties in the winter, thereby promoting environmental goals while making it easier for businesses to comply.

The **New Zealand** government's Healthy Waterways policy package aimed at restoring and protecting the health of the country's waterways by strengthening the framework for freshwater management to improve the health of the ecosystem, strengthening the protection of wetlands and estuaries, protecting sources of drinking water, improving water and farm management practices, controlling high-risk farming activities, and limiting agricultural intensification. Consultation feedback led to changes including recommendations from the Independent Advisory Panel and in response to the new implementation challenges of the COVID-19 pandemic. The updated proposal sought to protect freshwater bodies through more environmentally conservative objectives and limits in plans, halt further degradation of freshwater bodies, and increase restoration efforts where communities and regional councils identified that water would not be able to sustain current demand.

Amendments to waste management laws by the Ministry of Environment in **Denmark** were initially drafted in a way that imposed DKK 24 million in administrative burdens on businesses. Administrative burdens were subsequently reduced by over 80% by retargeting the regulation on fewer businesses.

Note: Country cases featured in OECD (2023[11]).
Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2021; https://www.gazette.gc.ca/rp-pr/p1/2023/2023-12-16/html/reg3-eng.html; https://www.mfe.govt.nz/action-for-healthy-waterways; https://www.retsinformation.dk/eli/lta/2019/224.

More systematic and granular assessments are needed in practice to fully realise complete environmental impact assessments. Evidence indicates that while a majority of OECD Members systematically conduct environmental impact assessments for new laws and regulations, only half extend these reviews to cover specific issues such as carbon emissions, biodiversity and natural resource use – factors critical for a comprehensive understanding of environmental impacts.

Moreover, practices for assessing environmental impacts are uneven within governments. Ministries without primary responsibility for the environment tend to have less experience with assessing impacts on the environment and do so less systematically (OECD, 2023[11]). This may affect environmental outcomes, as the framework conditions for preserving the environment are not only provided by environmental policies; all policy domains should allow for the integration of environmental protection and the transformation towards a low-carbon society. Targeted guidance and training can foster co-ordination and capacity building for a more balanced use of assessments across ministries to improve impact evaluation. The OECD *Recommendation of the Council on Policy Coherence for Sustainable Development* provides guidance to governments on promoting horizontal co-ordination and reconciling objectives for sustainable development (OECD, 2019[52]).

Weighing environmental costs and benefits, including for the environment, and the selection of a discount rate are key to accurate impact estimations. The discount rate is the rate at which society is willing to trade-off present for future benefits. Some policy measures with environmental impacts can provide short-term benefits but may come at a long-term cost (e.g. deforestation), or at short-term cost with long-term benefits (e.g. wetland protection). To correctly determine the net present value of such policies, governments have

to choose a discount rate based on several factors, including the uncertainty of future benefits, opportunity costs (e.g. related to increasing adjustment costs in the future) and inflation rates (see Chapter 2 for a further discussion) (OECD, 2018[53]).

Rules affect a range of issues, such as climate change and human and animal health, in a way that is difficult to monetise as part of cost-benefit analysis and appropriate baselines are difficult to establish (for more information, see OECD (2018[53])). The global nature of environmental damages and the uncertainty around climate trajectories make the calculation of those impacts even more complex (OECD, 2023[11]).

Nevertheless, policymakers can make use of common valuation methods (see OECD (2018[53]) for an overview of various methods of environmental valuation). For instance, integrated assessment models of climate and economy allow governments to consider damages caused by climate change in policy design. These models allow estimating the value of biodiversity and ecosystems through the "services" they offer (e.g. protection against floods or consumptive and productive use), which translate into both direct and indirect economic benefits (OECD, 2023[11]).

Some governments try to quantify the regulatory impacts on human health and well-being (Box 3.11), despite inherently subjective methodologies. As part of cost-benefit analysis, policymakers need to decide whether to recognise and how to account for the “inherent” value of the environment, which should be protected not only for economic, social and health reasons, but also for ethical and moral ones (Ehrlich and Ehrlich, 1997[54]; Stone, 2010[55]). In this context, qualitative descriptions of impacts that complement quantitative assessments can be valuable (OECD, 2023[11]).

Finally, regardless of the methodology used to calculate environmental impacts, governments must complement such quantitative assessments with a proportionate qualitative evaluation of all relevant risks, costs and benefits to take informed decisions. Quantitative data alone cannot capture the full complexity and context of environmental issues, and a comprehensive understanding is essential for sound policymaking.

Box 3.11. Considering the social costs of greenhouse gas emissions and accounting for ecosystem services in the United States

Considering the social cost of greenhouse gases

The metric that the **United States** uses to value emission reductions is known as the social cost of greenhouse gases (GHG). When updating the estimates in 2021, the interagency working group recommended the use of global estimates because: the effects of changes in GHG emissions experienced by US citizens and residents could not be separated from the global effects of changes in GHG emissions in a practical or reasonably accurate manner; and regulating GHG emissions on the basis of their global effects supports a co-operative international approach to GHG emissions regulation by potentially inducing other countries to follow suit or maintain existing efforts.

The Environmental Protection Agency’s draft report analysing the social cost of GHGs used current scientific and economic understandings of the effects of emissions and climate change. The report found new research demonstrating reciprocity in the context of GHG emissions reductions. The Environmental Protection Agency noted that some literature has even demonstrated how a country’s decision to internalise global effects in domestic policymaking can be individually rational (i.e. in the country’s own self-interest) solely because of the reciprocally induced emissions reductions occurring in other countries.

Many countries and international institutions have adapted the United States’ estimates of global effects in their domestic analyses (e.g. Canada and Israel), developed their own estimates of global effects (e.g. Germany) or have taken note of the estimates (e.g. Australia, Italy, Japan and New Zealand).

Accounting for ecosystem services

Failing to fully account for ecosystem services can lead to undervaluing natural assets. While ecosystem services are currently not valued within the existing social cost estimates of GHGs, the Office of Information and Regulatory Affairs, in collaboration with the Office of Science and Technology Policy, released draft guidance, which was published for consultation. The draft ecosystem services guidance reflected collaborations with ecologists and economists across departments and agencies and aligns best practices within government with current scientific knowledge.

Source: Presentation delivered by Richard Revesz, Administrator of the White House Office of Information and Regulatory Affairs, during the 29th Session of the OECD Regulatory Policy Committee, Paris, 29 November 2023 (unpublished); US Office of Management and Budget (2023[56]); Interagency Working Group on Social Cost of Greenhouse Gases (2021[57]).

Reviewing existing rules

Much like gardens, rules need ongoing care and attention. Governments need to update existing rules to ensure that changing conditions do not lead to regulatory gaps and regulations remain effective and efficient (OECD, 2020[58]) (see Chapter 5). The *OECD Recommendation of the Council on Regulatory Policy and Governance* states that governments should "conduct systematic reviews […] to ensure that regulations remain […] cost effective and consistent, and deliver the intended policy objectives" (OECD, 2012[28]). OECD Environmental Performance Reviews provide a bespoke assessment of countries' progress towards their environmental policy objectives and are an important part of learning for the gradual improvement of existing rules.

The pace of rapidly progressing climate change and advancing climate-relevant technologies pose significant challenges to governments in this regard. Due to the urgency of environmental threats, it is of utmost priority to adopt measures that ensure that regulations, once in place, stay fit-for-purpose, encourage investment in innovation and continue to support environmental goals. For example, in **Germany**, the rapid development of offshore wind energy has exposed gaps in the regulatory framework, particularly regarding grid connections and environmental impact assessments. This has led to delays in project approvals, emphasising the need for more flexible and responsive regulatory systems that can accommodate evolving renewable energy technologies while ensuring environmental protection (Bundesregierung, 2023[59]; Bundesamt für Seeschifffahrt und Hydrographie, 2024[60]).

Nevertheless, only a minority of OECD Members have adopted systematic approaches to reviewing the existing stock of rules from an environmental perspective. Of 13 countries that systematically evaluate the efficiency and effectiveness of existing regulations, only 4 systematically do so with a green lens that includes environmental and sustainability considerations (e.g. within the framework of international agreements such as the Paris Agreement or the United Nations' Agenda 2030 and the SDGs). Principle-based reviews of regulations in a certain sector or policy area can help ensure that synergies and trade-offs as well as the cumulative effect of these regulations on the environment are captured. Only nine Members conduct environmental sustainability-based evaluations.

The pace of the rapidly evolving planetary crises requires more frequent evaluations. Despite tracking whether countries are on course to meet their climate and environmental goals, there remains a significant gap in translating these data into effective policy action in some contexts (OECD, 2023[11]). A sound data governance strategy can help produce, collect, process, access and share data (OECD, 2019[61]) to ascertain whether rules are working as intended. Complementing compliance information with self-reported data can further improve evaluations and help inspectors, if adequate monitoring is in place to detect fraudulent reporting (Box 3.12). Enabling data exchange and co-ordination means inspectors can consult data from other inspectorates, avoid duplication of activities, ensure data are up-to-date and implement a whole-of-government approach (OECD, 2021[41]).

Box 3.12. Collecting self-reported compliance data in Lombardy, Italy

The environmental inspectorate in the Italian region of Lombardy has developed a database of self-reported compliance data for environmental regulations. The dedicated software (Applicativo Integrato Di Autocontrollo, AIDA) helps to streamline data submissions and increase the efficiency of environmental data collection. Regional authorised operators carry out annual self-monitoring activities and in AIDA, which exempts them from submitting the annual emissions and planned activity reports.

Lombardy has benefited from OECD technical assistance to valorise self-monitoring data to improve its inspections. In particular, the project objective was twofold: identify and address any problems in the data collection process and propose corrective measures; and identify statistical patterns related to emissions data in the region.

By analysing historical emissions data, it is possible to identify patterns of compliant companies to reported emissions levels. If the information provided by operators through AIDA results in "statistical anomalies", the regional environmental authority may decide to investigate these situations further. Such anomalies do not necessarily indicate non-compliance or misrepresentation but may provide an additional element of knowledge to guide certain inspection activities. The system detects fraudulent insertion of data (e.g. forcibly remaining under permitted thresholds), so non-compliance might be identified.

Source: OECD (forthcoming[62]).

Cumulative impacts – be it on the environment or elsewhere – are often ignored. Evaluations often focus on marginal impacts and neglect indirect and second-round effects (OECD, 2023[11]). While marginal impacts are important, they are not the only impacts that rules cause. An example is the use of stock-flow linkage rules such as "one-in one-out". While the policy has some merits in placing an increased focus on reducing unnecessary costs (Trnka and Thuerer, 2019[63]), these relate to administrative burdens on businesses and not to broader impacts on citizens nor social or environmental impacts. Such instruments incentivise policymakers to introduce regulations that pose minimal costs to society in an effort to reduce regulatory compliance costs for businesses. This can come at the expense of costly regulations that are beneficial to the environment. Introducing flexibility mechanisms to the stock-flow linkage rule can allow for exemptions in cases where social and environmental issues are affected.

Going green together

Regulating *with* people is fundamental to regulating *for* them (see Chapter 2) by, for example, protecting the environment and avoiding species loss. The same principles of sound engagement that policymakers follow in all areas of rule-making also apply in the environmental context. In some respects, principles on engagement are heightened since everyone is impacted by environmental policy decisions and disadvantaged groups are often most affected by the outcomes of the climate crisis (see, for example, OECD (2021[51])).

Engagement in rule-making matters for trust in government (Smid, 2023[64]) and may increase acceptance and compliance. The results of the 2024 OECD Survey on Drivers of Trust in Public Institutions show that people who feel they have a say in what government does are, on average, more than three times as likely to report that they trust their government than people who feel they do not have a say (OECD, 2024[9]). This finding highlights the need to further promote meaningful engagement. On the flipside, inadequate consultation practices have resulted in rules not being accepted by the community, leading to

demonstrations and legal disputes in some cases (see Box 3.3). The disputes cause both uncertainty and delay for project proponents, and increase people's resistance to change.

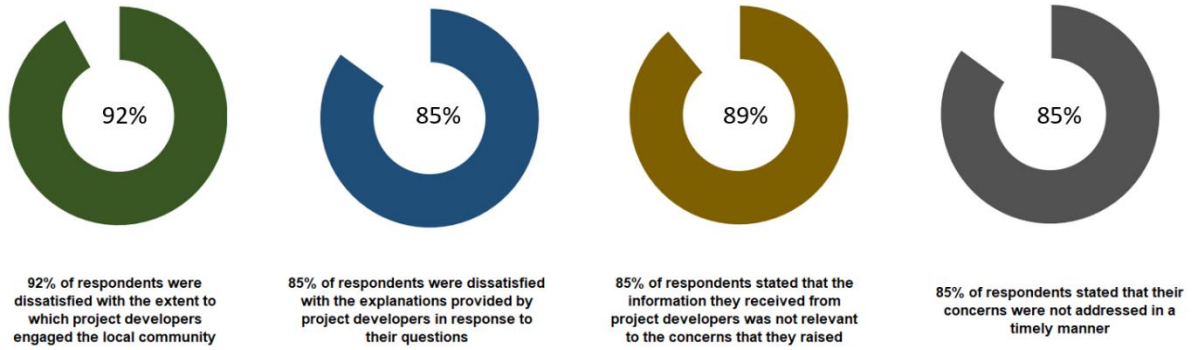
Many environmental issues such as climate change do not know borders. Engaging all affected parties means considering stakeholders abroad in rule-making. It also necessitates collective rule-making given the inherent spillovers associated with rules affecting the environment.

Engaging with people for the planet

The importance of having a conversation should not be understated. People are grateful simply for the opportunity to take part in rule-making, and instances have indicated that the vast majority would be willing to do so again (OECD, 2023[65]). While the substance matter of environmental systems, their linkages and relationships are complex, consultation should not be disregarded. Engaging with people can have an educative role, particularly in the environmental policy space where heightened scepticism around evidence and information persists. For instance, pockets of fundamental scepticism still exist over climate change (Gounaridis and Newell, 2024[66]). Likewise, governments have a strong role to play in ensuring that factually incorrect material is refuted (OECD, 2024[67]) while recognising that there are multiple plausible explanations, and that this is where reasoned debate ought to take place to improve our collective understanding of the environment.

In fact, improved engagement is required to achieve the green transition. A recent Australian community engagement review into renewable energy infrastructure found that landholders and community members were generally dissatisfied with the engagement that they received from project developers (Figure 3.2). The concerns raised are long-standing issues recognised by the OECD that the quality of engagement needs to improve (see, for example, OECD (2012[28]; 2015[68]; 2018[17])). The review highlighted that the general dissatisfaction with the level of engagement has "led to a material distrust of project developers" (Andrew Dyer, Australian Energy Infrastructure Commissioner, 2024[69]). A lack of engagement in rule-making is consistent with adverse findings on trust in government action more generally (Smid, 2023[64]).

Figure 3.2. Adverse landholder and community sentiment from renewable energy project engagement



Note: Based on 257 responses to the "Have Your Say" Survey, which asked landholders and community members about their experience of engagement on renewable energy projects.
Source: Adapted from Andrew Dyer, Australian Energy Infrastructure Commissioner (2024[69]).

Distrust stemming from a lack of engagement may lead to an overall or "not in my backyard" resistance from those affected. OECD work shows that providing information that addresses people's concerns regarding the effectiveness of policies to reduce emissions, inequality, and their own household's gains and losses can increase support for climate policies (Dechezleprêtre et al., 2022[70]). The distrust, along

with additional costs, delays and uncertainty for all involved, can be avoided with improved upfront and ongoing engagement. Recent research found that community willingness to accept onshore wind farms "is associated with early, in-person engagement with a community liaison officer during siting and citizen participation in the governance and distribution of financial benefits during operation" (le Maitre et al., 2023[71]). The importance of public engagement also applies to offshore wind farms (Haggett, 2011[72]). Separate research highlighted that poor engagement can have longer term consequences. It identified that wind farms that faced initial opposition tended to face higher levels of opposition for their repowering or life extension compared to those where opposition levels were initially less (Windemer, 2023[73]).

Broad engagement helps improve acceptance of and compliance with rules (see Chapter 2) but is essential in the environmental context given the breadth and depth of impacts on people. OECD work highlights that certain impacts of environmental degradation can be concentrated among vulnerable groups and households and that a majority of households support policies to address distributional issues, e.g. via targeted subsidies to support renewable energy use (OECD, 2021[51]; OECD, 2023[10]). Drawing on diverse knowledge and partnerships, including with women, youth, indigenous peoples, local communities and ethnic minorities, can facilitate climate-resilient development and has allowed locally appropriate and socially acceptable solutions (IPCC, 2023[4]). To improve engagement inclusivity and advance environmental justice, some countries have introduced innovative forms of public participation, such as deliberative processes, for example citizens' assemblies and panels (see Chapter 2) to bring together broadly representative groups of society to tackle challenging policy issues such as the climate transition (Box 3.13). Many countries are also aiming to reduce barriers to participation in environmental decision making through targeted and tailored engagement practices. For instance, representatives of communities act as "cultural mediators" to guide consultations with indigenous communities in Costa Rica and the government of Chile organises workshops with children to gain a clearer understanding and meet their specific needs (OECD, 2024[74]).

Box 3.13. Examples of deliberative processes addressing climate-related issues

Iceland's co-operation platform on sustainable development

Iceland established a co-operation platform called "Sustainable Iceland". It established a steering group to co-ordinate work across government, a new Sustainability Council to bring together the Prime Minister, who is the chair, other line ministry officials, and representatives from the private sector, trade unions, local governments, parliament and civil society.

The role of Sustainable Iceland is to speed up and co-ordinate actions to achieve the Sustainable Development Goals (SDGs) and the government's well-being priorities. Sustainable Iceland also works to ensure that a just transition in all areas of society is a guiding principle in all policymaking and actions. Sustainable Iceland's first two tasks were to prepare Iceland's 2023 Voluntary National Review and to develop a national strategy for sustainable development.

Spain's Citizens' Climate Assembly

Spain established a Citizens' Assembly for the Climate. The assembly was designed as a deliberative participatory exercise to establish social dialogue on major issues entailed by the ecological transition, enabling citizens to discuss potential solutions to achieve climate neutrality by 2050 and to make the country more resilient to the impacts of climate change.

The assembly was comprised of 100 randomly selected individuals who met 6 times, developing 172 recommendations to achieve a fairer and safer country against climate change. A final report was submitted to government and parliament in 2022.

Source: Government of Iceland (2024[75]; 2023[76]); Government of Spain (2021[77]).

Governments need to specifically consider how they will engage with underrepresented groups – particularly today's youth and future generations – given some of the inherent longevity in the materialisation of various environmental impacts. The OECD recommends that Members "create or strengthen youth advisory bodies and opportunities for stakeholder participation" (OECD, 2022[78]). Results from the globally unique iREG Survey indicate that 24 OECD Members have requirements in place to consider youth and intergenerational impacts in rule-making. Several countries have implemented policies in response, for example in **Germany** via the innovation fund "Climate protection as a youth policy", and in **Portugal** through investing in environmental literacy (OECD, 2020[79]).

Economic regulators in areas such as energy, transport, water and e-communications need to appropriately engage to maintain trust in these critically important sectors. Some network regulators oversee areas that are significant contributors to a country's carbon emissions and therefore will be profoundly affected by the green transition. Where regulators have requirements to undertake stakeholder engagement as part of their role, they may need to consult with more diverse groups to better consider environmental goals in rule-making. Even when this is not a requirement, the knowledge of regulated entities, businesses, citizens and other stakeholders impacted by environmental issues and the regulatory regime assist the regulator to take efficient and effective decisions. OECD data indicate nearly one-quarter (22%) of regulators send a specific request to environmental civil society organisations (CSOs) to invite them to participate in their consultation processes. For most regulators, environmental CSOs do not receive a specific request to participate but are nevertheless able to respond as part of an open call for comments – more than half of regulators (57%) do not make a specific request but launch an open call for comments to all stakeholders, to which environmental CSOs can respond. However, there are cases where environmental CSOs do not have any avenue through which to provide input into the regulatory decision-making process.

Cultivating cross-border co-operation

Global problems require global solutions. Issues such as air pollution, climate change, biodiversity loss, ocean acidification and plastic waste pose major threats to the planet. International action has taken place to start addressing many of them. For example, the UNFCCC, with the Kyoto Protocol and the Paris Agreement, creates legally binding commitments to reduce GHG emissions, leaving flexibility on implementation. Successfully implementing these frameworks requires rallying many actors around the same goal and target. The UNFCCC supports the implementation while other international organisations, often jointly, collect data and evidence, like the Intergovernmental Panel on Climate Change hosted jointly by the World Meteorological Organisation and the United Nations Environment Programme. Similarly, the OECD draws on its multidisciplinary expertise to gather evidence with its Net Zero+ initiative and the Inclusive Forum on Carbon Mitigation Approaches.

Climate change, biodiversity loss and environmental pollution do not recognise national boundaries. As such, impacts of activities (or non-action) in one country can be felt abroad. Results from the iREG Survey indicate that progressively more OECD Members have required domestic policymakers to consider impacts on foreign jurisdictions in rule-making. Currently 21 Members have requirements in place, up from 18 a decade ago. Some governments assist policymakers in the types of impacts that should be assessed (Box 3.14).

Box 3.14. United States guidance to better consider foreign impacts

Circular No. A-4, drafted by the **US Office of Information and Regulatory Affairs**, notes that in certain contexts it may be particularly appropriate to include effects experienced by non-citizens residing abroad in primary analysis. Such contexts include, for example, when:

- assessing effects on non-citizens residing abroad provides a useful proxy for effects on US citizens and residents that are difficult to otherwise estimate;
- assessing effects on non-citizens residing abroad provides a useful proxy for effects on US national interests that are not otherwise fully captured by effects experienced by particular US citizens and residents (e.g. national security interests, diplomatic interests, etc.);
- regulating an externality on the basis of its global effects supports a co-operative international approach to the regulation of the externality by potentially inducing other countries to follow suit or maintain existing efforts;
- international or domestic legal obligations require or support a global calculation of regulatory effects.

Source: Office of Management and Budget (2023[56]).

Climate change and related environmental challenges call for interconnected policy responses and new governance and regulatory approaches. Effective global responses start with sound domestic governance. The OECD's 2022 *Recommendation of the Council on International Regulatory Co-operation to Tackle Global Challenges* prescribes a whole-of-government approach to international regulatory co-operation to convey political leadership, build a holistic vision, and give sufficient incentives for regulators and policymakers to co-operate (OECD, 2022[80]).

Sound governance requires clear roles and responsibilities to ensure international co-operation efforts by different public authorities all contribute to common strategic objectives. OECD Members are increasingly sharing IRC responsibilities across several central government bodies. A whole-of-government approach can help build a common understanding of IRC and its impacts across government; capitalise on different institutions' relevant information, practices and activities, and raise awareness of the benefits of IRC (OECD, 2022[80]). Two-thirds of OECD Members now have an explicit whole-of-government IRC policy in place. In the United Kingdom, for instance, IRC is highlighted as a key tool to achieve environmental objectives, in particular in relation to the drive towards fusion and hydrogen energies as part of its net zero ambitions (UK Department for Business & Trade, 2022[81]).

Regulation is a crucial enabling factor to combat today's environmental challenges. The traditional hallmarks of sound rule-making – stakeholder engagement (both domestically and abroad), impact analysis and review, and regulatory delivery – are ever more important in the face of irreversible environmental impacts. Governments need to use these tools to close existing regulatory gaps while at the same time avoid creating overlap and unnecessary regulatory burdens on citizens and businesses. Governments need to better harness the full potential of these tools to ensure that all impacts are identified and assessed, that community knowledge and concerns help to shape resulting rules, and that a continual learning process is embedded to ensure that generations to come can still benefit from the world's riches.

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4 Regulating for the future

Governments across the globe must act to devise better rules for the future, channelling the transformative power of innovation into a force for good. Rapid and transformative advances in emerging technologies yield enormous potential to enhance prosperity and wellbeing, from curing and preventing diseases to tackling the climate crisis. At the same time, innovation also brings new risks and challenges. It is critical for governments to create better rules for the future to address these challenges and create new opportunities without compromising fundamental rights or creating economic instability. Building off the Recommendation for Agile Regulatory Governance to Harness Innovation, Governments need to adapt their processes for responsive regulation, harness novel tools to improve regulations and shape institutions with future ready capacity and co-operation.

Key messages

- **Governments across the globe must act to devise better rules for the future, channelling the transformative power of innovation into a force for good.** Rapid and transformative advances in emerging technologies yield enormous potential to enhance prosperity and well-being, from curing and preventing diseases to tackling the climate crisis. At the same time, innovation also brings new risks and challenges. Digital technologies are particularly pertinent to current regulatory discussions, as technologies such as AI, the Internet of Things (IoT) and quantum technology rapidly evolve and transform our everyday practices and future potential while creating or exacerbating potential harms. Failing to address these challenges risks missing opportunities, compromising fundamental rights or creating economic instability.
- **Governments are taking up the challenge to create better risk-based rules for the future that, if designed and implemented well, can support innovation.** Digital transformation is one of the most pressing complex challenges for policymaking. While elements of existing regulatory systems still function, innovation, including digital technologies, is creating problems due to its rapid advancement and transboundary nature that makes informed regulatory governance difficult for needed interventions. Through the Recommendation of the Council for Agile Regulatory Governance to Harness Innovation, OECD Members have recognised the need for policy processes, tools and institutions to be agile and capable of anticipating and adapting to new evidence and new ideas.
- **Looking ahead, governments must expand and build on current efforts:**
  - **Adapt processes for responsive regulation.** Governments employing adapt-and-learn processes can continuously learn from and improve their regulatory approaches and systems to challenges such as digital. This requires adopting an anticipatory approach to regulation to proactively address emerging challenges and adapt to technological advancements. Strategic intelligence approaches, such as horizon scanning; strategic foresight; and more early-stage and consistent stakeholder engagement are key components. Coupling them with an increasingly iterative policy cycle to better incorporate flexible design choices, innovation considerations and feedback loops into regulatory design will help governments remain informed, thus closing information gaps and informing stronger future governance.
  - **Harness novel tools to improve regulations.** Novel tools, often powered by digital technologies themselves, are transforming how governments inform and manage regulatory systems for the future. Governments using advanced data analytics and regulatory experimentation can take more evidence-based regulatory decisions and adjustments, complementing national and international activities. Technology itself is also enabling better regulatory delivery by reducing burdens and increasing the efficiency of monitoring and enforcement, especially in the context of growing complexity of regulatory challenges.
  - **Shape future-ready regulatory institutions.** Investing in regulatory institutions' co-operation and capacity creates a more unified, cohesive, responsive regulatory environment. While OECD Members are already fostering joined-up action across government and regulators (both nationally and internationally), more could be done to create a system through which digital innovations do not "fall through the cracks". Investing in institutional capacity is a major enabler to ensure comprehensive protection and supports. Focusing on institutional frameworks, resourcing, skills and expertise improves the preparedness of institutions to deliver their important future roles in supervising and enforcing digital regulation.

Getting regulation right matters for the future

The scale and pace of innovation are fundamentally changing the way that societies and economies function. Emerging technologies such synthetic biology, artificial intelligence (AI), advanced materials, neurotechnologies and quantum technologies can contribute to unprecedented gains in health, energy, climate, food systems and biodiversity (OECD, 2024[1]). However, these innovations can also bring risks for people, the economy, the environment and democracy. Rules and regulations, whether developed by government or written in collaboration with or entirely by industry, provide avenues for managing these risks while supporting innovation. By acting as a "gatekeeper of the market" (Evans, 20 January 2021[2]), well-designed rules help harness innovation to promote economic, social and environmental goals.

But regulation is not always in place, effective in ensuring the necessary protections or perceived as appropriate for driving a positive impact. In 2024, data from 30 countries show that over a third of citizens find it *unlikely* that their national government would appropriately regulate new technologies and help businesses and citizens use them responsibly[1] (OECD, 2024[3]). Without timely and informed regulatory action, gaps in protections and market functioning can emerge. This can lead to increased risks; hindering the responsible adoption of new technologies; and leaving both markets and individuals vulnerable to misuse, exploitation or inefficiencies.

Digital technologies are particularly pertinent to current regulatory discussions, as technologies such as AI, the Internet of Things (IoT) and quantum technology rapidly evolve and transform our everyday practices and future potential while creating or exacerbating potential harms. Well-cited examples of risks linked to the use of digital technologies include facial recognition and spyware as tools for mass surveillance (Ryan-Mosley, 2022[4]); cyber-attacks and cyber-crime undermining citizen privacy and safety; social media platforms as a vector for misinformation (Matasick, Alfonsi and Bellantoni, 2020[5]; OECD, 2024[6]); and biased algorithms leading to discriminatory hiring practices, for example, based on race and gender (Chen, 2023[7]).

Regulation plays an important role in ensuring that governance systems are sufficient to align the development and application of digital technologies with positive societal outcomes. While industry itself should aspire to this, the right incentives do not always exist. Industry-led or co-led approaches can enable more agile responses to technological change and lower information asymmetries, but their practical implementation has, at times, left the public ill-protected including by prioritising innovation over other regulatory objectives (OECD, 2024[6]). For example, X (formerly known as Twitter) withdrew from its voluntary participation in the 2018 European Union Codes of Practice on Disinformation in May 2023 (OECD, 2024[6]). Governments thus play a critical role in guiding and enforcing responsible digital transformations through their regulatory powers to make risk-informed policies.

Regulating for the future requires governments to understand and plan responses to the current, emerging and future challenges – the most salient currently being the twin challenge of green (see Chapter 3) and digital transitions. This chapter provides insights on how governments can regulate for the future of digital transformation, from which lessons can be applied to other, future transitions. The goal is to demonstrate the benefits of regulation as a valuable tool to unleash the positive impact of innovation responsibly, supporting and building upon broader OECD initiatives (Box 4.1).

The good news is that decades of regulatory reforms have resulted in a system of *processes, tools and institutions* to help maximise the benefits of regulating while minimising costs to citizens, businesses, society and the environment (OECD, 2021[8]). The key question becomes how to adapt these three elements to ensure regulatory governance is fit to tackling emerging issues? This chapter examines the complex challenges facing regulators in the digital age and presents concrete steps governments can and are starting to take to develop rules and frameworks that are fit for the future:

- adapt processes for responsive regulation
- harness novel tools to improve regulations
- shape future-ready regulatory institutions.

Box 4.1. OECD normative guidance and initiatives to help shape better technological governance and regulation to meet the challenges of the future

This chapter is built on the work of the OECD Regulatory Policy Division, which draws on and supports implementation towards high-level OECD guidance and standards. This work has placed the OECD at the frontier of policy discussions, research and support in technological governance. OECD Recommendations include:

- **Recommendation of the Council on Artificial Intelligence**, which sets out five principles that guide artificial intelligence (AI) actors in their efforts to develop trustworthy AI and five recommendations for policymakers to make effective AI policies. These were updated in 2024 to stay abreast of rapid technological developments.
- **Recommendation of the Council on Responsible Innovation Neurotechnology**, which guides governments and innovators to anticipate and address the ethical, legal and social challenges raised by novel neurotechnologies while promoting innovation in the field.
- **Recommendation of the Council on Agile Regulatory Governance to Harness Innovation**, which provides guidance for using and adapting regulatory policy and governance in the face of the regulatory challenges and opportunities arising from innovation.

In addition, four key workstreams and horizontal initiatives are foundational to the content presented in this chapter:

- The **Global Forum on Technology** is a venue for regular in-depth dialogue to foresee and get ahead of long-term opportunities and risks presented by technology. It facilitates inclusive, multi-stakeholder and values-based discussions on specific technology policy topics, promoting responsible, values-based and rights-oriented technology; sustainable development and resilient societies; and bridging digital and technological divides.
- The **Going Digital project** aims to provide policymakers with the tools they need to help their economies and societies prosper in an increasingly digital and data-driven world. Currently on its fourth iteration, it has produced: the Going Digital Integrated Policy Framework to help governments and stakeholders develop an integrated approach to policymaking in the digital age and to shape policies for an inclusive digital future; and the Framework for Anticipatory Governance of Emerging Technologies.
- **Agile Regulatory Governance** supports countries in implementing the Recommendation of the Council on Agile Regulatory Governance to Harness Innovation and has produced research and policy guidance on various topics, including regulatory experimentation and drones, and bio-solutions.
- **Better Regulation in the Digital Age** also builds on the Agile Recommendation and seeks to support countries in ensuring the most effective and efficient regulatory governance for digital activities, based on risk-informed and technology-neutral approaches. The initiative is led by an experts group of over 30 members representing more than 20 OECD Member and partner countries, exploring how regulation is responding effectively to digital transformations and where gaps persist.

Source: OECD Recommendation of the Council on Artificial Intelligence (2019[9]); OECD Recommendation of the Council on Responsible Innovation in Neurotechnology (2019[10]); OECD Recommendation of the Council for Agile Regulatory Governance to Harness Innovation (2021[11]); OECD Global Forum on Technology (n.d.[12]); OECD Framework for Anticipatory Governance of Emerging Technologies (OECD, 2024[1]); OECD *Going Digital: integrated policy framework* (2020[13]); OECD, *Regulatory experimentation: Moving ahead on the agile regulatory governance agenda* (2024[14]); Hernández and Amaral, *Case studies on agile regulatory governance to harness innovation: Civilian drones and bio-solutions* (2022[15]).

The digital age poses complex challenges for governance

Digital transformation is one of the most pressing complex challenges for policymaking. On the one hand, many OECD governments are looking at their existing systems of better regulation and concluding that several elements within them still function effectively in the digital age. This is supported by OECD research on regulatory approaches to AI demonstrating how existing systems are working to identify and react to the risks brought about by AI systems (Box 4.2). On the other hand, discussions across international fora have begun to identify gaps in governance and regulatory approaches when faced with the risks of digital transformation and challenges to support emerging opportunities (see Box 4.1).

Two major challenges governments face when regulating in the digital age are the pace of technological development and the transboundary nature of digital technologies. Both challenges set the foundation for the regulatory adjustments and improvements presented in the rest of this chapter to effectively regulate for the future.

Box 4.2. Better regulation practiced in artificial intelligence regulation

Governments worldwide are grappling with the rapid advancements in artificial intelligence (AI) by implementing diverse regulatory frameworks to balance innovation with societal protection. The **United States'** Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence and the **European Union**'s Artificial Intelligence Act exemplify whole-of-government efforts. These policies are part of a global movement towards creating regulatory environments that safeguard against AI's potential risks while harnessing its transformative benefits for society.

To help identify good practices and common challenges, the OECD is mapping regulatory approaches to AI through the Better Regulation in the Digital Age initiative. It has developed an analytical framework based on OECD standards, principles and country practices on regulatory policy and has applied it to an initial set of 14 AI-specific regulatory proposals across OECD and G20 economies. Overall, results demonstrate:

- **Problem definitions** converge towards objectives to promote economic benefit while managing public safety and ethical concerns. Risks focus on fundamental rights, public safety and security.
- **Regulatory approaches** converge towards flexible risk-based frameworks, blending prescriptive rules for "high-risk" AI with principles-based, self-regulatory and voluntary frameworks for other types of AI systems.
- **Enforcement** relies on an ecosystem of entities, including a mix of public and private actors, that suggests a convergence around the principle of self-regulation, including via internal risk management for AI actors.
- **Good regulatory management**, such as *ex post* evaluation and international regulatory co-operation, are widely recognised as important in the selected texts, often in line with OECD normative guidance. They need evaluating in the future to understand their use and impact in practice.

This work is complementary to the OECD Recommendation of the Council on Artificial Intelligence and tools to advance its implementation, including the OECD Classification Framework for AI Systems and definitional and monitoring work on AI incidents. It is also complementary to the mapping of AI strategies and policies worldwide undertaken through the OECD AI Policy Observatory, which documents over 1 000 AI policies and strategies across 70 jurisdictions.

Note: For complementary information on the state of AI policies around the world and how they relate to the topics mentioned in this study, see OECD (2023[16]; 2023[17]; n.d.[18]); and Plonk, Perset and Fialho Esposito (23 July 2024[19]).
Source: OECD (Forthcoming[20]).

Rapid technological advancement threatens effective regulation

Effective regulation requires a shared understanding of the policy problem, not only among government entities but by all stakeholders. The faster technology develops, the harder it is to build this shared understanding. Information asymmetries on the opportunities and risks of technological development, coupled with uncertainty on its trajectory, can quickly accumulate, making it difficult for policymakers to take informed governance decisions on the need for regulatory interventions, what to regulate and how to do it effectively.

Due to their rapid development, the impact of many digital technologies may not be fully understood until years after their creation. Technology's intangible nature and the increasing convergence (e.g. the combination of digital technologies with physical ones) result in complex relationships whose impacts are difficult to predict or measure. For example, the combination of AI and the IoT technologies could potentially introduce new cybersecurity threats alongside their benefits, requiring updated regulatory frameworks to better ensure the security of these technologies. Without a thorough understanding of the challenges and gaps created by technological innovation, policymakers are ill-equipped to design governance approaches that target a specific need.

Further, continuously evolving value chains and business models complicate accountability over digital technologies and their ultimate outcomes. Governments can struggle to understand how to best regulate a technology to incentivise appropriate accountability structures. For example, should policymakers focus interventions on digital technology development, its application or its ultimate impact? Each has a distinct nature that inevitably influences policy and regulatory responses.

Rapid technological development can also challenge the adequacy of current regulatory approaches. Many governments are questioning whether the existing rules and approaches are sufficient for the challenges posed by digital technologies – from sectoral and/or horizontal perspectives. Regulation is traditionally designed issue-by-issue, sector-by-sector or technology-by-technology and often with a "set and forget" approach (OECD, 2021[8]). The rapid pace of technological progress challenges this model, requiring shorter time frames and moving away from *ex ante* design and *ex durante* delivery as a series of discreet steps or tools but rather mutually complementary parts of the policy cycle meant to inform the adaptation of regulatory (or alternative) approaches (OECD, 2024[6]; 2021[8]). This is further aggravated by the Collingridge Dilemma, in which rules on technologies are easier to accept when the technology is in early-stage development, though impacts are hard to know, compared to later-stage development when rules on technologies are harder to accept but there is greater evidence of their impacts (Tõnurist and Hanson, 2020[21]).

The transboundary nature of digital technologies affects governance by institutions

Technologies and their applications cut across sectors and government institutions, creating a landscape where the governance of digital innovations often falls within the purview of multiple policymakers and regulators. This phenomenon results in a complex web of responses and responsibilities that needs to be managed. Overlapping jurisdictions and regulatory gaps can lead to inefficiencies, inconsistencies and missed opportunities in governance. Addressing policy problems now, more than ever, demands a joined-up and collaborative approach between regulators to identify the existing mandates and gaps in institutional design for technology governance. The development of international standards and enhanced information sharing between countries is seen as beneficial to effectively mitigate digital threats, while existing frameworks can also be continuously adapted to new technologies to remain robust.

Technologies are also challenging traditional notions of legal liabilities (OECD, 2024[6]). This includes questions about jurisdiction, mandates of regulators to enforce rules, and blurring the boundaries between consumers and producers (OECD, 2024[6]). This shift not only challenges the applicability of traditional legal concepts but also makes it difficult to craft effective policies that account for these new dynamics.

Moreover, the cross-border nature of digital technologies further complicates jurisdictional authority, as actions in one country can have significant impacts in another, requiring a more nuanced and collaborative approach to regulation that transcends national boundaries. In this context, international regulatory co-operation becomes essential to ensure consistency, prevent regulatory fragmentation and create a more coherent framework for addressing issues that span multiple jurisdictions.

Finally, there is a challenge in building institutional capacity to think long term about how emerging technologies may affect societies, markets and government actions (OECD, 2024[6]). This requires much broader use of anticipatory regulatory approaches, including increasing the capacity of oversight and advisory bodies to anticipate and implement strategic foresight around the policy cycle. This also requires that governments give agency to public servants and an authorising environment that validates anticipatory innovations (Tõnurist and Hanson, 2020[21]), as well as developing the necessary skills needed to foster evidence-based policymaking for digital technologies (OECD, 2024[6]; 2021[8]). OECD reviews focusing on anticipatory innovation governance have highlighted how **Finland**, **Ireland, Slovenia** and others are attempting to build institutional capacity for innovation (OECD, 2022[22]; 2021[23]; 2021[24]).

Adapt processes for responsive regulation

To manage both the pace and transboundary nature of digital technologies, governments need to be flexible and agile in their regulatory processes. However, regulators have often adopted a regulate-and-forget mindset, developing policy solutions to policy problems but then failing to monitor, evaluate or update them over time. Successive OECD Regulatory Policy Outlooks have noted that OECD Members continue to lag when it comes to *ex post* evaluations, relatively to the other regulatory management tools (OECD, 2021[8]; 2018[25]; 2015[26]). In the context of the digital transformation, such a static approach can leave regulatory regimes outdated, unfit and overly burdensome to tackle modern challenges.

Rather, what is needed is an adapt-and-learn process that enables government to continuously learn from and improve its regulatory approaches and systems (OECD, 2021[11]; 2024[1]). This approach allows governments to remain responsive to the fast-changing nature of digital technologies, ensuring regulations remain relevant and effective. Key elements to achieve such a responsive regulatory system are the employment of anticipatory governance and an iterative policy cycle.

Anticipatory governance

To better inform decision making and equip institutions to govern digital technologies, governments need to adopt an anticipatory approach. This approach seeks to address technology as it emerges and evolves to increase the power of governance to stimulate innovation while better aligning innovation and regulation trajectories with societal goals.

The OECD (2024[1]) Framework for Anticipatory Governance of Emerging Technologies elaborates on how to move from managing technological risks to “getting ahead” of technological developments (Guston, 2013[27]). Doing so requires governments to consider five interconnected elements to apply in specific technology contexts:

1. **Guiding values:** Technological developments and policy decisions should be anchored in guiding values throughout the policy cycle, including both foundational (shared ethical, political, economic and cultural ideals) and technology-specific (tailored to technology policy decisions).
2. **Strategic intelligence:** Recognising the unpredictable nature of emerging technologies, policies should foster a comprehensive analysis of technology’s potential and leverage robust tools such as horizon scanning, advanced data analytics, forecasting and technological assessments to inform the development of strategic visions, plans and roadmaps for emerging technologies.

3. **Stakeholder engagement:** Policies should prioritise proactive stakeholder engagement and the broader society in the policy-making cycle, engaging diverse actors early in technology development cycles to understand issues, foster trust and align innovation with societal needs.
4. **Agile regulation:** Given the fast pace and evolving nature of emerging technologies, governance systems must remain relevant, effective and agile by adapting regulatory tools, encouraging inter-agency co-operation, developing forward-looking governance frameworks, fostering innovation through regulatory experimentation, exploring non-binding governance approaches and ensuring responsiveness to stakeholder concerns.
5. **International co-operation:** Acknowledging the transboundary nature of technology, policies should promote inclusive, forward-looking dialogues that share evidence, analysis and experience and multi-stakeholder, consensus-driven technical standards and principles to ensure the interoperability of emerging technologies and markets for responsible technology products and services. As such, this co-operation includes, but is not limited to, international regulatory co-operation.

By incorporating these elements of anticipatory governance, governments are better equipped to proactively address emerging challenges; adapt to technological advancements; and create more resilient, forward-looking policies that can navigate future uncertainties. Two particular processes – strategic intelligence and stakeholder engagement – are outlined below.

Employ strategic intelligence for future policy problems and solutions

With growing complexity, and uncertainty, it is important that governments build a knowledge base on the potential evolution of digital technologies and their impacts. A lack of foresight can leave governments flat-footed when crises, such as COVID-19, emerge or when new technologies disrupt everyday processes. Famously, Uber disrupted the regulatory regimes governing taxis in cities around the world – the emergence of which regulators had not adequately foreseen or planned for. Strategic intelligence approaches prepare both policymakers and regulators to adapt regulatory systems so that they are resilient and prepared for potential change.

Strategic intelligence methods include horizon scanning, technology or strategic forecasting, foresight, technology assessment, and emerging risk assessments (OECD, 2024[1]). Box 4.3 provides guidance on the general use of these processes. From an agile regulatory policy perspective, governments commonly employ two connected approaches: horizon scanning and strategic foresight.

Horizon scanning is the detection and analysis of weak signals of technological developments. Horizon scanning is the foundation of any strategic intelligence process. It helps pinpoint areas of further interest and understand the key drivers of technological change. It can involve desk research, expert surveys and a review of existing futures literature. It can also involve megatrends analysis, which explores and reviews large-scale changes building in the present at the intersection of multiple policy domains, with complex and multidimensional impacts in the future.

Strategic foresight draws on multiple data sources to expand on potential, alternative future scenarios and their implications for policy. Policymakers use it to draw greater linkages between advancements in technology and their implications for governance. This is particularly useful for government scenario planning – developing multiple stories or images of how the future could look and using this to support informed decision making in the present.

Box 4.3. Policy guidance on strategic intelligence

The OECD Framework for Anticipatory Governance of Emerging Technologies discusses the use of "strategic intelligence" to foster a comprehensive analysis of technology's potential and leverage robust tools such as horizon scanning, advanced data analytics, forecasting and technological assessments to inform the development of strategic visions, plans and roadmaps for emerging technologies. To help implement the OECD Recommendation of the Council on Agile Regulatory Governance to Harness Innovation, the framework gives the following policy guidance for using strategic intelligence in practice:

- **Gather strategic intelligence in situations of technological uncertainty.** Strategic intelligence is useable knowledge that supports policymakers in understanding the relevant aspects and scope of the impacts of science, technology and innovation, and their potential future developments. It is particularly important for emerging and rapidly evolving technologies.
- **Identify, diagnose, assess.** First, horizon scan to pick up weak signals for potential technologies of high interest. Second, diagnose the technology for levels of policy concern and ripeness for governance interventions using six dimensions. Finally, appraise using a broader array of tools and a broader involvement of experts and society – assessing risks, uncertainties and potential technology futures.
- **Build capacity through international co-operation and best practice exchange.** Advance the development of national and international foresight and technology assessment initiatives on emerging technologies by supporting national scientific agencies or institutes; offer targeted funding opportunities; and/or support collaborations between academia, government and industry.
- **Nurture ecosystems of intelligence.** Build an ecosystem of technology appraisal that is broadly inclusive of stakeholders and publics and co-ordinated across agencies.

Source: OECD Recommendation of the Council for Agile Regulatory Governance to Harness Innovation (2021[11]); OECD Framework for Anticipatory Governance of Emerging Technologies (OECD, 2024[1]).

Many OECD governments are adopting horizon scanning and strategic foresight to improve their regulatory policy. Instead of relying on occasional foresight efforts, countries are now establishing dedicated groups or advisory bodies focused on this task to help inform their decision making. For example, the United Kingdom has dedicated resources for horizon scanning to support rule-making for quantum technologies (Box 4.4).

Box 4.4. Horizon scanning for quantum technologies

The United Kingdom's Science and Technology Framework recognises quantum technology as one of five critical technologies. Applications of quantum technology enhance what devices, from smartphones to medical imaging, can achieve. As a rapidly evolving field, the quantum technology market is estimated to reach USD 106 billion by 2040, while carrying transformative policy implications that are still not fully understood.

The **United Kingdom's Regulatory Horizons Council** undertook a review of the regulatory landscape for quantum, noting that most quantum technologies are too nascent for legally based regulation at this

stage. The council proposed a pro-innovation framework that would allow policymakers to provide some regulatory clarity for businesses and nurture responsible innovation.

The framework would include establishing a mechanism for horizon scanning – defined as a desk research process looking for early warning signs of change in the policy environment – on quantum. Specifically, the scanning should focus on a one- to three-year outlook for applications of quantum technology that are at a higher level of readiness (i.e. at or beyond the technology demonstration stage). Scanning with a longer term outlook was recommended for technology at an earlier level of readiness.

Other recommendations from the review included providing training to policymakers, regulators and the public to promote awareness on the implications of quantum technology, establishing regulatory sandboxes to help quantum innovations transition into the marketplace, and supporting the development of international standards for quantum.

Source: Regulatory Horizons Council, Regulating Quantum Technology Applications (2024[28]); McKinsey & Company, Quantum Technology Monitor (2023[29]).

In addition, other OECD Members have created or appointed a body dedicated to conducting regulatory foresight:

- **Portugal** has set up a Competence Centre for Planning, Policies and Foresight of Public Administration covering the full regulatory cycle.
- **Korea**'s Regulatory Reform Committee, together with ministries, has defined a "Pre-emptive Regulatory Innovation Roadmap" to proactively identify and address regulatory issues related to emerging technologies.[2]
- The **European Commission** has taken steps to integrate strategic foresight into EU policymaking, including as part of the Better Regulation Agenda. In addition, the Strategic Foresight Network ensures long-term policy co-ordination between all Directorates-General, and the European Commission is co-operating on foresight with other EU institutions through the European Strategy and Policy Analysis System.
- **Germany**'s Federal Chancellery has developed foresight capacity in recent years, notably in connection with the effects of technological innovations, such as cyberattacks as an unconventional military means or the role of social media manipulation in election campaigns.

The next step for OECD Members is to make foresight and scanning a regular part of policymaking, ensuring it has a broad impact and is not limited to small expert groups or isolated projects (OECD, 2020[30]). This includes engaging a range of stakeholders to help validate findings and identify regulatory implications from the foresight results and incorporating findings into the design, delivery and review of new and existing rules (OECD, 2021[31]).

Leverage stakeholder engagement to better inform regulatory improvements

Stakeholder engagement is a critical process that helps governments keep abreast of the developments and effects of technological changes (2022[22]). However, at least two challenges currently impede governments from effectively using stakeholder engagement in regulating digital technologies. First, stakeholder engagement often happens late in the regulatory process, after key decisions have already been taken, missing the chance for ongoing input from stakeholders throughout the policy cycle. Second, there is a growing difficulty in ensuring that governments collect the information required to effectively govern. Regulators face an information asymmetry regarding the current and future capabilities of technologies, making it difficult to develop fit-for-purpose regulation over the long term. Firms, civil society organisations and citizens are on the frontline of these changes and can offer valuable inputs on the feasibility of solutions (OECD, 2021[8]). Engaging stakeholders can enrich the understanding of issues by

contributing missing knowledge, opening problem framings, illuminating key values at stake and anticipating barriers to effective implementation (OECD, 2024[1]).

Stakeholder engagement is thus a critical step to ensure well-designed regulations that anticipate technological advancements from diverse perspectives. To bridge the information gaps, governments need a partnership model, working directly with engineers and developers to understand technology trends and functionality, co-designing technology strategies and agendas, encouraging communication through interdisciplinary and transdisciplinary processes such as research and development, and establishing collaborative platforms to nurture emerging technologies and strengthen the link between innovation processes and their societal impacts (OECD, 2024[1]).

Forthcoming OECD research on regulatory approaches to AI identifies ways in which governments are already considering how to address the first challenge.[3] **Australia** established an expert advisory body to consult with industry to develop AI Safety Standards and new guardrails to support safe and responsible AI. **Canada**'s proposed AI and Data Act[4] would mandate ongoing dialogue with industry experts, academic researchers and international bodies in the implementation of its policy via self-regulatory and standards-based practices. The **European Union**'s AI Act creates the European Artificial Intelligence Board,[5] a permanent co-ordination platform and advisory body to the European Commission composed of experts and stakeholders. To anticipate the AI Act's entry into force, the European Union also established the AI Pact that seeks industry to voluntarily commit to the AI Act and start implementing its requirements ahead of the legal deadline. The pact is implemented via a network of participants to share best practices and information (European Commission, 2024[32]). **Israel**'s AI policy includes forums for public participation and regulatory discussion. The **United Kingdom**'s pro-innovation approach to AI regulation highlights the need for central monitoring and feedback loops to ensure the regime is effective and adaptive and commits to implementing continuous feedback mechanisms. The **United States**' Executive Order on AI instructs various agencies to solicit input from stakeholders for studies, pilot programmes and regulatory recommendations. Complementary information about the implementation of AI policies around the world can be found in OECD (2024[33]).

Beyond national governments, international organisations are also playing a key role in facilitating stakeholder engagement on AI. In the monitoring of the OECD (2019[9]) Recommendation of the Council on Artificial Intelligence, the OECD integrated input from a broad range of stakeholders, in particular through its AI Group of Experts (OECD, 2024[33]). The OECD will similarly engage stakeholders in the monitoring of applications of the Hiroshima Process International Code of Conduct for Organisations Developing Advanced AI Systems (OECD, 2024[34]). The Council of Europe's (2024[35]) Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law, adopted in May 2024, and the United Nations *Global* Digital Compact (United Nations, n.d.[36]), adopted in September 2024, both use extensive multi-stakeholder engagement efforts.

Iterative policy cycle

It is not enough for governments to anticipate regulatory and governance needs. They need to adapt the processes throughout the policy cycle – regulatory design, delivery and review – to ensure that the regulatory system can effectively manage responsible digital technologies. In practice, governments have struggled to adapt regulations: by the time regulators identify problematic areas, the technologies have already evolved, making it challenging to impose meaningful control. As advancements in digital technologies have progressed, regulators have often been caught reacting to issues after they arise, rather than proactively shaping policies to guide technological development. AI has been a particular area of concern, as it poses difficult issues on privacy, safety and security, among others.

Controlling these issues is made even more difficult by the complex network of actors involved in the development and use of digital infrastructure, platforms and applications. From tech companies and software developers to platform users and content creators, the ecosystem of digital technologies involves

a vast array of stakeholders, each with different interests and responsibilities. For example, digital platforms such as social media amplify the reach of harmful digital content, such as hate speech, illegal activities and disinformation often via their own algorithms. This complexity makes it hard for governments to pinpoint where regulation should be directed and how to enforce compliance effectively. By establishing iterative processes within the policy cycle, government can better understand the complexity of digital technologies, identify the regulatory policy gaps and design more effective regulatory systems for responsible digital development.

Incorporate flexible regulatory design choices

Effective regulatory design for digital technologies acknowledges and addresses the inherent differences both across and within these various technologies. Digital technologies evolve at different rates and can have drastically different impacts depending on how they are applied. For example, quantum technologies are more advanced with regards to sensing and timing capabilities, but more nascent when it comes to computing abilities. This poses different risks and benefits depending on this context. As a result, regulatory frameworks must be flexible enough to accommodate this diversity, ensuring that they are neither overly restrictive nor too lenient, and capable of evolving alongside technological innovation.

There is no one-size-fits-all solution when it comes to regulatory design and no comprehensive list of regulatory approaches, because the optimal design choice depends on the specific digital technology and the context in which regulation is being considered. However, certain regulatory strategies have shown promise in bridging existing gaps while maintaining enough flexibility to support further innovation.

One common strategy many governments employ is the risk-based regulatory approach. This approach focuses on differentiating the intensity of regulation based on the deemed level of risk of an innovation. The European Union's AI Act is a prime example of this approach, as it classifies AI applications based on their risk levels and imposes different degrees of regulation accordingly. High-risk AI applications can face restrictions or even outright bans if deemed too dangerous, ensuring that while innovation proceeds, the risks to society are minimised.

Another regulatory strategy often considered is an outcomes-based approach. This type of approach focuses on achieving or preventing specific outcomes rather than prescribing detailed processes or technologies. This design prioritises flexibility, allowing industries to adopt whichever methods best achieve the required regulatory goal. Outcomes-based regulation is most commonly applied to innovations where targets on performance relating to costs, reliability, safety, etc. can easily be set and monitored. However, further research is needed to provide evidence on their effectiveness for digital technologies.

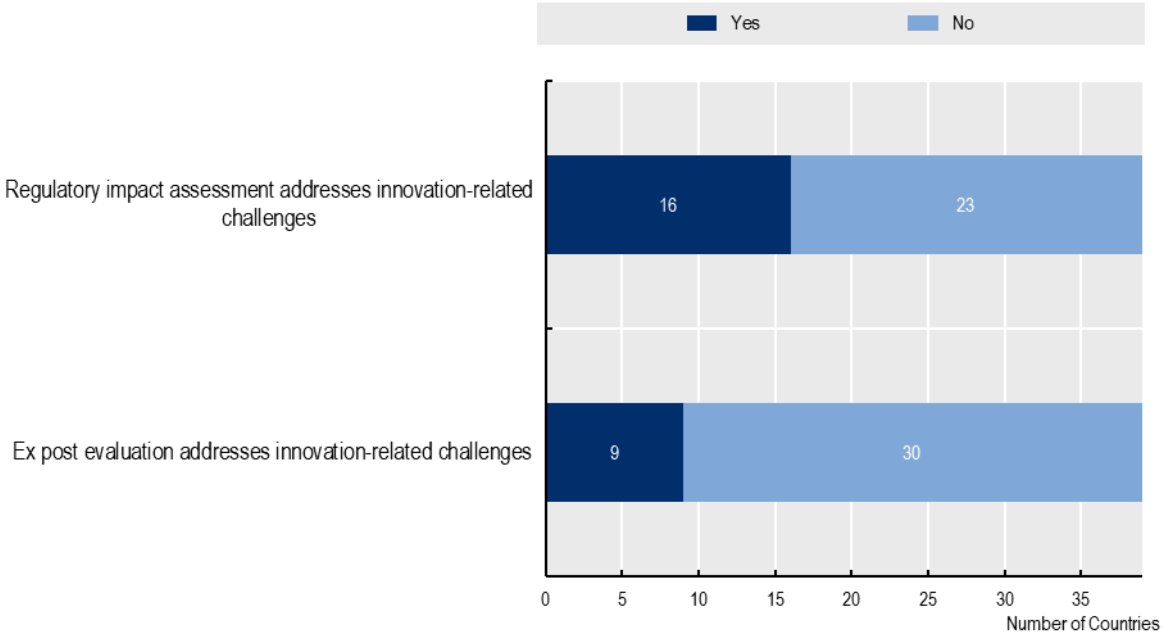
A key feature of several of these approaches is an emphasis on technology neutrality, which aims to abstract from regulations that encourage a particular type of technology, treating technologies similarly to the extent that they have the same effect. Tech neutrality can make regulations more resilient to technological change and more adaptable to evolving regulatory environments, making it an important principle to consider in regulatory design. However, as with any regulatory approach, there may be contexts in which deviations need to be considered to address challenges posed by specific technologies.

Consider innovation-related impacts in regulatory impact assessments

Regulatory impact assessments (RIAs) should not only consider the immediate effects of regulation, but also the impacts that regulation may pose to future developments. In the case of digital technologies, regulation should manage the risks, while ideally not stifling future, positive innovations. Updating the methodology and guidance for *ex ante* impact assessment presents a unique opportunity to embed innovation-orientated thinking into rule-making. By enhancing this assessment process, policymakers can be encouraged to consider factors such as new innovative solutions and technological change, and to adopt best practices for effective implementation.

However, most OECD Members have yet to adapt their RIAs to include elements of innovation-related impacts. As shown in Figure 4.1, about a third of OECD Members reported that their RIA system addresses innovation-related challenges. In these cases, adjustments were typically made by updating the RIA process, such as revising templates or providing explicit guidance on assessing the impacts of regulation on innovation via, for example, experimentation and outcome-based regulation. Box 4.5 details how countries are adapting RIA to anticipate innovation.

Figure 4.1. A minority of OECD countries address innovation-related challenges in regulatory impact assessments or *ex post* evaluations



Note: Data are based on 38 OECD Members and the European Union.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024.

Box 4.5. Adapting regulatory impact assessments to anticipate innovation

Governments are increasingly integrating innovation-focused approaches into their regulatory frameworks by enhancing regulatory impact assessments (RIAs) and adapting laws for the digital age. This involves the incorporation of agile methods such as regulatory experimentation, digital-ready tests and technology-neutral regulations, among others:

- In 2022, **Finland** issued a new guidance document for law drafters to assess the impacts on innovations complementing existing RIA guidelines. Moreover, the country has provided government officials with information about the preconditions for regulatory experiments and their implementation as well as guidance for assessing the suitability of, and implementing, regulatory experiments.
- **Germany**'s federal government has decided to implement a test as part of RIA to ensure regulatory proposals are digital-ready. Subject to independent scrutiny, this test seeks to ensure that all laws are ready for digital transformation and that practical implementation is considered from the outset, for example by eliminating the need for signatures and in-person appointments, replacing paper documentation with digital queries, or increasing the level of automation in administrative processes. The explanatory note of every legal draft should describe all the intended and unintended effects, including potential for digitisation. This test builds on earlier

initiatives to build a repository of administrative procedures as a basis for their digitisation, which is mandated by the Online Access Act.

- To enhance the flexibility of laws and regulations, **Korea**'s RIA guidelines recommend considering the use of negative lists, which also tend to make for shorter legal documents as they only explicitly mention regulatory prohibitions, restrictions, exclusions, etc.
- In the **Netherlands**, a data protection impact assessment must be carried out whenever legislative proposals involve the processing of personal data that may entail privacy risks. The assessment serves to detect those potential risks early in the process and devise the necessary mitigating measures.
- **Romania** is developing a policy paper and action plan to promote agile governance, including by improving RIA. Key topics include improving online data access for carrying out RIAs, guidance on assessing innovation impacts, big data and RIA, AI and RIA, and algorithmic impact assessment.
- **Switzerland**'s RIA manual requires assessing the impact of new regulations on innovation. It also calls upon policy teams to explore options, including outcome-oriented regulation, experimentation clauses (regulatory sandboxes), sunset clauses and technology-neutral regulation. Innovation impacts were notably assessed as part of a proposal for a register of movable assets in the field of the circular economy in 2022 and the revision of the Electricity Supply Act in 2023. The Electricity Supply Act involved introducing regulatory sandboxes.

Source: National Regulatory Control Council (2022[37]); Ministry of Economic Affairs and Employment of Finland (2022[38]); Indicators of Regulatory Policy and Governance (iREG) Survey, 2024; Federal Ministry of the Interior and Community of Germany (2017[39]); Département fédéral de l'économie, de la formation et de la recherche de la Suisse (2024[40]); United States Office of Management and Budget (1998[41]).

Generate feedback loops with regular monitoring

A key element of an effective regulatory policy cycle is to engage in frequent monitoring – creating feedback loops to continuously assess and refine regulations. This helps governments adjust regulations in response to new information and ensure that policies remain relevant and effective over time, as showcased by New Zealand's regulatory stewardship in Box 4.6.

Box 4.6. New Zealand's regulatory stewardship

New Zealand's regulatory stewardship approach is a promising example of how regulatory management tools can be used to promote resilient and agile regulatory systems. It views regulatory systems as assets that need regular ongoing care and maintenance if they are to deliver on public policy objectives. To put this concept into practice, ministries and agencies are expected to fulfil their stewardship responsibilities in three broad areas: monitoring, reviewing and reporting on existing regulatory systems; robust analysis and implementation support for changes to regulatory systems; and good regulatory practice.

As most policy objectives require a set of mutually supporting regulatory interventions, ministries and agencies are expected to look at the whole of a regulatory system rather than focus on individual laws and regulations. They are expected to monitor and review the performance of those systems on an ongoing basis and are encouraged to develop omnibus regulatory system amendment bills for more timely parliamentary approval of desirable maintenance-type changes. To that end, the Treasury has made a resource on "Starting out with regulatory stewardship" available.

Source: Ministry for Regulation (2024[42]).

Ensure regulations remain fit-for-the-future via ex post *evaluation*

Reviewing the existing regulatory stock is essential to ensure that current frameworks remain relevant and effective in the face of rapidly evolving digital technologies. As digital technologies reshape industries and introduce new risks, it is critical to assess which regulations are working, which have become outdated and where there are gaps that need to be addressed. This process not only strengthens the current regulatory system by refining or eliminating ineffective measures but also provides valuable insights for designing new governance approaches.

One element of *ex post* evaluation is assessing whether regulations have been effective in achieving their goals with regards to digital technologies, such as increasing the technology's transparency and accountability over outcomes or limiting negative impacts. The other element is evaluating whether regulations can still support the innovation process. As demonstrated by Figure 4.1, reforms to integrate innovation-related challenges into *ex post* evaluation similarly adopt this trend, with fewer countries adopting such reforms. Nonetheless, some OECD Members are focusing on evolving their *ex post* evaluation systems to better tackle the challenges posed by innovation. Box 4.7 demonstrates efforts in Canada and the United Kingdom to conduct reviews aimed at promoting innovation via better regulation.

Box 4.7. Reviewing regulation to drive innovation

Canada's targeted regulatory reviews

The government of Canada announced the targeted regulatory reviews in 2018 as part of broader plans to modernise the regulatory system.

These thematic reviews investigate how existing regulations and regulatory practices are performing, and specifically involve identifying uses of novel regulatory approaches to support growth and innovation. Stakeholders are also asked to provide feedback on ways to enable regulations to be more agile, transparent and responsive, which benefits all Canadians.

The reviews lead to regulatory roadmaps outlining a suite of proposals that may include legislative and regulatory changes, updated policies and practices, and opportunities to support emerging technologies. For openness and transparency, the roadmaps are published on line. Roadmap examples to date include Digitalization and Technology Neutrality, International Standards, and Health and Biosciences.

United Kingdom's Pro-innovation Regulation of Technologies Review

In 2022, a Pro-innovation Regulation of Technologies Review was announced to advise how the country can better regulate emerging technologies. The review, which was supported by input from a range of experts and stakeholders, consists of a series of reports that make recommendations for pro-innovation regulation for key growth sectors, including advanced manufacturing, creative industries, life sciences, digital technologies and green industries. A further cross-cutting report identified changes to the overall regulatory system to improve how government can anticipate and respond to regulatory challenges and to improve how regulatory enforcement can adapt to best support innovation. The UK government has published its responses to the review, accepting its recommendations.

Source: Government of Canada (2023[43]); HM Treasury (2023[44]).

Harness novel tools to improve regulations

Novel tools, often powered by digital technologies themselves, are transforming how governments can inform and manage regulatory systems for the future. Advanced data analytics, foresight and scenario planning, and regulatory experimentation generate new insights on which governments can take informed regulatory decisions. Policymakers across the OECD are increasingly integrating these tools to fill evidence gaps and design rules that are better prepared for the future. This ultimately can improve the effectiveness of regulation; reduce compliance burdens; and create more informed, responsive decision making.

Technology and data

While new digital technologies can challenge regulatory processes and existing regulatory regimes, they also offer opportunities to enhance how rules are made and delivered. Technology can be leveraged to significantly improve the quantity and quality of data that governments have at their disposal throughout the policy cycle. Digital tools can make data available from new sources, sometimes in real time.

For example, AI applications can greatly bolster how, and how much, data can be analysed. These new insights can be game changers for better and faster decisions based on comprehensive knowledge of the regulated environment, provided that the right infrastructure is in place (OECD, 2020[45]). AI can be used in the design of regulations via anticipatory analysis of future scenarios and risks, assessing and experimenting with policy options, improving drafting and legislative fragmentation, and supporting the use of evidence-based policy tools. In regulatory delivery, it can help regulators model risks to improve inspections, detect non-compliance, monitor the evolution of risks and use data-driven methods that improve the way they deliver their mandates as world-class institutions. These are discussed more fully in forthcoming OECD papers on AI in regulatory design and delivery.

Evidence-based regulatory design

Using technological solutions early in the policy cycle can equip policymakers with better data to choose interventions that are more likely to have the desired impact. Large data sets – unfeasible to compile or analyse without the help of technology – offer a more comprehensive overview of the policy landscape and provide evidence on the potential impacts of different policy options (Box 4.8).

Box 4.8. Using data to inform better policy design

Using data is crucial for informing better policy design because it provides evidence-based insights that help policymakers understand real-world impacts, identify trends and address emerging challenges more effectively. Data-driven policies are more adaptive and responsive, leading to more efficient outcomes and solutions that are grounded in actual needs and conditions. Countries are adopting these approaches into their policy processes:

- **Brazil** is using technology-enabled large-scale data collection and analysis to inform decisions on updating interstate passenger transport regulations.
- **Ireland**'s Innovation Policy Simulation for the Smart Economy tool, developed by the University of Dublin, simulates the effects of policy instruments based on regional profiles and sector information. Digital tools can also improve public data collection for rule-making.
- The **European Commission**'s Futurium platform allows users to share opinions on potential policies and includes features to mine data from social media.

- **Estonia** is exploring an online workspace for drafting laws, enabling civil servants and external stakeholders to work on the same text simultaneously.

Source: Amaral and Hernández, *Survey on Experiences with Regulatory Impact Assessments Related to Emerging Technologies* (2020[46]).

Chatbots, including AI-powered ones, can facilitate public consultations by interacting with many stakeholders simultaneously, gathering feedback efficiently and synthesising data. Chatbots can provide instant responses to stakeholder queries, guide them through the consultation process and compile their feedback, making it more accessible and lowering burdens for participatory policy design. In **Estonia**, an AI-powered virtual assistant, Bürokratt, was created as a single channel for public services and information. However, the effectiveness of AI systems, including chatbots, must be evaluated over time to avoid unforeseen failures, fine-tune them to maximise their benefits and understand their training data to mitigate potential biases. Chapter 2 further discusses using technology to enhance consultation practices.

Digital technologies can also be used to augment RIAs. In **Germany**, the Service Centre for Better Regulation in the Federal Statistical Office has proposed AI tools to support the estimation of compliance costs. This approach uses AI to scrape legal texts and make predictions on which new legal text changes compliance costs using high/low estimates. If the costs are low, they use AI to derive the compliance costs but if the costs are high, this is still conducted manually. However, there are challenges relating to sufficient technical equipment, the structure of data scraped, the understandability of German legal texts, data quality, explainability of variables used in the model and matching across data sources (Walprecht and Lewerenz, 2024[47]).

Technology-enabled regulatory delivery

Data that were previously inaccessible or only usable at significant administrative cost can be harnessed through technology to enable more effective monitoring of rules in practice (OECD, 2020[45]). Tools like web scrapers are becoming increasingly common for compliance functions, making it possible to navigate the wealth of data available on line and generate relevant insights. In **Italy**, for example, a regional environmental protection agency used an automated web scraper to identify thousands of businesses that had not applied for required licences that allow the agency to monitor pollution activities. The programme used public search engines like Google and Bing to identify businesses' web pages (e.g. searching "car repair Trentino"), then compared business identification numbers from web pages with the list of licenced operators.

About one-third of OECD Members reported applying data-driven methods to monitor the impacts of laws and regulations. A similar proportion of Members reported applying data-driven methods to enforcement. Most Members who report applying data-driven methods note that they have adopted the practice relatively recently. Examples from various countries showcase how data analysis technologies can be employed to inform better monitoring and enforcement (Box 4.9).

Box 4.9. Using technology for monitoring and enforcement

Using technology for monitoring and enforcement allows for real-time data collection and analysis, enabling quicker detection of violations and more efficient regulatory oversight. It reduces reliance on manual inspections, improving cost-effectiveness and accuracy while allowing authorities to focus on high-risk areas. This approach also enhances transparency and accountability, as data-driven systems provide clear, traceable evidence of compliance or non-compliance. Such approaches are increasingly being integrated into standard practice across OECD Members:

- In **Australia**, the Murray-Darling Basin Authority is responsible for monitoring and recording the basin's water resources and efficiently delivering water to users on behalf of partner governments. To support this, sensors along the River Murray system provide publicly available near real-time and recent data on conditions, such as water level, water temperature and electrical conductivity. In addition to helping the authority manage the water system, these insights can help agricultural producers plan their operations.
- In 2021, **Latvia**'s Financial Intelligence Unit started using goAML, an anti-money laundering software initially developed by the United Nations Office on Drugs and Crime. This application facilitates enforcement operations to detect and prevent money laundering by helping authorities collect, analyse, and report suspicious financial transactions.
- **Statistics Estonia**, together with mobile network operators, used data from mobile phone positioning to analyse the impact of COVID restrictions on mobility. It is also using data analytics to assess the outcomes of the country's 2014 e-residency regulation. In addition, Estonia is applying data-driven methods to increase traffic safety, e.g. adaptive traffic lights and dynamic speed limits, real-time data on public transportation, demand-based public transport.
- The **Canadian Food Inspection Agency** developed risk assessment models using establishment and importer-specific data and mathematical algorithms to evaluate regulated parties in terms of food safety level and/or animal health risks. The models help identify areas of higher risk and inform where inspectors should be focusing their efforts.
- **Switzerland**'s financial regulator developed initial applications using AI for automated evaluation of data to identify and analyse irregularities. The application informs data-driven methods to how the regulator supervises financial markets.

Source: Murray-Darling Basin Authority (2023[48]); Ministry of Economy of Latvia (2017[49]); Statistics Estonia (2020[50]); Department of Transport of Estonia (2021[51]); Canadian Food Inspection Agency (2024[52]); Swiss Financial Market Supervisory Authority (2021[53]).

There is significant room for greater adoption of data-driven tools and technology to enhance monitoring and enforcement, but governments must also exercise caution in doing so as the effectiveness of these tools depends on the quality of the data used. This is known as the "garbage in, garbage out" problem and poses a risk for data-driven regulatory delivery. The **United States** Securities Exchange Commission (SEC), responsible for protecting against market manipulation, uses machine learning to detect insider trading. However, two of the tools it uses for doing so are algorithms trained using data that were collected in connection with the SEC's enforcement activities. These data, therefore, reflect the SEC's judgements about the likelihood of market misconduct in each case. Consequently, "the types of misconduct and entities targeted [by the algorithm] will reflect the assumptions, heuristics, and biases of enforcement staff" (Allen, 2023[54]). This leaves the algorithm vulnerable to missing novel or more creative forms of insider trading. The SEC is working to implement a tool that would track all trading activity; training the algorithms using this significantly broader data set could improve the effectiveness of the algorithms (Allen, 2023[54]).

Importantly, digital tools can empower people to promote compliance and buy-in. During the COVID-19 pandemic, for instance, smartphone applications were used to inform people about restrictions in place at a given time and area, and to support track-and-trace activities (UK Health Security Agency, 2022[55]). Some countries have developed tools for users to report concerns and get direct support. In **Lithuania**, as part of a plan to tackle rising waste production and littering in the countryside, in 2023, the environmental protection regulator launched a web and mobile application called "I manage Lithuania" (*Tvarkau Lietuva*) that enables citizens to report illegal waste (Lithuanian Ministry of Environment, 2024[56]). The regulator can then follow up to communicate when the report is received and addressed and provide feedback on the actions taken. This application was inspired by systems used in many cities to let people notify the municipal authorities of damaged public goods or areas in need of cleaning. The system offers several advantages: it is very simple to use and entirely transparent, as every message is public, showcasing the authority's reactivity.

To proactively prevent non-compliance, other countries have developed web services to give users a better understanding of their obligations. As part of its food safety strategy, the Campania region of **Italy** has launched a self-assessment tool to reinforce business compliance, called GISA Self-assessment (*Autovalutazione* (Region of Campania, n.d.[57])). The web-based application allows companies to access and fill out the official and relevant inspection checklist autonomously. This enables them to identify the strengths and weaknesses of their facilities from the health authorities' perspective. The tool is also available to "guest users", enabling individuals to learn more about food and veterinary requirements before setting up a business, depending on its future characteristics. The result of the self-simulated inspection is expressed as a risk level. The purpose of GISA Autovalutazione is to educate; it is, therefore, not a mandatory self-monitoring or self-reporting tool. Advances in the use of predictive techniques may in the future allow the tool to also indicate the occurrence of potential risks to profiled companies by enhancing their historical data.

This dialogue not only supports compliance, it also promotes collaboration between people and regulators. Done properly, this can enhance the perceived legitimacy of rules and bolster public trust in government. For these tools to be adopted, the government must ensure a clean, simple and efficient implementation. Important success factors include:

- use of a non-proprietary platform
- guarantee security and privacy, often by allowing anonymous contributions
- automation when handling simpler cases, reserving human actions only for complex cases (Welby and Hui Yan Tan, 2022[58]).

By becoming "active users" of new technologies, governments can create better-informed rules and streamline regulatory delivery. Ultimately, this can lead to better compliance and better outcomes, from reduced regulatory burdens to enhanced knowledge and protections (OECD, 2020[45]). Box 4.10 provides some examples from economic regulators, who are taking advantage of digital technologies to be world-class regulators.

Box 4.10. Using technology to enhance the delivery of regulations

Using technology to enhance the delivery of regulations streamlines processes, making compliance easier for businesses while improving the efficiency of regulatory agencies. Automation and digital platforms allow for quicker reporting, data sharing and real-time updates, reducing administrative burdens and speeding up the decision-making process. This not only improves regulatory compliance but also fosters greater transparency and accountability, ensuring regulations are applied more

consistently and effectively. Such benefits are being realised across OECD Members and accession countries:

- **Austria**'s energy regulator (E-control) is developing an artificial intelligence (AI) application to help consumers understand their energy bills. E-control is also developing an AI-driven chatbot to respond to consumer queries.
- **Peru**'s water regulator (Sunass) is applying AI in the development of inspection reports. The application automates the generation of reports based on variables recorded by inspectors in tables, significantly simplifying the process and reducing the time spent on report writing. The reports are validated by the specialists to ensure their accuracy. Sunass has developed a tool making use of geospatial analysis and a machine learning classification algorithm to calculate the investment needs and gaps in Peru's water sector.
- **Brazil**'s National Agency for Land Transportation uses big data in its supervision of transport infrastructure. The Road Information System combines data on aspects including accidents, road-side assistance, possible offenders, toll gates, speed cameras and traffic sensors on 26 concessionaires. The system records 15 000 entries per second with real-time data and combines AI tools with a human interface with a team 24 hours a day, 7 days a week.
- **Portugal**'s e-communcations regulators is starting to use AI in handling complaints, using mahine learning algorithms applied to vast amounts of data on complaints to generate automated responses. The regulator is also exploring web scraping techniques outputs and advanced techniques to predict issues proactively.
- The **United Kingdom**'s communications regulator (Ofcom) commissioned a feasibility study to assess the range of automated online tools and methodologies to measure people's online experiences and platform activities/behaviours at scale.

Source: OECD, *AI in regulatory delivery* (forthcoming[59]).

Experimentation

Rule-making is generally made under uncertainty (see Chapter 5). When a new digital product emerges, policymakers may not have the information they need to assess how the product will impact people, the market or other rules that are already in place. In these cases, regulatory experimentation[6] gives policymakers a way to gather evidence to take well-informed decisions that support innovation without compromising protections and policy goals (OECD, 2021[11]). Policy experimentation can be furthered, enabling analysis of data that is in alignment with risk-, outcome- and performance-based design and delivery approaches to regulating digital innovations (OECD, 2018[25]; Attrey, Lesher and Lomax, 2020[60]).

Fundamentally, a regulatory experiment involves limited testing of a new regulatory approach to see how it works in practice, as opposed to implementing a rule based on guesswork or preventing innovation from entering the marketplace altogether. A regulatory sandbox more specifically is also an experiment, but normally characterised by some controlled departure from the existing regulatory framework within a defined space and time, and under the supervision of regulators; this departure can be, for example, a waiver from an existing rule, additional custom rules or a change in how rules are enforced within the sandbox. The lessons learnt can then inform how rules need to adapt and/or how an innovation needs to adapt to support economic growth without compromising health, safety or well-being. The types of experimentation are explored in further detail and with important nuance in OECD (2024[14]), and specifically in the case of AI in OECD (2023[61]).

National regulatory experimentation efforts

There is a growing awareness among OECD Members about the potential and value of regulatory experimentation. Several jurisdictions are using regulatory sandboxes of varying scales to test new technologies (Attrey, Lesher and Lomax, 2020[60]). Box 4.11 discusses examples of regulatory sandboxes that have yielded tangible outcomes, with a focus on helping to safely bring new technologies to market.

Box 4.11. Translating tests into policy

Regulatory sandboxes are helping policymakers to adapt and refine regulations while supporting innovators to navigate compliance and further develop their innovations. By encouraging collaboration between regulators and industry, both sectors benefit from a deeper understanding of emerging technologies and ultimately an improved regulatory environment, as showcased in the following examples:

- In **Canada**, a regulatory sandbox was set up to test new drone applications. Special licenses were provided to industry participants, allowing them to conduct tests on drone activities that were, at the time, prohibited or unregulated. These tests were conducted with government oversight, with measures in place to uphold safety. Transport Canada used the evidence gathered to make timely and iterative changes to aviation regulations in accordance with its real-world use.
- In **Germany**, the city of Hamburg established a regulatory sandbox to test "U-spaces", which are areas where systems are put in place for safely integrating drones into the airspace. The sandbox included systems for telling drone pilots about nearby air traffic. Over seven months, the sandbox demonstrated that U-spaces were a safe and workable concept in Hamburg. The government is using findings from the sandbox to develop a concept for establishing U-space areas throughout Germany, and to lay the necessary legal and practical foundations for implementing these areas.
- From 2018 to 2021, **Singapore**'s Ministry of Health operated a sandbox for telemedicine and mobile medicine to better understand the risks and co-create risk mitigation measures with the industry. The learnings from this sandbox supported a transition to a licensing scheme in 2023 for these new technologies.

Source: Government of Canada (2024[62]); Challenge Works (2021[63]); Droniq (2023[64]); Ministry of Health of Singapore (2023[65]).

However, there are limitations and costs associated with experimentation, sometimes requiring significant investments in time and resources. A successful experiment often requires a sufficient level of co-ordination between sectoral regulators, as they deal with many cross-sectoral emerging and new technologies. In **Korea**, for example, the Regulatory Sandbox programme involves multiple ministries in the process while in **Germany**, the overarching Regulatory Sandbox Strategy is designed to cut across sectors and ministries (Attrey, Lesher and Lomax, 2020[60]). Looking from the participants' side, the businesses involved in an experiment may have an advantage in the marketplace from getting a temporary derogation from the existing rules or gaining an enhanced understanding of how to navigate existing and new rules informed by the experiment. To some extent, these risks may be partially mitigated through careful planning and strategies for how data will be collected, analysed and actioned (OECD, 2024[14]).

Critically, to maximise the benefits of an experiment, policymakers must close the feedback loop by translating the evidence gathered into policy impact. This requires correctly interpreting the collected data, then having mechanisms to incorporate this evidence into the decision-making process to shape future rules as appropriate (OECD, 2024[14]). **Estonia**'s framework for public sector experimentation, for example,

mentions potentially embedding testing as a tool for developing impact assessments. As more and more policymakers start using experimentation as a tool, sharing lessons learnt and best practices – particularly for integrating learnings from experiments into the rule-making process – can help promote the effectiveness of experimentation as a regulatory tool.

International co-operation on regulatory experiments

Innovation and its impacts cross both sectors and borders. Accordingly, recent initiatives have also explored the development of multi-jurisdiction regulatory experiments or sandboxes. These initiatives bring together policymakers and innovators from different areas – both subject and geographic – to test how regulation can help innovators to scale and operate safely across multiple jurisdictions. Outcomes could also include helping jurisdictions align their rules and address loopholes that could be exploited by firms.

In 2022, for example, the Global Financial Innovation Network published a report setting out learnings from its first live cross-border tests within their global sandbox. These tests provided practical insights of how innovative financial products and services operate in multiple markets. The sandbox also fostered collaboration between innovators and regulators across these markets, which continued beyond the tests (Global Financial Innovation Network, 2022[66]). The next section further discusses the importance of international co-operation in responding to innovation.

Shape future-ready regulatory institutions

Regulatory institutions are often ill-equipped to address the regulatory challenges created by digital technologies or to implement the reforms required to set governing institutions up for success. As digital technologies increasingly blur traditional sectoral and jurisdictional lines, they expose the limitations of existing regulatory resources, skills and practices. It is critical that not only regulatory regimes, but the institutions that support them, be sufficiently supported to effectively address the multifaceted impacts of digital technologies – ensuring they are governed in a way that promotes innovation, protects public interests and upholds legal standards across diverse regulatory landscapes. Investing in regulatory institutions' co-operation and capacity creates a more unified, cohesive, responsive regulatory environment.

Co-operation

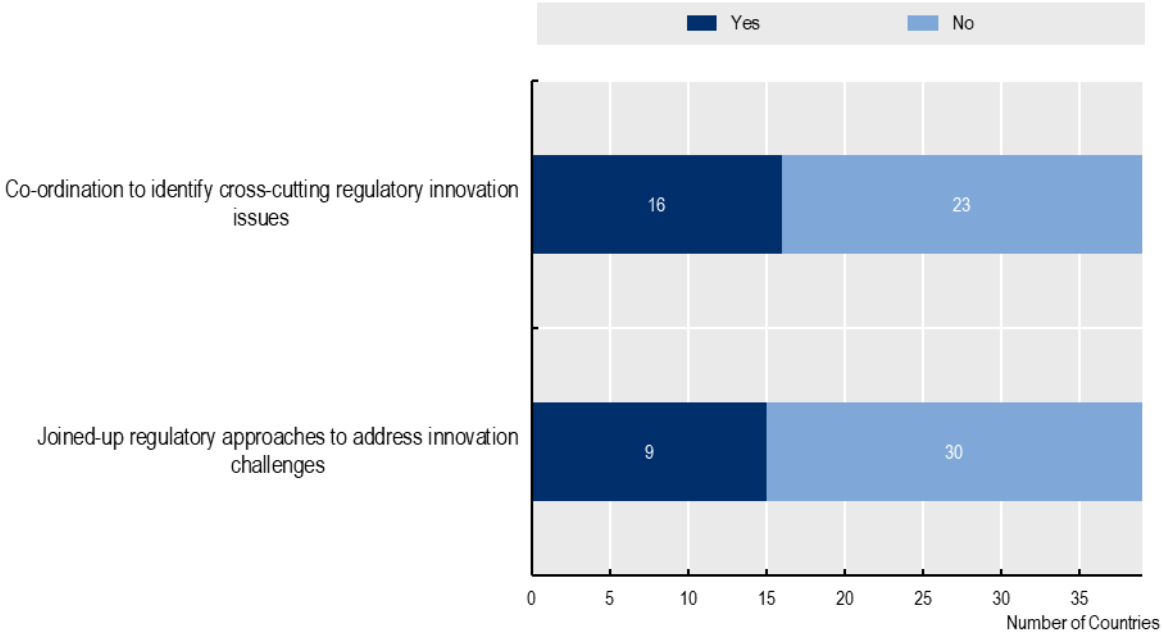
Fostering joined-up action across government and regulators

New forms of digital technologies cut across and transform traditional sectors and markets, requiring strong co-ordination and concerted effort across government. In what is known as "technology convergence", advances in one area can have an impact on and applications in another area. Therefore, new products and services like IoT devices, augmented reality applications and AI can be subject to policies and guidance from a myriad of different regulatory bodies. As a result, innovators may struggle to navigate the system and make sense of different or even conflicting advice and guidance. In other cases, digital innovations could "fall through the cracks" where institutional responsibility is unclear, creating a lack of effective oversight over new digital technologies.

In response and to better address the cross-cutting nature of digital innovation, OECD Members are taking steps to foster effective co-ordination across the administration. Approximately 40% of OECD Members declared that their ministries and regulatory agencies co-ordinate to identify and address the above-mentioned issues where different bodies share responsibility in an area of innovation. This could, for instance, entail mechanisms to provide joined-up advice to innovators based on an agreed-upon and

consistent policy position. As shown in Figure 4.2, this co-ordination often involves joined-up regulation to enhance regulatory coherence, including across national and subnational levels of government.

Figure 4.2. Institutional co-operation to address innovation-related challenges needs to be further strengthened



Note: Data are based on 38 OECD Members and the European Union.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024.

Co-ordination mechanisms are an increasingly important tool to make joined-up approaches work in practice. Governments are already moving towards several different models that can be deployed. Formal co-ordination mechanisms include, but are not limited to, **Australia**'s Digital Platform Regulators Forum, **Canada**'s Digital Regulators Forum, **Ireland**'s Digital Regulators Group and the **United Kingdom**'s Digital Regulation Co-operation Forum. Importantly, such domestic co-ordination efforts can act as a foundation for broader international regulatory co-operation, helping to build a shared understanding and create common regulatory practices that can be extended across borders. Such activities have spawned the International Network for Digital Regulation Cooperation, where members from these networks come together to help build international relationships, gather insights from other jurisdictions and enable co-operation, furthering the transition from domestic collaboration to international regulatory frameworks.

Countries can also use less formal knowledge hubs, such as **Israel**'s Knowledge Hub on AI that serves as a repository for guidance and information for all government entities to access. Ad hoc approaches also exist, such as regulators collaborating on common studies or striking taskforces of experts from various departments. For example, **France**'s Centre of Expertise for Digital Platform Regulation is an interdepartmental office to understand how online platforms work and set or adapt regulation. The domestic experiences and insights gained from such mechanisms provide valuable contributions to the international regulatory landscape that others can learn from. Additional examples can be found in the recent OECD policy papers "Shaping a rights-oriented digital transformation" (OECD, 2024[67]) and "The intersection between competition and data privacy" (OECD, 2024[68]).

However, co-ordination may not solve regulatory gaps in which no institution has a mandate. In these instances, governments may choose to establish new regulatory institutions or allocate more power to existing ones. Such decisions need to balance the autonomy of newly created bodies with the necessity of co-operation within the existing institutional framework. For instance, while **Spain** created a separate agency for supervising AI, **France** and the **Netherlands** opted to establish supervision units within their data protection authorities (OECD, 2024[67]).

Box 4.12 presents several additional examples of how ministries, regulators and other stakeholders can collaborate to take an agile approach in response to cross-cutting innovation, including digital technologies.

Box 4.12. Institutional collaboration for an agile response to innovation

Institutional collaboration within a national jurisdiction is critical to manage the cross-cutting nature of digital technologies. It is important to enable shared expertise, streamlined processes and co-ordinated efforts across regulatory bodies to quickly adapt to technological advancements. Examples include:

- The **Danish Business Authority** operates a one-stop shop to help innovators bring their ideas to market – particularly in cases where the novel idea may fall under the responsibility of multiple regulators or where no clear regulatory pathway yet exists. The authority acts as a single point of contact for the innovator to raise questions or identify regulatory barriers. The authority then works with other parts of government, including regulators, to provide support for the innovator. One-stop shops, and their value in making rules easier to navigate, are discussed further in Chapter 2.
- **France** has developed several relevant co-operation initiatives. “France Expérimentation” is an inter-ministerial mechanism aimed at removing legal obstacles to innovative projects by means of regulatory experimentation. In addition, the presidents of several regulatory and administrative authorities (the Financial Markets Authority; the Competition Authority; the Electronic Communications, Postal and Print Media Distribution Regulatory Authority; the Audiovisual and Digital. Communication Regulatory Authority; the Online Gaming Regulatory Authority; the Transport Regulatory Authority; the National Commission for Information Technology and Civil Liberties; and the Energy Regulatory Commission) meet twice a year to discuss subjects of common interest. These meetings may lead to joint statements, e.g. on connected speakers and voice assistants or data-driven regulation. Moreover, in 2020, an inter-ministerial “task force” for online platforms was set up to pool knowledge and skills and develop concerted approaches to the regulation of online platforms.
- **Sperimentazione Italia** is a horizontal sandbox, co-ordinated by the Department for the Digital Transition, housed within the Presidency of the Council of Ministers, in collaboration with the Ministry for Economic Development. It allows companies, universities, research bodies, university start-ups and spin-offs from any sector (except excluded areas of application) to test pilot projects in the field of digitalisation and technological innovation, by derogating regulatory constraints. The main objective is to conduct live experiments in a controlled environment under the regulator’s supervision and collect data to promote future-proof regulations. Upon completion of the trial, the department will evaluate the outcomes and issue an opinion to the prime minister and the minister responsible on potential rule changes to allow the innovation to enter the market. The government is committed to initiating the necessary rule changes within a period of 90 days following the initial opinion.
- **New Zealand**’s Council of Financial Regulators enables co-ordination among five different agencies to address regulatory challenges affecting the financial sector. These agencies are the Reserve Bank of New Zealand; the Financial Markets Authority; the Commerce

Commission; the Ministry of Business, Innovation and Employment; and The Treasury. New Zealand also operates the Joint Border Analytics team, which encompasses policy and technical experts from Customs; the Ministry for Primary Industries; and the Ministry of Business, Innovation and Employment. The Joint Border Analytics team's main aim is to leverage data analytics to better understand and control border risks.

- In 2022, **Estonia**'s Government Office developed a whole-of-government framework for public sector experimentation that acknowledges the need for the legislative process to help experiment quickly, legitimately and ethically. Accompanying guidelines were issued in 2023 to help promote a consistent and co-ordinated implementation of the framework.
- In **Korea**, 39 ministries have established their own "Regulatory Innovation Task Force", responsible for co-ordinating regulatory innovation work within the ministry and supporting co-operation across institutions on innovation-related issues.

Source: Danish Business Authority (n.d.[69]); Regulatory Horizons Council (2023[70]); Riigikantselei (2022[71]); Attrey, Lesher and Lomax (2020[60]); OECD (2020[72]); New Zealand Customs Service (2024[73]); Indicators of Regulatory Policy and Governance (iREG) Survey, 2024.

Facilitating digital technology development across borders

To manage the largely global impacts of digital technologies, policymakers need to look beyond their borders to avoid fragmentation and loopholes (OECD, 2021[74]). Where reasonable and relevant, international co-operation should seek to align regulatory approaches across jurisdictions (OECD, 2021[11]). Coherence across jurisdictions can make it easier for positive digital technologies to scale internationally and, therefore, help improve economic outcomes. More importantly, consistency helps to implement and enforce rules in an interconnected world. Rules to facilitate information sharing across borders, for instance, can prevent digital banks from exploiting siloed information to help individuals evade sanctions across jurisdictions (Europol, 2023[75]).

Collaboration among international experts and regulatory practitioners is essential for developing a common evidence base of relevant approaches and best practices. The OECD Recommendation of the Council on International Regulatory Cooperation (OECD, 2022[76]) underscores the importance of such collaboration, advocating for enhanced co-ordination and co-operation among countries to address shared regulatory challenges. In all cases, as policymakers around the world face common challenges associated with new technologies, they need to learn from each other's successes and failures (Box 4.13).

Box 4.13. International regulatory collaboration on digital technologies

A growing suite of internationally recognised tools, principles and policy dialogues support governments to manage digital technologies across borders. Policymakers can leverage these to share and validate experiences from their jurisdiction, as well as design or administer their own rules in accordance with global best practices.

- **Spain** is leading the way in establishing a common framework for regulatory sandboxes to support compliance with the European Union's new AI Act. To do this, Spain will collect practical experiences from the operation of its own sandbox aimed at connecting innovators and regulators and facilitating the development, testing and validation of artificial intelligence (AI) systems that conform to the Act's requirements. It will also make available guidelines, toolkits and good practice materials.

- **Standards Australia,** with support from the Department of Foreign Affairs and Trade, launched a project in 2022 to support the development and adoption of voluntary International Standards for Critical and Emerging Technologies in South-East Asia. In addition, Standards Australia leads the International Organization for Standardization's Technical Committee for Standardisation of block chain and distributed ledger technologies.
- The **United Kingdom** hosted the AI Safety Summit in Bletchley in November 2023. The event brought together governments, leading AI companies, civil society groups and experts in research. Through the Bletchley Declaration, leaders from 28 countries, including several OECD Members and the European Union, as well as India and the People's Republic of China, agreed to collaborate to identify AI safety risks and build respective risk-based policies across countries to ensure safety, collaborating as appropriate, and to foster greater transparency by private actors developing frontier AI capabilities, appropriate evaluation metrics, tools for safety testing, and developing relevant public sector capability and scientific research. The government of **France** is preparing a follow-up to this summit (the AI Action Summit of February 2025).
- Several OECD Members provided input to **UNESCO**'s Recommendation on the Ethics of Artificial Intelligence and a set of Recommendations for More Inclusive and Equitable AI in the Public Sector

Source: Government of Spain (2022[77]); European Commission (2022[78]); UNESCO Recommendation on the Ethics of Artificial Intelligence (2022[79]); Merchant (2023[80]); Standards Australia (2022[81]).

Institutional capacity

Institutions are the enabling entities through which regulatory policy draws its legitimacy. Governments need to invest in building strong institutional capacity to effectively manage digital technologies. Nonetheless, international conversations with regulatory agencies highlight concerns about institutions' preparedness to deliver their important future roles in supervising and enforcing digital regulation. OECD Members are continuing to address challenges by focusing on their institutional frameworks, resourcing, skills and expertise.

Adapting institutional frameworks

To build capacity within government to effectively regulate in the digital age, governments will need to adapt their institutional settings and working methods. For example, across EU Member States, the implementation of three major regulations – the Digital Services Act, Digital Markets Act and AI Act – have added new mandates, functions and powers to regulate in the digital sphere that must be implemented at the country level, in co-ordination with the European Commission. While these regulations seek to empower regulators to address many of the challenges noted above, building governments' capacity enables governments to wield this power effectively.

National digital strategies are a foundational pillar in establishing governments' capacity to regulate in the digital age. Countries are choosing different bodies to implement these strategies, balancing notions such as legitimacy, political power or the possibility for co-ordination. **Austria**, for instance, has allocated strategic responsibility for developing and co-ordinating a national digital strategy to a ministry dedicated to digital affairs. Meanwhile, other countries have allocated responsibility above ministerial level, for example to the Chancellery, the Prime Minister's Office or the Presidency, such as **Australia** and **Colombia** (Gierten and Lesher, 2022[82]).

Second, regulators' mandates, powers and legal systems may require reform in order to align with new regulatory structures and evolving sector needs reforms (OECD, 2020[45]). This includes internal structures, outdated administrational processes, resourcing, and skills and change management strategies for organisational culture to adapt to and support these new responsibilities. In **Canada**, the Annual Regulatory Modernization Bill prioritises addressing legal barriers to digitalising regulatory systems, such as requirements in law that enforce paper-based applications or reporting. In **Germany**, model language is being developed for experimentation clause provisions authorising regulatory experimentation under new and existing laws. These provisions have been implemented in the areas of autonomous driving, passenger transport, drones and digital identity.

Third, central oversight, co-ordination and advice can overcome silos and fragmentation while offering a way to pool resources, including staff. For instance, approximately half of OECD Members reported having a dedicated body dealing with innovation-friendly regulation, which includes issuing guidance and helping policymakers across government consider the impacts of regulation on innovation, including digital technologies. Research on regulatory approaches to AI note a similar trend, with all regulations in the sample including oversight mechanisms that foster co-ordination and guidance.

Investing in resources

Without adequate resources, institutions designing policies and regulation and overseeing digital technologies will have little power to shape a positive digital landscape. Incorporating the processes and tools highlighted earlier in this chapter requires additional institutional capacity to adapt traditional systems. However, regulators who are already stretched thin in their day-to-day duties may not be able to spare the time and resources needed to try something new. In acknowledgement of this, some OECD Members provide incentives, including financial support to encourage the adoption of innovative approaches to regulatory policy and governance.

In these cases, incentives and institutional support can help convey a clear signal about the importance of embedding agile regulatory approaches into the governance agenda. This signal needs to reach across the administration, including independent regulators, and different levels of government. Box 4.14 presents selected examples of mechanisms governments have established to provide resourcing support for more agile regulation.

Box 4.14. Resourcing regulatory innovation

While agile regulation can support a robust governance environment for digital technologies, the successful application of such approaches can require significant government investment and commitment. This investment can take various forms:

- The **United Kingdom**'s Regulators' Pioneer Fund finances projects led by regulators and local authorities to develop novel and experimental regulatory approaches that bring products and services to market faster and encourage innovation and investment. Noteworthy examples include the piloting of a multi-agency advice service for digital innovators and of a regulatory sandbox on artificial intelligence in the nuclear sector, respectively.
- **Canada**'s Centre for Regulatory Innovation was established to promote a whole-of-government approach to regulatory experimentation, including by providing support to federal regulators. Through the centre's Regulatory Experimentation Expense Fund, regulators can receive funding and guidance to help them design and undertake regulatory experiments. The experiments, in turn, enable regulators to implement new regulatory approaches or industry to bring applications of new and emerging technologies into the Canadian marketplace. The centre

also has a Regulators' Capacity Fund to help finance projects from regulatory departments to implement identified solutions or enhance the understanding of the regulatory context and identify potential solutions.

- **Israel** has set up a fund to support innovation through experimentation projects. In addition, the country has started funding regulatory challenges through a facility involving several public authorities. These challenges can help encourage innovation and fulfil public policy objectives.

Source: UK Government (2022[83]); World Economic Forum (2020[84]); Federal Ministry for Economic Affairs and Climate Action (2023[85]).

Building skills and expertise

The novelty of innovation and agile regulation can create the need for new technical and skills. For instance, policy teams in government departments or regulators may require in-house expertise on how to design and implement a regulatory experiment for new digital technologies. However, a survey of 57 regulators on staffing and funding arrangements highlights that more than half have difficulties hiring well-qualified staff, especially in digital domains (OECD, 2022[86]). A lack of understanding of the available tools, risks and best practices can be a barrier to agile regulation.

It is, therefore, important that policymakers leading the way on agile regulation document and share their knowledge to build practical skills. The **European Commission** has a comprehensive Better Regulation Toolbox, which includes practical discussion of tools, including and beyond experimentation, to leverage the potential of innovation and reduce potential negative impacts (European Commission, 2017[87]).

Similarly, regulators may lack staff with in-depth technical skills, such as data scientists, to regulate complex technologies or make the best use of them to regulate more efficiently. Compared to digital firms, which can attract and pay the best and the brightest, regulators often have less competitive salaries and, in some cases, may lack the necessary funds. In some cases, regulatory agencies are collaborating to recruit relevant experts, for example by hiring them into a shared pool from which they can be surged into different agencies to help manage costs and provide an appealing workplace environment.

To overcome the gap in technical expertise for designing and administering data-driven regulatory methods, specialised centres of expertise can offer a solution. In 2020, **Spain** created the Data Office, whose competencies notably include:

- operating a Centre for Advanced Analysis of Data that will define the methodologies and best practices for decision making tools based on public sector data
- designing strategies for data management, and sharing among enterprises, citizens and public administrations
- defining public governance policies and standards for data management
- creating tools for knowledge transfer in the public administration.

The Data Office's mission is to boost the management, sharing and use of data throughout the different productive sectors of the Spanish economy and society.

By investing in and providing technical guidance, tools and training, government agencies can be better equipped with the knowledge and resources necessary to effectively manage and regulate emerging digital technologies. By centralising expertise, these centres can enhance the capacity of multiple departments and streamline technical regulatory processes.

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Notes

[1] According to OECD (2024[3]), these data are in response to the question “If new technologies (for example, artificial intelligence or digital applications) became available, how likely do you think it is that the federal/central/national government will regulate them appropriately and help businesses and citizens use them responsibly?”. The “likely” proportion is the aggregation of responses from 6-10 on the scale; “neutral” is equal to a response of 5; “unlikely” is the aggregation of responses from 0-4; and “don't know” was a separate answer choice.

[2] https://www.better.go.kr/rz/regul/LoadMap.jsp (in Korean only).

[3] The research looks at both regulations that have been passed into law as well as drafts in various stages of development. As efforts to regulate AI are rapidly changing, some details may change following the drafting of this report.

[4] At the time of writing, the act had not yet passed.

[5] At the time of writing, the EU AI Office was established but the Board was not yet.

[6] “Regulatory experiment” and “regulatory sandbox” are technical terms sometimes used interchangeably – whether together or with other terms, including “experimental regulation”, “regulatory testbed”, “regulatory pilot” or “innovation space” – which can create confusion. Based on OECD (2024[14]), this chapter adopts the terminology “regulatory experimentation”, which is seen as an umbrella term for all types of tools that involve testing new products, services or regulatory approaches and their implementation. Attrey, Lesher and Lomax (2020[60]) define regulatory sandboxes as a limited form of regulatory waiver or flexibility for firms, which enables them to test new business models with reduced regulatory requirements. Sandboxes often include mechanisms to ensure overarching regulatory objectives, including consumer protection, and have been used in a range of sectors, notably in finance but also in health, transport, legal services, aviation and energy.

5 Regulating for effectiveness

This chapter begins with an introduction about why regulating for effectiveness matters. It then examines how to design and check rules for effectiveness, including through the use of regulatory impact assessment and *ex post* evaluation and identifying and assessing policy alternatives. The next section addresses how to implement rules based on risk and through joined-up action within and across borders. The chapter concludes with a discussion about building institutions that effectively collect and use evidence to take sound, reliable decisions by building skills, resources and legitimacy.

Key messages

- **Evidence enables rules to overcome uncertainty and achieve promised impacts, whether that is protecting people from harm, achieving net zero targets or helping businesses to grow.** Comprehensive and reliable information equips governments to better anticipate, plan for and react to real-life outcomes. Desired outcomes are not guaranteed, but evidence allows governments to avoid being blindsided by unforeseen – and sometimes catastrophic – negative impacts. Ultimately, using sound evidence lends credibility to and fosters public trust in governments' decisions when designing and enforcing rules.
- **OECD data show that, over the past ten years, Members are employing a growing evidence base to position rules to deliver the desired impacts:**
  - Countries are considering more evidence on potential social and environmental impacts, alongside economic impacts, when designing rules.
  - Almost two-thirds of OECD Members now systematically assess the preferred regulatory option against non-regulatory alternatives.
  - Progressively more OECD Members are systematically adopting post-implementation review practices, including comparing actual versus intended impacts, as well as identifying unintended consequences of rules.
  - Most countries now have at least some mechanism in place to promote coherence and share best practices subnationally but linking to the global evidence base remains a relative weakness. Examples highlighted in this chapter show how international dialogue and co-ordination enable rules to deliver the desired impact on transboundary challenges.
- **Moving forward, countries must focus on key areas to keep delivering positive impact:**
  - **Planning upstream to monitor impact and measure success.** Policymakers need to consider early what kind of information they will need from regulated entities, whether people or businesses, to monitor outcomes. Embedding clear benchmarks and performance indicators when designing rules – which less than half of OECD Members do – also ensures that governments can measure post-implementation whether rules are having the desired impacts.
  - **Using risk-based regulatory enforcement and inspections to maximise the impact of rules.** Data and risk analysis help bridge the gap from design to implementation by identifying higher risk areas where non-compliance could be most harmful, allowing policymakers to plan to mitigate negative outcomes. Risk analysis can also greatly assist in predicting non-compliance and optimising regulatory enforcement resources. Furthermore, it encourages businesses to develop internal risk management practices and promotes collaboration and trust between regulators and the regulated community. Most OECD Members have room to better harness risk-based regulatory enforcement as a tool to maximise impact, with over half not allowing enforcement authorities to base activities on risk criteria.
  - **Making structural improvements to enable lasting impact.** Policymakers themselves are the foundation for rules that are designed and implemented well. They need capacity – specifically, skills and resources – to better take evidence-based decisions. Across government, regulators need a framework to be consistent and predictable in their decisions. Their decisions should also prioritise and encourage ethical behaviour, further fostering trust in government action.

Introduction: Why regulating for effectiveness matters

Effectively solving complex policy challenges and achieving tangible and lasting impact – whether for people, the planet or the future – is a critical driver for trust in government. In effectively achieving benefits and preventing unintended consequences, governments must avoid "regulating on a hunch" or jumping to simplistic solutions. Instead, they must use the best possible evidence throughout the process of designing, delivering and evaluating rules that serve to implement policies. It requires using data and other evidence to focus government intervention on the most pressing issues and defining clear goals. Once a policy goal is identified, rigorous analysis can support decision making by shedding light on the expected impacts of different policy options and highlighting the trade-offs. Finally, monitoring and gathering evidence on how rules drive change based on real-life insights illustrates regulatory effectiveness. Using evidence – be it by analysing data before creating rules or throughout their implementation, or reviewing information *ex post* to learn from past experience – have been shown to improve the effectiveness of rules and the positive impact they can have on people's lives (Box 5.1).

Box 5.1. Using evidence to improve effectiveness

The **European Commission**'s Vehicle General Safety Regulation commenced in 2022. It aimed to prevent 25 000 deaths and 140 000 serious injuries for the following 16-year period. Its introduction followed years of data collection to identify the key causes of accidents. It heavily relied on analysing the key risk factors in accidents: speed and driver drowsiness for most vehicles, and blind spots and tyre pressure for trucks that tended to be involved in more severe accidents.

In the **United Kingdom**, evidence-based strategies helped regulators deliver anti-money laundering regulations more effectively through a risk-based approach. Regulators use evidence from national risk assessments, sectoral risk analyses and financial intelligence to identify high-risk areas and prioritise regulatory actions accordingly. The approach helped identify and implement solutions to address significant money laundering risk exposure in an overseas bank.

After a 2021 fire at a hostel in **Latvia** resulted in nine deaths and left eight people injured, the Economics Ministry formed a working group to review fire safety regulations. The working group identified deficiencies with the existing regulations, where officials could be refused entry to premises to perform fire safety inspections. The absence of the government's ability to regularly monitor premises to ensure fire safety compliance formed the basis of amendments passed in 2022 to enable officials to close structures if they are prevented from undertaking fire safety inspections three times in a row.

Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018SC0190&qid=1713944908096; New rules to improve road safety and enable fully driverless vehicles in the EU; https://assets.publishing.service.gov.uk/media/63a03ecfd3bf7f37598eda96/Supervision_report_final_draft_-_signed.pdf; https://crsreports.congress.gov/product/pdf/IF/IF11129/3.

Evidence from implementation can make the difference between a rule that works on paper and a rule that works effectively in practice. Using data and other evidence facilitates tailoring rules to business realities; requiring permits and licences only where necessary, allowing low-risk activities to be carried out following a declaration or without any formalities; and focusing enforcement activities on areas where it is most needed from a risk-based perspective. Sharing evidence across jurisdictions can provide consistent implementation across and within borders. Collecting and holding data and other evidence does not suffice, though, if it is not accompanied with appropriate institutional capacity and skills to use it as the basis for taking predictable decisions that stand up to ethical standards and project reliability.

Making use of reliable and transparent evidence in rule-making is also critical to generating and retaining trust in government and underpinning the legitimacy of rules. In a context of fragile trust in government, evidence-based rule-making is more important than ever to ensure that rules are sound and seen as legitimate. OECD (2024[1]) data show the close link between the trust people have in their national governments and their perception of whether their government takes decisions that are based on evidence. However, only 41% of respondents from OECD Members believe their government uses the best available evidence in decision making, and only 39% think that communication about policy reforms is adequate. Basing rules on sound information and collecting evidence to show their impact can help build confidence in government's ability to address complex policy challenges and support reforms for the future.

Conversely, neglecting or ignoring evidence in rule making can have serious real-world impacts. In **Australia**, a 2011 policy decision to suspend live cattle exports, taken without an impact assessment, has had significant and lasting negative economic impacts on the cattle industry (Office of Impact Analysis, 2011[2]; Fitzgerald, 2023[3]). In another case, **France's** *Conseil d'État* – which plays a role in reviewing the quality of legal proposals – flagged that the impact assessment for proposed pension reforms had important shortcomings, in particular regarding financial projections; as the reforms continued to be advanced, there were significant public protests. Eventually, the reform proposal was significantly revised before advancing further (Conseil d'État, 2020[4]).

This chapter discusses how policymakers can deliver their desired impact by:

- defining objectives and tracking results through evidence and analysis;
- implementing rules in a way that is based on risk and consistent within and across borders;
- building institutions that effectively collect and use evidence to take sound, reliable decisions.

Designing and checking rules for effectiveness

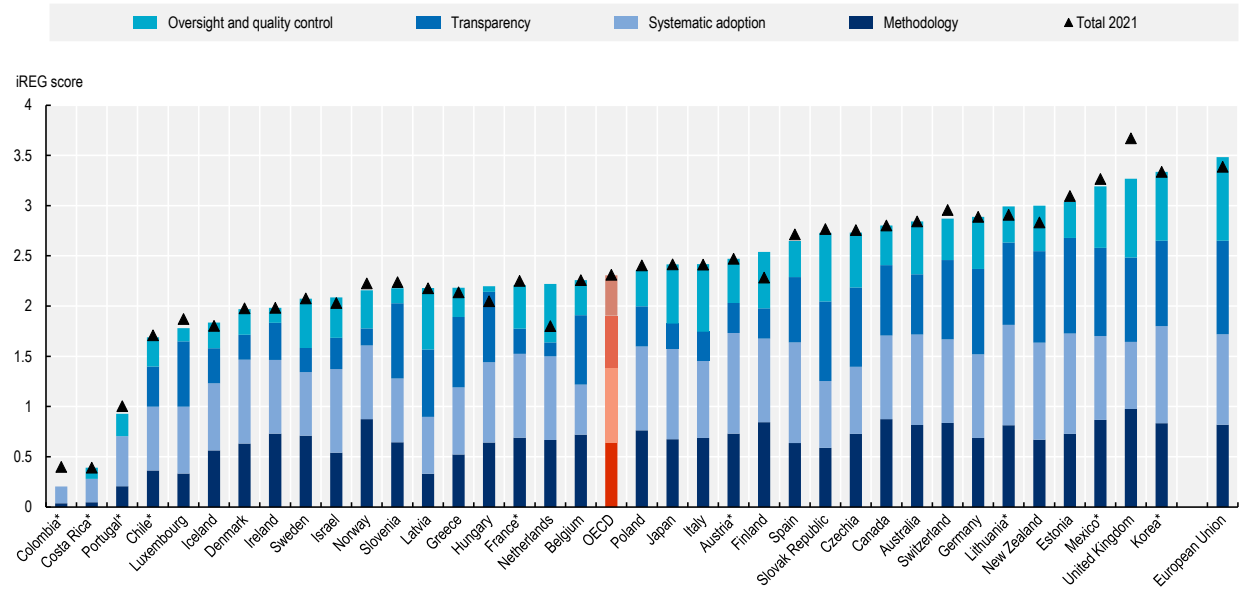
Pressing regulatory challenges like climate change and disruptive innovation put policymakers under more pressure than ever to rapidly deliver solutions with little margin for error. For rules to have the desired impact, they need to be based on sound evidence that anticipates real-world implications. For rules to *continue* having the desired impact in a changing world, they need to incorporate lessons from implementation and outcomes. Using the right information at the right time helps governments to get rules right from the start and course-correct as needed.

Evidence-based decision making over the last decade: Regulatory impact assessment and ex post *evaluation*

Use of evidence to design rules

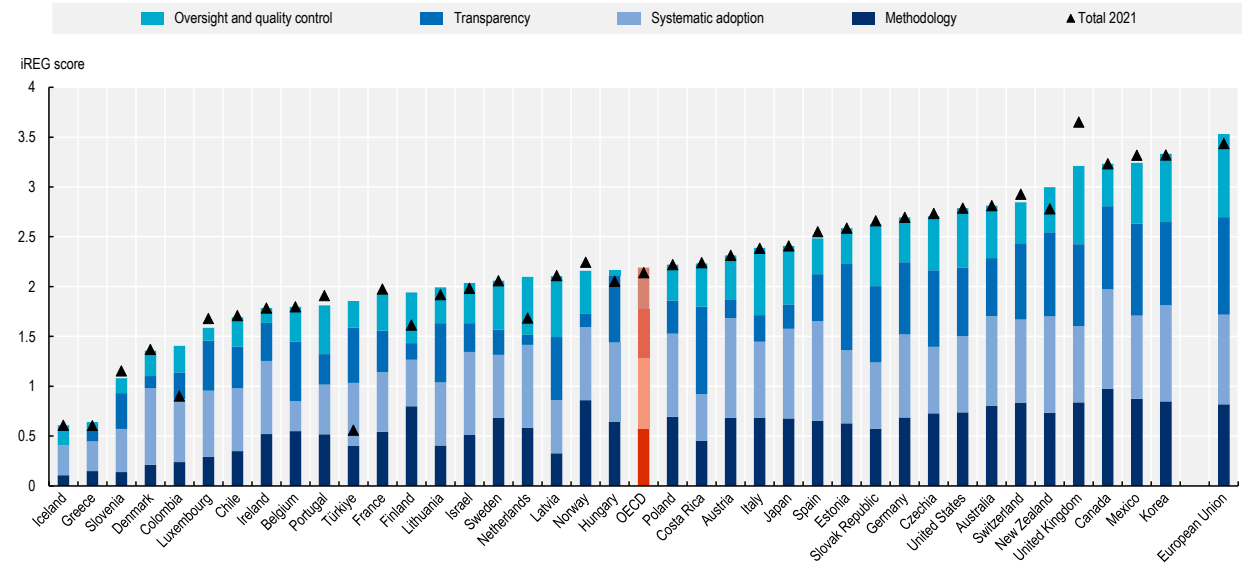
Assuming that the policy problem is not transitory and that government intervention is warranted (see Chapter 2), policymakers need to define the best way to achieve the identified high-level policy goals. Some may choose the most obvious one to them and press ahead; others may assess a range of options. Options can vary from not intervening at all to regulating, with a multitude of alternatives in between, such as letting the market run itself or co-designing rules with those affected. To be able to compare alternative options and identify the one that delivers the highest net benefit for society, the costs and benefits of all options should be assessed. Traditionally, these have been calculated narrowly from businesses' or economic perspectives, but increasingly impacts in other areas, from social to environmental spheres, are included (see Chapters 2 and 3). All these considerations – from identifying feasible options to achieve a given goal and calculating all potential impacts – form the evidence base for decisions. The 2012 *OECD Recommendation of the Council on Regulatory Governance and Policy* identifies the use of regulatory impact assessment as a cornerstone to ensure that proposed rules are based on thorough analysis and evidence. Although impact assessment among OECD Members has grown notably since 2015, data show that systems and practices have largely stabilised since 2021 (Figure 5.1 and Figure 5.2).

Figure 5.1. Composite indicators: Regulatory impact assessment for developing primary laws, 2021-24



* Most primary laws are initiated by the executive in the majority of OECD Members, except for Austria, Chile, Colombia, Costa Rica, France, Korea, Lithuania, Mexico and Portugal, where a higher share of primary laws are initiated by the legislature.
Note: The more regulatory practices as advocated in the 2012 *OECD Recommendation of the Council on Regulatory Governance and Policy* a country has implemented, the higher its iREG score. The indicator only covers practices in the executive. This figure therefore excludes Türkiye and the United States, where all primary laws are initiated by the legislature.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2021 and 2024.

Figure 5.2. Composite indicators: Regulatory impact assessment for developing subordinate regulations, 2021-24



Note: The more regulatory practices as advocated in the 2012 *OECD Recommendation of the Council on Regulatory Governance and Policy* a country has implemented, the higher its iREG score.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2021 and 2024.

Over the past decade, OECD Members have marginally improved their impact assessment systems – with most of the improvement taking place between 2015 and 2018. The most significant area of improvement has been establishing mechanisms to oversee and promote the quality of impact assessments. That said, regulatory oversight remains the area in which countries are relatively the weakest.

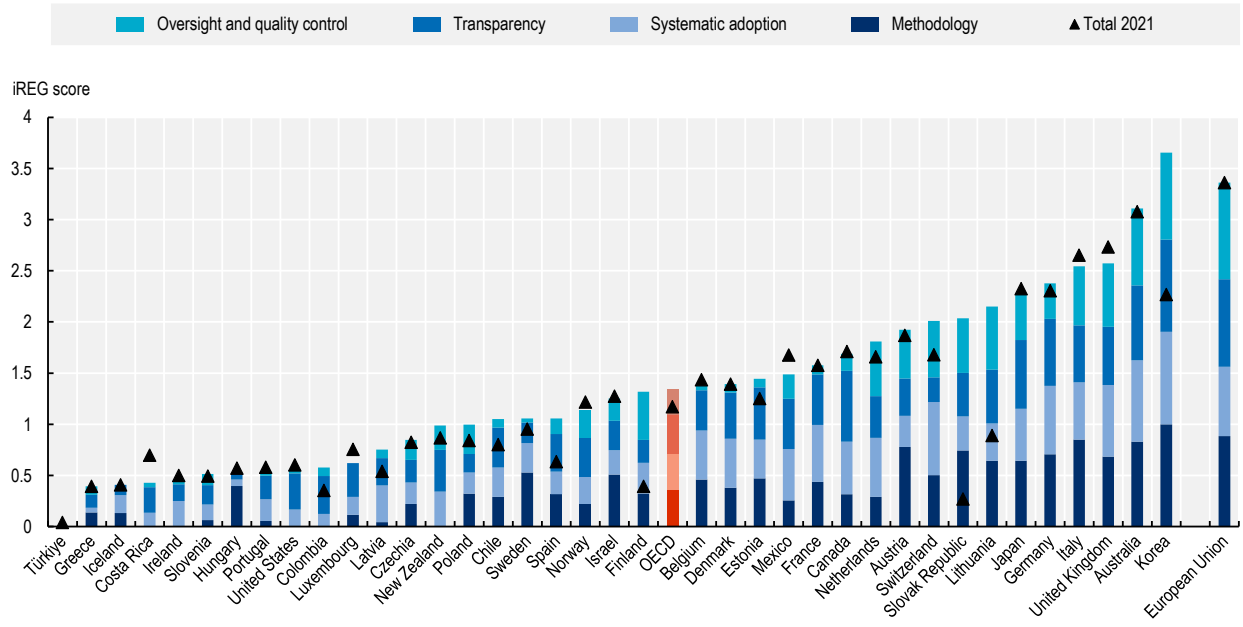
Several OECD Members have pursued recent reforms to improve their regulatory impact assessment (RIA) frameworks:

- **Finland** adopted renewed RIA guidelines in 2022, which include more comprehensive guidance and extend requirements to include the assessment of macroeconomic, financial and indirect costs. A government competence network for impact assessment, established in 2021 and recently renewed until 2027, supports law drafters in preparing RIAs.
- **Israel** established a new body, the Israeli Regulatory Authority, which policymakers must now consult when conducting RIA. The Authority reviews and provides a public opinion on the RIA quality.
- **Lithuania**, for the first time, set out a forward plan of legislative initiatives from 2021 to 2024, including major initiatives for which RIAs would be performed. It also strengthened legal requirements to use data to justify legislative initiatives and assess their anticipated impacts, including requiring that policymakers embed indicators for measuring future outcomes.
- **The Netherlands** adopted a new RIA framework that requires policymakers to complete a scan questionnaire covering impacts related to people, society and the environment. The questionnaire helps policymakers consider proportionality by identifying mandatory and suggested assessment modules based on the scale of anticipated impacts.

Use of evidence to review rules

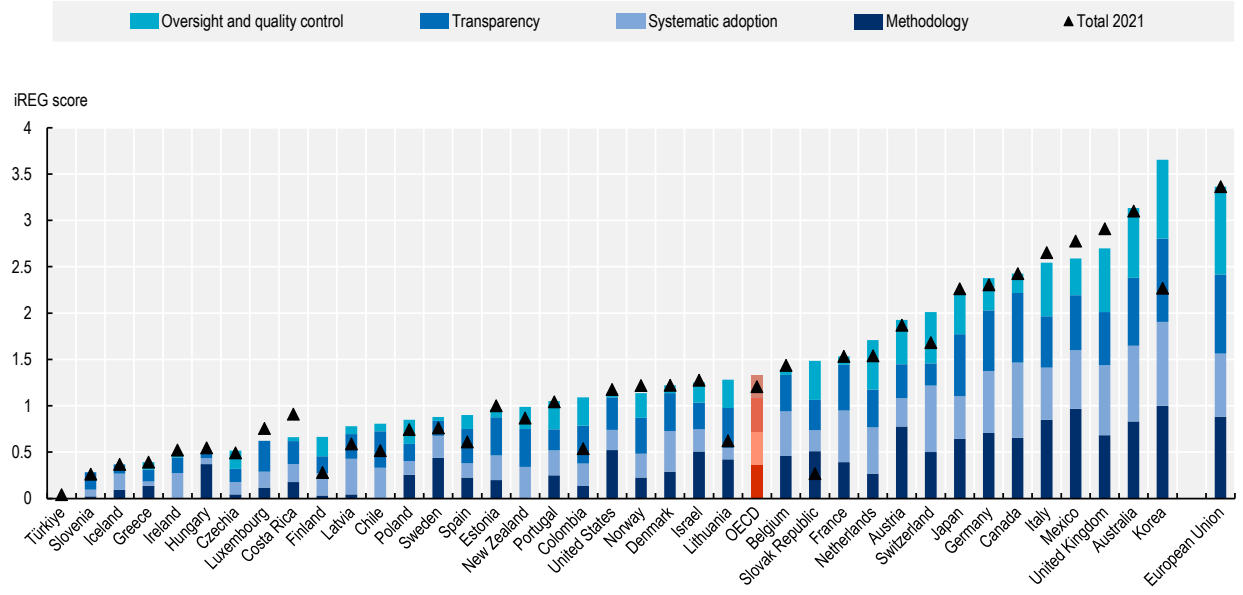
Any new rule is an experiment that aims to meet policy goals. Rules are not made in a vacuum, but rather interact with existing frameworks, change people's behaviours, and are themselves impacted by external changes or shocks. Sometimes set goals are achieved, sometimes they are not. Understanding the success (and failure) factors is crucial to ensuring that rules continue to deliver for society. In this sense, evaluating rules enables policymakers to learn what has worked, whether things can be improved, avoid repeated mistakes and use this information to improve other policy areas. It involves noting the actual costs to government of policy implementation, along with collecting data on real-world outcomes, comparing them to the intended goals, establishing the extent to which rules and other policy measures have been successful, and if they led to any unintended consequences. Despite several OECD Members continuing to take steps to advance their *ex post* evaluation practices (Figure 5.3 and Figure 5.4), it remains less advanced than stakeholder engagement and RIA. Beyond the OECD, **Brazil** determined under Decree 10,411, 2020 that its federal bodies should implement an *ex post* evaluation agenda, and established criteria for choosing the normative acts that should be subject to it.

Figure 5.3. Composite indicators: *Ex post* evaluation of primary laws, 2021-24



Note: The more regulatory practices as advocated in the 2012 *OECD Recommendation of the Council on Regulatory Governance and Policy* a country has implemented, the higher its iREG score.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2021 and 2024.

Figure 5.4. Composite indicators: *Ex post* evaluation of subordinate regulations, 2021-24



Note: The more regulatory practices as advocated in the 2012 *OECD Recommendation of the Council on Regulatory Governance and Policy* a country has implemented, the higher its iREG score.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2021 and 2024.

Over the past decade, OECD Members were most likely to make improvements by establishing or building on review methodologies, setting out aspects like the impacts and considerations that reviews should cover. Reflecting the fact that these changes remain foundational, systemic adoption (i.e. the existence of legal requirements to conduct evaluations and their frequency in practice) showed the least level of improvement. That said, some Members have undertaken more substantive reforms since 2021:

- **Colombia** has begun engaging stakeholders in *ex post* evaluations, along with publishing reviews and associated government responses.
- **Finland** adopted its first policy document on evaluation of rules in 2023, outlining common principles for monitoring and evaluating national legislation, state treaties and European Union (EU) rules. The document also includes case studies to help policymakers understand how the principles can be implemented.
- **Korea** significantly strengthened its *ex post* evaluation system with formalised guidelines on conducting reviews, along with improved regulatory oversight of the evaluations undertaken.
- In 2022, the **Slovak Republic** updated its Unified Methodology for ministries to use when evaluating existing rules. It also introduced requirements to consult with the public on *ex post* evaluations.
- **Spain** adopted legislation on evaluation in December 2022. Aligning with the implementation of this legislation, Spain will be establishing a dedicated state agency for the evaluation of public policies.

Identifying and assessing policy alternatives

Decision makers do not always have all the relevant information when choosing whether and how to regulate (OECD, 2021[5]). A comprehensive evidence base positions decision makers to take sound policy choices by weighing different options, as well as their risks and other implications. It necessitates policymakers understanding the regulatory environment and identifying relevant data and information. It also includes acknowledging information gaps and seeking solutions to minimise them – such as engaging stakeholders who can provide relevant material as to both the status quo and to past reform experiences.

Creating alternative options

As a best practice, impact assessments should identify and assess all feasible alternative options for addressing the policy problem at hand; however, this analysis may either not be undertaken or be conducted too late to truly support decision making. Policymakers need to be given the freedom to consider a range of genuine alternative solutions, rather than a more limited choice based on pre-determined preferences from decision makers to regulate. There remains a tendency to use evidence to justify a decision that has already been taken, instead of using evidence to inform the decision itself (OECD, 2020[6]). This risks overlooking alternative, potentially more effective ways of achieving the desired impact or imposing unnecessary rules and burdens that can compromise the desired impact. To avoid this, decision makers need to be able to consider the implications of multiple options – including the option not to regulate – when selecting a path forward (OECD, 2012[7]) (Box 5.2). “Doing nothing” also has costs and benefits for the population, like the inaction to address climate change or the unchecked deployment of new technologies, as discussed in previous chapters.

Box 5.2. Defining and assessing policy options

In the **United Kingdom,** the government considered several alternative options to meet the goal of addressing harmful web content to enhance the safety of users of online platforms:

- The baseline "do nothing" option.
- Option 1: A risk-based framework combining regulation and voluntary codes of practice, setting out responsibilities for online platforms in addressing illegal harms, and safeguarding children from legal but harmful content and activities (e.g. grooming or bullying) if children are likely to access the platform.
- Option 2: Option 1, with added requirements for the highest risk platforms to address legal but harmful content accessed by adults and to publish transparency reports.
- Option 3: A uniform framework where regulations would set out requirements for all platforms to address illegal harms, as well as legal but harmful content.

Policymakers also initially considered non-regulatory approaches, including self-regulation, voluntary approaches and education campaigns, but ultimately determined that these measures would not sufficiently mitigate harms on their own. Voluntary codes were added as aspects of both Options 1 and 2, complementing the proposed regulatory approach.

Weighing costs, benefits and risks alongside various social and economic considerations, the government identified and pursued Option 2 as the preferred approach, taking a proportionate risk-based approach to reduce online harms. Option 1 entailed lower costs for approximately 20 high-risk services but offered less reduction of harms. Option 3 offered marginally greater overall reduction of harms but entailed significantly higher costs for businesses for low-risk businesses.

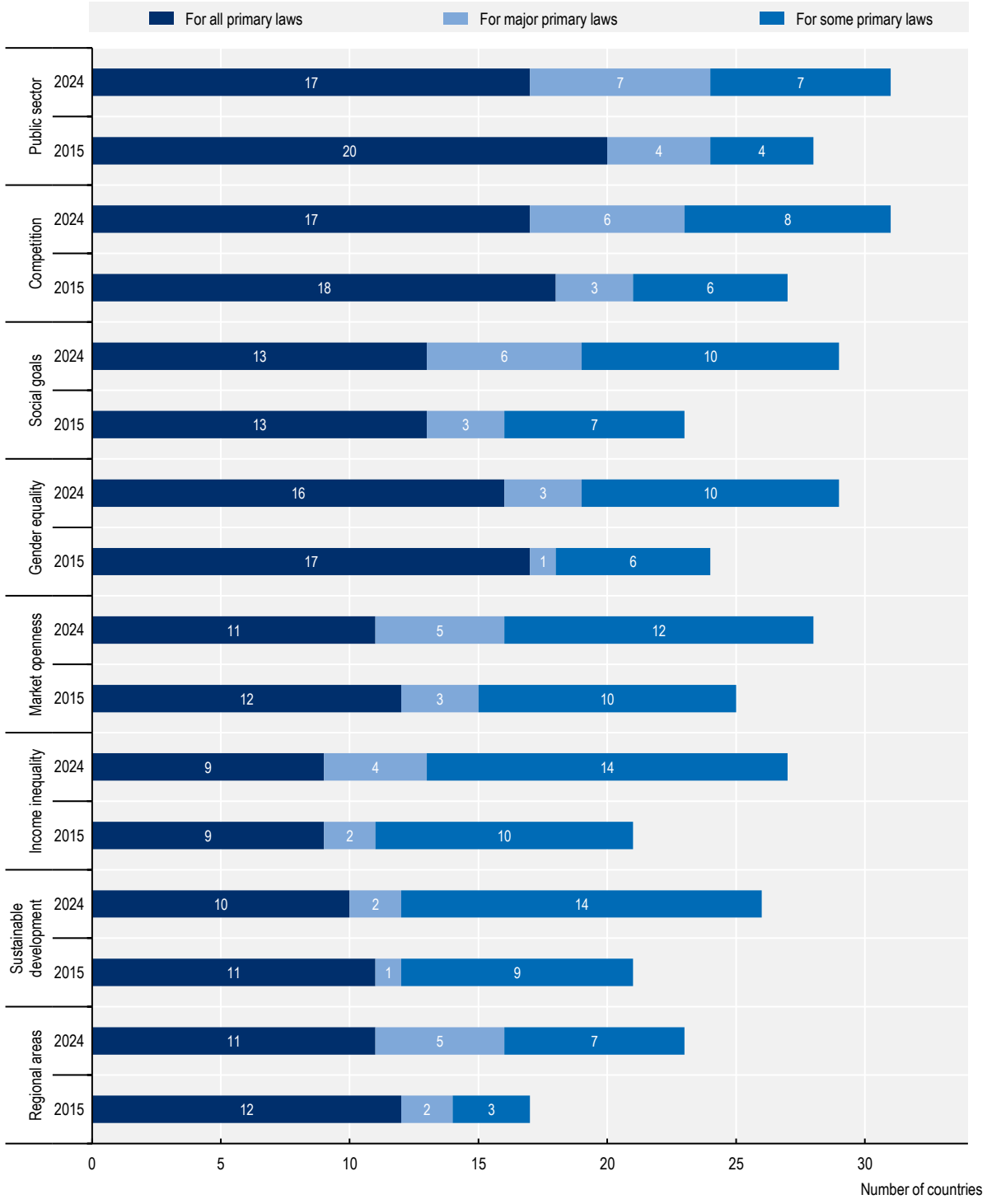
Source: The Online Safety Bill – Impact Assessment.

Most OECD Members systematically assess multiple alternative options to inform their decision making and approximately three-quarters are systematically required to assess the "do nothing" option when making rules (a slight increase since 2021). However, few countries assess multiple non-regulatory options. Countries would benefit from a more systematic consideration of various feasible approaches – both regulatory and non-regulatory – early in their policymaking to ensure that the approach ultimately identified is, in fact, best suited to achieving the desired impact within the given context (OECD, 2022[8]).

Surveying the economic, social and environmental landscape

Policymakers have often focused on assessing economic evidence and implications when making rules. However, as governments have become increasingly conscious of the importance of effective rules in, for instance, the fight against climate change and social inequity, OECD Members have added a growing suite of social and environmental – alongside economic – considerations to their impact analysis requirements (Figure 5.5). As shown in Figure 5.5, impact assessment has grown in two ways: 1) more Members are adopting assessment of different considerations; 2) there is more systematic assessment of considerations in 2024 (Chapters 2 and 3 further discuss *how* assessing social and environmental impacts, respectively, can contribute to rules that support a more equitable and sustainable society).

Figure 5.5. The growing scope of impact assessment for subordinate regulations, 2015-24



Note: Data are based on 34 OECD Members. The 2024 total does not include the four countries that were not OECD Members at the time of the 2015 survey (Colombia, Costa Rica, Latvia and Lithuania).
Source: Indicators of Regulatory Policy and Governance (iREG) Survey 2015 and 2024.

Assessing costs, benefits and risks

Each policy option will carry its own considerations regarding potential costs, benefits and risks that will determine its suitability and feasibility. Policymakers may find themselves weighing immediate costs against long-term benefits or weighing the risk of different unintended consequences associated with different policy options. For instance, in response to perceived high housing prices, policymakers may consider the following options: rent control measures, zoning reforms or simply doing nothing. Potential benefits of rent control measures may include stabilising housing prices for tenants, but potential unintended consequences may include reduced rental housing supply due to decreased revenue for landlords. Alternatively, reforming zoning rules that require building single-family homes to allow for higher density housing could entail higher immediate costs to update infrastructure (e.g. the city may need to expand roads and public services in the area to accommodate a higher density community) and encounter community resistance. However, the reforms could also significantly lower housing prices and meet long-term demand by boosting availability. Meanwhile, the "do nothing" option may involve no additional (direct) costs or (immediate) changes but risk continuing affordability issues.

While such assessment of costs and benefits is a prevalent requirement among OECD Members, it is notably less common for OECD Members to require this assessment for multiple policy options. The corresponding lack of information makes it difficult to compare the pros and cons of different policy options, potentially undermining the value of RIA as an iterative tool to elicit policy choices (OECD, 2020[6]).

Risk assessment is a less common requirement than cost and benefit analysis in the development of rules, though risk is an equally key consideration when determining the suitability of policy responses. Regulations aim to address various potential harms to people, the environment, public interest and more; risk is generally considered as the combination of both the *probability* of an event or harm happening and its *impact* should it happen. Early in the policy cycle, risk assessment – i.e. "estimating the relative level of different risks in terms of combined probability and severity of harm" (OECD, 2021[5]) – allows for designing, evaluating and prioritising policy approaches based on the mitigation of identified risks (OECD, 2010[9]). This is easier said than done, with challenging obstacles like the availability of limited evidence on risk or the complexity of considering the combined risk flowing from the interplay between different threats, across sectors and jurisdictions (see also OECD (2021[5]) for a more detailed discussion).

Beyond the specific risks that could be mitigated through a given policy option, policymakers must also consider that decreasing one particular risk in one area can lead to another risk appearing elsewhere. For instance, the **Federal Aviation Administration (FAA) in the United States** has acknowledged that it is safer for infants to have separate seats on an airplane than to travel on the lap of an adult; however, the FAA has chosen not to ban lap infants because its risk assessment indicates that the price increase would lead more families to drive instead of flying, and the risk to human life associated with driving is significantly higher. The FAA cites that the diversion to highways would risk a net increase in transportation deaths, with 60 additional lives lost on highways for every one child saved by a ban on lap infants (Claussen, 2010[10]; National Transportation Safety Board, 2010[11]).

Accepting a degree of risk may be a sound decision to avoid riskier courses. Hydrogen technologies, for example as discussed in Chapter 3, entail certain environmental and safety risks but can be key to the energy transition and helping to mitigate risks associated with climate change. The precautionary principle can be a tool to help policymakers identify all key potential risks associated with a new product, ranging from environmental to health and safety. Applying the principle can then be a way of guiding policymakers in identifying a course of action that reconciles the new risks that a product introduces with the existing risks that the product reduces (see OECD (2023[12])). Risk is not only key in the design phase, but also through to the delivery of rules, as discussed in the section "Maximising effectiveness based on risk".

Balancing evidence and impact

As the range of considerations to be taken into account in impact assessment has grown, policymakers have become increasingly conscious of the need to balance the necessity for comprehensive evidence with keeping burden in the rule-making process manageable. Proportionality means requiring more evidence for rules with bigger impacts, as these have higher risks. For example, a new law affecting all healthcare providers would require thorough research and data while a bill to make minor amendments to the wording of an existing law to keep it up to date might need less detailed evidence. This helps policymakers and those supporting them across the administration use their limited time and resources effectively.

OECD Members have increasingly moved towards adopting more proportionate approaches, in part acknowledging the scarcity of resources available to policymakers. Since 2021, **Colombia**, the **Netherlands** and **Türkiye** have introduced proportionality requirements for conducting impact assessments.

A threshold for triggering more extensive evidence requirements can be based on quantitative impacts, a mix of qualitative and quantitative criteria (e.g. the number of affected businesses or a subjective determination of the significance of identified impacts on key sectors), impacts on specific stakeholder groups, or the determination of a regulatory oversight body following initial analysis by the policymaker (OECD, 2020[13]). In the **United States**, for instance, proposals with an anticipated impact of over USD 200 million annually require a more in-depth assessment (including a detailed description of the need for regulatory action and how the proposal will meet that need). The **European Union**, by contrast, uses a qualitative determination of whether initiatives are expected to have "significant" social, economic or environmental impacts. Among OECD Members, the use of preliminary studies for initial analysis of proposals has increased since 2021 for subordinate regulations, with more than 50% of countries undertaking this practice, while 45% of countries use them for primary laws. The **Netherlands** has developed a web-based tool to make this process more adaptive to different proposals; an online questionnaire helps policymakers determine the applicability of relevant impacts and tests to then include in impact assessments for their proposal.

Setting up for success

Building in accountability

Using relevant evidence is critical in demonstrating the effectiveness of government interventions and to strengthen accountability. Policymakers should monitor new or changed rules by drawing on reliable data and other information to gauge real-life impacts (OECD, 2012[7]). Observing and publishing performance against measurable targets enables officials to understand what works and what does not and allows people to scrutinise government action. Ongoing monitoring also affords a valuable evidence base to review rules more substantially.

Setting up effective monitoring and evaluation for *after* a rule has been put in place starts when the rule is being designed. The data and evidence in designing rules can later serve as a basis for evaluation, i.e whether rules are working as intended and to assess their effectiveness ("does it achieve its objective?") and efficiency ("does it use more resources than is necessary?") (OECD, 2020[14]). In **Poland**, for example, the template used to conduct impact assessment in the design of rules requires policymakers to identify a date and measures for evaluating the rule. Similarly, **Hungary**'s revised RIA methodology emphasises the importance of post-implementation review, including tracking emerging impacts as policies are implemented. An encouraging development was adding *ex post* assessment as the final step in the policy cycle to ensure that policies remain fit-for-purpose.

Some OECD Members have taken steps to incorporate early consideration of *ex post* evaluation by systematically requiring policymakers, when developing a regulation, to identify a process for assessing progress in achieving the desired goals. This process can include requiring policymakers to specify the methodology for measuring progress, whether in achieving immediate or long-term policy goals. With less than half of OECD Members requiring methodologies for measuring progress or requiring indicators to measure progress toward immediate policy goals, and approximately a quarter of OECD Members requiring indicators to measure the contribution toward long-term goals, Members would benefit from stronger planning upstream to monitor the impact of rules and measure success downstream.

Assessing intended vs. actual impacts

In practice, there is no guarantee that rules will be effective and achieve the intended impacts. They may be simply ineffective or they may have unintended impacts that were not foreseen in the design process. For instance, a review of traffic laws could show that new speed limits have successfully reduced accidents in one area but increased traffic congestion in another. Although some additional OECD Members have started comparing actual and predicted impacts and identifying unintended consequences of at least some regulations since 2021, there remain significant opportunities to better collect and leverage this evidence (Box 5.3).

Box 5.3. Checking whether intended impacts are realised

Estonia evaluated benefit reforms to support and incentivise people with reduced work ability to return to the labour market. The evaluation found that the reform achieved various original objectives, revisited performance targets to more accurately reflect demographic changes since 2016, quantified monetary benefits to date and identified recommendations to ensure ongoing effectiveness.

The **United Kingdom**'s review of regulations on the permanent identification of dogs using subcutaneous microchips found that the primary objective of increasing reunification rates had been achieved and costs for local authorities had been reduced. The review did not find evidence that the regulations had achieved objectives of reducing dog abuse or improving public safety or breeding conditions. Identified areas for reform included an opportunity to address unintended impacts that rendered database systems burdensome to use.

Due to a high prevalence of newborns with neural tube defects, the **Costa Rican** government introduced a mandatory policy to fortify four staple foods with folic acid (wheat flour, maize flour, rice and dairy products). This decision was based on the low incremental cost to consumers and the efficiency of reducing neural tube. About 70% of neural tube defects such as anencephaly and spina bifida can be avoided by sufficient intake of folic acid prior to pregnancy and an increase in folic acid intake can also reduce the severity of defects. A recent scientific study conducted in the National Children's Hospital of Costa Rica showed that among the newborns with spina bifida, the percentage of newborns with non-closeable large lesions, leading to permanent disability or death, decreased from 7% in pre-fortification to 1% after mandating food fortification with folic acid.

Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024; Improving the Provision of Active Labour Market Policies in Estonia (OECD, 2021[15]); UK Department for Environment & Rural Affairs (2021[16]); Caceres et al. (2023[17]); Sight and Life and World Food Programme (2017[18]); Costa Rican Ministry of Health et al. (2006[19]); MRC Vitamin Study Research Group (1991[20]).

People directly impacted by rules can provide more complete information about how rules are working in practice, including unintended or unnecessary challenges. In addition to public feedback helping identify and address issues and data gaps, incorporating consultation processes that are perceived as fair can help to enhance public trust (Lind and Arndt, 2016[21]). In the **United States**, for example, stakeholders submitted petitions to the government highlighting that policies allowing voluntary "Product of USA" or "Made in USA" food labels on animal products processed in the United States were leading to consumer confusion. After receiving the petitions and surveying consumers, the regulatory agency identified that consumers commonly understood the label on meat products to mean that animals were born, raised, slaughtered and processed in the United States; accordingly, rule changes were finalised in 2024 to align product labelling policies with the common consumer understanding (Food Safety and Inspection Service, 2024[22]). Chapter 2 further discusses the value of feedback processes in allowing people to voice when rules are not working for them and in enhancing trust.

Closing the feedback loop

The example of the **United States** also highlights how evidence and lessons gathered from implementation can feed back into a redesign of rules, creating a loop for evidence-based improvement to drive effectiveness. This crucial part of translating evidence into impact remains a gap among OECD Members. Despite most Members reporting some kind of mechanism for dealing with findings, ranging from departmental to parliamentary responses, just under half of Members report an evaluation leading to tangible improvement.

Within the last five years, five OECD Members have assessed the effectiveness of their evaluation processes in improving the regulatory stock. Their findings may be relevant for others looking to identify gaps in their own processes and close the feedback loop of evidence-based improvement. **Mexico**, for example, identified compliance with regulatory improvement obligations in 2019-20 as a challenge; recognising capacity constraints associated with the COVID-19 pandemic, the body responsible for monitoring compliance with these requirements catalogued all specific instances of non-compliance and committed to following up with ministries on any commitments left outstanding the following year (CONAMER, 2021[23]).

Achieving impact through effective and joined-up implementation

However well-designed, the effectiveness of a rule in achieving the desired impact hinges on how it is delivered and implemented on the ground. As such, effectiveness ultimately depends on the ability of governments and regulators to foster compliance with rules. For instance, product regulation may be based on the best possible evidence to strike a balance between risks and opportunities; however, if regulators are overstretched and unable to verify safety, unsafe products may enter the market regardless, exposing people to harm. For example, a "smart" baby monitor may fail to pick up on important clues to alert parents that their attention is needed. If regulators are unable to remove them from the market, they will put infants' lives at risk. To maximise impact, rules should be "outcome-based" and supported by guidance, making it easy to comply (Blanc and Cola, 2019[24]).

To pass this "reality test" and achieve impact through regulation, governments and regulatory agencies must allocate their limited resources in a manner that maximises impact. Taking a risk-based approach enables regulators to focus efforts where they are needed most and in a way that achieves the intended outcomes. Effective and smooth implementation also requires rules to be coherent and consistent within and across borders. Ensuring processes for co-ordinating with other jurisdictions and across levels of government maximises positive impacts, especially when policy challenges transcend borders.

Maximising effectiveness based on risk

To maximise the effectiveness of rules in keeping people safe and limiting burdens on businesses, governments need to be "smart" in how they implement rules. Testing and inspecting every individual product and business on an ongoing basis is neither achievable (limited resources) nor desirable (unnecessary burdens). This involves focusing compliance and enforcement activities on the level of risk the government seeks to mitigate and targeting its interventions and actions, such as inspections, accordingly.

In this landscape, regulators' approaches should generally focus on the positive promotion of compliance and be less punitive. To do so, inspectors should rely on a wide range of tools towards regulated entities that allow both the adoption of severe punitive measures against businesses for the most severe cases of infringement where there is no chance to do otherwise and where businesses actively and knowingly engage in criminal activities, and providing guidance to those who are not yet fully aware of complex requirements or do not understand them (Ayres and Braithwaite, 2016[25]). Helping businesses comply and rewarding those who do so voluntarily and spontaneously can help nurture a common interest towards the protection of public goods (e.g. health, safety, environment) and, thereby, help solve and strengthen trust between the public and private sectors.

Including regulated entities, including businesses, in broader risk management can greatly enhance the impact of regulation. Involving them in the pursuit of a common risk assessment methodology can enable better concerted action across the public and private sectors, and consequently enhance the levels of compliance. It also facilitates understanding and communication for companies striving to be more aware and compliant. One way for regulators to involve businesses is risk management is by setting incentives to use self-assessment systems to improve their performance and the overall safety of the sector.

Public authorities can use risk assessment to target the most pressing challenges. More targeted enforcement can help focus on those areas where rule breaches are the most likely and/or have the gravest consequences. Doing so not only helps to upkeep vital protections for citizens and the environment, it also saves public resources. For instance, data analysis, mathematical models and information systems can be used to predict where non-compliance is most likely to occur. This enables regulators to tailor their inspection regime to target those businesses the most likely to be non-compliant (Box 5.4).

Box 5.4. Using data to anticipate non-compliance in Italy's regions

Using inspection results from pilots in Lombardy (occupational safety), Trento (environmental protection), and Campania (food safety), a compliance analysis was conducted to enhance risk mitigation. Each inspection entails checks on various procedures (e.g. surface cleanliness, animal welfare). Assuming that a company in non-compliance of any of these points is probably also in breach of others, statistical correlations can predict compliance issues.

Companies that were in breach in the past were also more likely to be in breach in subsequent inspections. These observations allow authorities to focus resources on companies most at risk and help them achieve compliance. For instance, the analysis of the historical inspections in food safety revealed correlations between the outcomes of different inspection procedures of the same company. This paves the way for the possibility of inferring compliance variations for aspects not yet inspected. Therefore, the company could use the tool as a self-assessment system and a "probability" component for a complete risk assessment system.

Source: Data-Driven, Information-Enabled Regulatory Delivery (OECD, 2021[26]).

Regulatory enforcement and inspection activities are typically delegated to arm's-length bodies but central governments in OECD Members can play an important role in setting expectations and enabling these entities to adopt risk-based approaches. Evidence suggests that OECD Members can make better use of risk-based approaches for inspections and enforcement, as 17 countries indicate *allowing* but not mandating their inspection and enforcement authorities to base their activities on risk criteria. This reflects a discretionary use of data, and consequently of risk, in regulatory decisions. Only 12 countries *require* the use of such approaches. Similarly, a minority of OECD Members (14) report having a regulation or policy document that explicitly allows for differentiated responsive enforcement (i.e. depending on the profile, compliance history and behaviour of specific businesses).

Risk-based regulatory delivery is an ongoing endeavour that requires public authorities to establish and sustain appropriate mechanisms to monitor how risks evolve in real life and act where needed. Continuous monitoring is especially important as new products and services (from e-cigarettes to e-commerce platforms and connected Internet of Things devices) mean that consumer habits and expectations evolve over time, and so will the associated risks, leaving regulators to chase a constantly moving target. Market surveillance is a key tool that can support regulators' ongoing risk management (Box 5.5). It typically consists of activities conducted by governmental authorities or delegated bodies to ensure that products available on the market comply with relevant regulations and standards, and to take action as appropriate to remove products that pose a threat, e.g. through recalls. In doing so, market surveillance plays an important role in ensuring a well-functioning market with fair and open competition that does not unduly hamper innovation all the while protecting consumers.

Box 5.5. Market surveillance for ongoing risk management

Following the Hackitt Review's recommendations (2018), the **UK Office for Product Safety and Standards** (OPSS, the British regulator for consumer products) has aimed at addressing potential issues before they occur. The Construction Product Regulator highlights the need for products to deliver their claimed performance and to use established relationships with stakeholders to identify risks posed by products. It has identified six market surveillance priority products and is developing a toolkit to change industry behaviour. It is taking an intelligence and evidence-led approach to identify and target interventions. In case of non-compliant products imported into the country, the OPSS Intelligence team will now help inform the development of border profiles as part of the ongoing ports and borders programme. This will help border authorities ensure that in the future any imported products from previously non-compliant manufacturers are closely monitored, highlighting the importance of data and the evaluation of risks in market surveillance.

Source: Based on interviews with and material provided by the Office for Product Safety and Standards.

Maximising effectiveness through joined-up action

The practical implementation of rules on the ground can often reveal gaps, duplication and inconsistencies in obligations, making them hard to understand and comply with. For instance, a small business might struggle to comply with varying requirements to export its products, while people who live and work in different countries are subject to a web of complex administrative procedures. At the same time, gaps and inconsistencies in rules across national borders make it impossible for policymakers to deal with the challenges of a global and interconnected world. Inconsistencies across borders potentially incentivise globally operating businesses to locate operations in whichever jurisdiction provides more lenient rules, thereby raising the spectre of a race to the bottom. To drive global public goods and ensure a level playing field, countries must collaborate, as they are doing, for instance, through the Inclusive Forum on Carbon Mitigation Approaches or through the inclusive OECD/G20 Framework on Base Erosion and Profit Shifting

to end tax avoidance. Even within national borders, rules and requirements are often issued and enforced at different levels of government, creating potential conflict or overlap. To ensure rules have tangible real-life impact, policymakers must collaborate across and within borders to expand their evidence base, share best practices, and ensure that rules are coherent and consistent.

Coherence across borders…

Today's globalised world with integrated value chains and the movement of goods, services and capital across borders makes it impossible for any single country to manage risks and protect citizens effectively. Recognising these practical difficulties, the OECD devised the *Recommendation of the Council on International Regulatory Co-operation to Tackle Global Challenges* for countries to take international knowledge and expertise into account, consider existing international instruments when developing regulation, assessing international costs and benefits of domestic rule-making and the impacts of international regulatory divergence from existing international rules (OECD, 2022[27]). International regulatory co-operation can help improve regulatory coherence through aligned terminology or definitions, shared experiences, and common guidance or benchmarks.

Governments need to collaborate with each other to shape and implement rules to successfully tackle challenges that transcend borders. Therefore, and as set out in the OECD's *Best Practice Principles on International Regulatory Co-operation* (OECD, 2021[28]), "co-operation is also a cornerstone of effective market surveillance and regulatory enforcement." Pressing global challenges such as climate change, threats to public health and tax evasion can only be met through a concerted policy response that avoids loopholes and inconsistencies. (OECD, 2021[28]). Co-operation on the delivery of regulation, enforcement of regulation or conformity assessment processes are also increasingly used to help reduce complexity and save both businesses and government time and resources and to help improve logistics. Such co-operation has proved particularly important for securing time-critical equipment as was the case during the COVID-19 pandemic (OECD, 2020[29]), ensuring human health and safety without undue burdens for companies in chemicals testing, and in competition and anti-trust cases spanning across borders (OECD, 2022[30]). In particular, mutually recognising testing and certification in another country can limit the need for compliance assurance domestically and reduce international trade costs. For example, the OECD's Environment, Health and Safety Programme, through its Mutual Acceptance of Data system, helps avoid repeat testing for industrial chemicals, pesticides and biocides and reduces testing through the use of computational approaches for predicting chemical properties. The programme's annual net benefits were estimated at over EUR 309 million (APEC-OECD, n.d.[31]). In addition, over 32 000 fewer animals were needed annually for testing new industrial chemicals.

To meet common challenges and positively impact people's lives, governments need to collaborate with each other, including by sharing data and other relevant information and considering appropriate compliance and enforcement across borders. Doing so enables governments and enforcement authorities to expand their evidence base to detect potential risks and better encourage compliance with rules, for example by checking the provenance of goods, travellers' identity or the source of financial flows. International collaboration and information exchange is particularly relevant for preventing threats from criminal activity or terrorist plots (Box 5.6).

Box 5.6. International collaboration to align pre-load advance cargo information requirements

After the discovery of explosive devices hidden in a cargo airplane from Yemen bound to the United States in 2010, it became clear that international air freight was a target for terrorists. **Transport Canada** conducted an 18-month pilot project to evaluate the usefulness of requiring carriers to provide information on their cargo prior to loading (Pre-load Air Cargo Targeting), including shipper, consignee

and the nature of the merchandise. This project enabled the authorities to plan properly and reduce controls at landing. The regulator would flag riskier shipments in advance and require more information, take mitigation steps, or simply bar entry in case of severe risk. Originally performed manually through emails, the programme proved so useful that in 2018, Transport Canada invested in an information system to automate the data submission and analysis.

Since then, many countries have adopted similar pre-load advance cargo information requirements, including the United States (ACAS), the United Kingdom (PreDICT) and the European Union (ICS2), covering 35% of the world's annual cargo shipments as of 2023. To guide adoption and ensure alignment, the International Civil Aviation Organization and the World Customs Organization published Joint Guiding Principles for Pre-Load Advance Cargo Information in 2019. Progress in this area was crucial during the COVID-19 pandemic, when important medical supplies had to be shipped through air transportation quickly and efficiently but without sacrificing safety.

Source: OECD work in co-operation with Transport Canada; https://www.iata.org/en/publications/newsletters/iata-knowledge-hub/placi-the-new-security-regulation-changing-air-cargo-industry-dynamics; https://www.icao.int/Security/aircargo/Documents/Joint%20WCO-ICAO%20Guiding%20Principles%20for%20PLACI%20EN.pdf.

Countries also have an opportunity to pool information to improve their market surveillance activities and withdraw dangerous products from the market more quickly. For instance, joint alert systems and common platforms can be used to flag products that have been found to be unsafe. The European Information and Communication System for Market Surveillance, for example, enables market surveillance authorities from EU and European Free Trade Association countries to share information on non-compliant (non-food) products. The platform can also be used to co-ordinate activities and inspections, aiding consistency across the Single Market by avoiding duplication of investigations. In addition, Safety Gate acts as a rapid alert system for dangerous non-food products across the European Union. However, there is further potential to use other data sources, such as firefighting and healthcare institutions, which could signal to the market surveillance authority that a fire or an injury was linked to a specific dangerous product.

In other cases, countries have formalised their collaboration by establishing recurring or standing mechanisms to drive regulatory coherence. These can go beyond information sharing to common evidence gathering and efforts to address regulatory barriers for businesses and citizens. The Franco-German area illustrates how such mechanisms can greatly improve rules affecting businesses and citizens in cross-border regions (Box 5.7).

Box 5.7. The example of the Franco-German area: Actors facilitating policy co-ordination

France and Germany have close cultural ties, and over 50 000 people who live in the border region cross it daily. As a result, many French and German citizens are subject to the administration of the other country, for example to access public health services, pay taxes, obtain a driving licence, etc.

Joint initiatives between the two administrations are, therefore, numerous. They enhance freedom of movement and ensure that citizens can benefit from living in the Franco-German border region. Examples range from transportation and mobility (e.g. Strasbourg-Kehl tramway) to education and integration (e.g. recognition of each other's Culture Pass).

Transboundary bodies bring together central state and local representatives from France and Germany in the Greater Region (which also includes Luxembourg and parts of Belgium) and the Upper Rhine. The two co-ordination structures are the Executive Summit and the Upper Rhine Conference (which also includes Switzerland). There are also bodies in charge of observing cross-border relations, such

as the Cross-Border Operational Mission (*Mission Opérationelle Transfrontalière*) and the Euroinstitut, which provides training and organises conferences for institutions in the Upper Rhine. The Franco-German Committee for cross-border co-operation, founded in 2019, solves cross-border issues and raises them to the central state level by presenting them to the Franco-German Council of Ministers.

Finally, the European Union also plays a key role in the area, supporting programmes for cross-border co-operation as part of the free movement of citizens within the European Union.

Source: Franco-German Barometer on Administrative Complexity, OECD forthcoming publication.

…and within borders

The power to make and enforce rules is typically spread across different levels of government – national, regional and local. In many countries, regional and local governments are charged with implementing regulations issued by national authorities. To implement national rules, regional or local authorities often issue subordinate regulation in the form of bylaws, directives, manuals, guidelines, handbooks, templates or other binding legal instruments. They also often play a prominent role in delivering rules, including through licensing, permitting, and inspections and enforcement. Furthermore, in federal jurisdictions, subnational governments often have the responsibility to regulate specific areas. These may include the provision of public services such as sanitation, health services and waste management and, in some cases, energy generation and distribution.

This intricate system of shared responsibility means different bodies entrusted with regulatory authority on different levels need to co-ordinate. The exercise of regulatory authority by multiple levels of government should, in principle, operate in concert for greater impact, i.e. to achieve economic and social policy goals, such as protecting citizens and the environment. However, the complexity of these relationships creates the potential for horizontal and vertical gaps, overlaps, and contradictions. This regulatory jigsaw can create unnecessary burdens on businesses and citizens and, at the same time, lead to potential loopholes arising from gaps in regulation and their delivery that undermine the real-life impact of rules.

Evidence shows that actions taken by OECD Members to promote regulatory coherence through rules that avoid gaps, duplications and inconsistencies across levels of government are not consistently used across the whole membership yet. Since 2021, 26 of 38 OECD Members have at least one type of co-ordination mechanism across national and subnational governments or municipalities to promote regulatory coherence in regulatory approaches and avoid duplication or conflict of regulations. The most common mechanism is a standing co-ordination mechanism. Box 5.8 provides an example of Italy that, despite being a unitary country, has several instances facilitating policy co-ordination, including strengthening collective regulation capacity and improving regulatory coherence.

Box 5.8. Multi-level policy co-ordination in Italy

Policy co-ordination across different levels of government in Italy

Italy is characterised by a multi-level legal system and the division of power between central, regional and local levels requires co-ordination for successful policy outcomes. In particular, there are shared competences between central and regional levels, and regions also have exclusive lawmaking competences in several sectors. Italy has put in place several mechanisms to facilitate co-ordination between different levels of government, enabling dialogue and creating an environment enabling efficient regulatory delivery by sharing best practices, tools and methods:

- **The Permanent Conference for the Relations between the State, the Regions and the Autonomous Provinces of Trento and Bolzano** allows for dialogue between the central government and the system of regional autonomies on prominent administrative and regulatory acts. Co-operation is fostered through meetings of the conference and special sessions to discuss EU policy matters impacting regions and localities.
- **The Unified Conference** promotes information sharing between the government and regions as well as provinces and municipalities, allowing for a common understanding and co-ordination among all institutional levels of the country. It has a consultative function, expressing opinions on the draft budget law, for instance, enabling expression of local, regional and central authorities in the process.
- Furthermore, and within the Unified Conference**, the permanent Conference for the Co-ordination of Public Finance** allows for further co-ordination on matters related to public finances. A certain number of state officials as well as regional and local representatives are designated, ensuring adequate and well-balanced territorial and demographic representation.
- A final instance is **the State-City and Local Autonomies Conference**, a collegial body allowing for co-ordination between the state and local authorities, with the participation of the authorities in the EU regulatory process.

Europa Decentraal – multi-level advice on EU law in the Netherlands

Europa Decentraal is an initiative founded in 2002 by the Dutch Ministry of the Interior and Kingdom Relations, the Association of Dutch Municipalities, the Interprovincial Consultation, and the Union of Water Boards to assist decentralised authorities and national governments with questions about EU law and policy. By informing and advising central and decentralised governments in the Netherlands about European law and policy, Europa Decentraal helps them with questions about the correct application of regulations from the European Union. According to the 2023 report by Decentraal, during that year it handled around 500 requests for help and advice with EU law and policy, 68% of which came from local or provincial governments, 9% from central government, and the rest from other government bodies.

Source: https://www.interno.gov.it/it/temi/territorio/sistema-autonomie, https://europadecentraal.nl (accessed 20 April 2024).

In addition to specific co-ordination mechanisms, the systematic use of recognised good practices in the development, delivery and review of rules at all levels of government can help foster coherence throughout the policy cycle. This means that regulatory authorities at the local and regional levels should be encouraged to embed such practices, including the use of evidence, risk analysis and effective engagement with stakeholders, just like the national level, into their rule-making process. In 2024, **Brazil** approved a national regulatory improvement strategy, which aims to develop institutional capacities, and encourage co-operation between regulators at federal levels and other relevant actors in the regulatory process at local, national and international levels (Ministry of Development, Industry, Commerce and Services, 2024[32]).

OECD Members have developed and deployed different approaches to encourage the adoption of good regulatory practices at subnational levels. They range from establishing binding legal provisions that oblige regional and local governments to develop and implement regulatory management tools to more voluntary approaches, promotion and capacity building. For instance, in 2018, **Mexico** modified the federal Constitution to include provisions that oblige regional and local governments to develop and adopt their own regulatory policies, which must include guidelines and directives set by the federal government. In other cases, the central or federal governments may establish programmes that invite subnational entities to participate in projects or initiatives that seek to establish an overarching regulatory policy or the

development of a single or a set of specific regulatory management tools, such as RIA, stakeholder engagement or *ex post* evaluation of regulations.

Evidence suggests that there is ample scope for OECD governments at all levels to strengthen their collective rule-making capacity by sharing best practices, regulatory management tools and procedures. Less than half (17) of OECD Members actively support the implementation of regulatory policy at the subnational level, which is only a marginal increase from 16 in 2021. Also, only a minority of countries have assigned institutional responsibilities at the regional (15) and local (13) level to promote good regulatory practices. Establishing mechanisms and institutions to promote regulatory policy and thereby fostering regulatory quality at the subnational level can be an effective strategy to boost the capacity of regulation to effect more significant impacts for citizens and society.

In addition to ensuring coherence of rules on paper, regulatory authorities also have an opportunity to improve efficiency and consistency in how they enforce them. In particular, data sharing enables regulators to better target their activities to bolster compliance. The data held by one regulatory authority can afford useful insights for another. For example, a business that is in breach of food standard regulations may also be more likely to be non-compliant in other areas. Therefore, sharing information about non-compliant businesses and their characteristics can help regulators create synergies and maximise efficiency in how they enforce rules. However, different ways of collecting the data and their format, as well as administrative procedures and justified concerns regarding privacy, can hinder smooth information sharing.

Governments can positively influence and set expectations of arm's-length bodies to collaborate and share data. For example, adopting strategic policies or binding requirements on regulators can set important signals to compel regulators to share data. However, evidence suggests that OECD Members are not fully exploiting the potential of sharing information systematically, with only 9 countries requiring their inspection and enforcement authorities to share information and participate in joint alert systems, while 16 countries allow it but do not require it (and 13 do not allow it).

Building institutions that deliver effectively

Countries need sound institutional foundations to develop and implement rules that deliver effectively on people's expectations to keep them safe and boost prosperity. Only institutions that have the internal capacity will be able to design rules that are based on the best possible evidence and deliver them with lasting impact. Similarly, institutions that have established a track record of reliability by operating in a way that is seen by those who are subject to regulation as ethical, consistent and accountable will be more effective at fostering compliance. Conversely, regulators that receive news coverage for being wasteful with public resources or failing to deliver on their mandates will lose trust. For example, regulators have attracted the public's ire for failing to protect rivers and coastal waters effectively when record sewage spills came to light (The Guardian, 2024[33]).

Building skills and resources

Shaping and enforcing the rules to address the challenges of an ever-more interconnected world requires a highly diverse skillset. Officials in government departments in charge of developing regulation need to be able to analyse and evaluate evidence that is highly complex and technical, and present it in an accessible way to decision makers. Similarly, independent regulators delivering regulation need to be able to gather and make sense of evidence from a wide range of sources and use that to take informed decisions. This requires a wide range of analytical and behavioural competences, such as critical reasoning, adaptive thinking, stakeholder management and communication skills.

In addition, the digital transition and other forms of technological innovation bring new policy and delivery challenges as well as analytical opportunities. To fully understand their implications and unlock the potential of new or enhanced forms of evidence like big data analytics and machine learning, governments rely on specialists in information and communications technologies and data, as well as broader science, technology, engineering and mathematics professionals. However, public administrations in OECD Members report difficulties in hiring such experts, especially in the context of competition from the private sector (OECD, 2023[34]). Box 5.9 sets out how the **French** administration has taken steps to address these challenges by pooling specialised resources within a centre of technical expertise.

Box 5.9. PEReN: Centre of expertise for digital platform regulation

The **French PEReN** (Pôle d'expertise de la régulation numérique) is an interdepartmental office comprised of specialised computer and data science experts with a mission to foster better understanding of data in the context of the regulation of digital platforms. Established under the joint authority of the French Ministers of Economy, Culture and Digital Technology, PEReN provides technical support and guidance across the French administration. Regulators and policy teams can call upon PEReN:

- for technical assistance with the use of digital platforms (e.g. conducting data analysis or developing programmes)
- to carry out research on digital platforms
- to share expertise on the regulation of digital platforms.

In 2022, PEReN carried out 70 projects that contributed to:

- supporting the preparation of regulatory texts
- developing tools to support regulation and evaluation
- setting up pooled resources
- building and disseminating knowledge.

Source: PEReN; Decree No. 2020-1102 of 31 August 2020.

Governments have an opportunity to evolve how they recruit public servants, including in regulatory functions, to respond to the evolving need of specialist skills and talent. Officials in charge of developing or enforcing regulation, from policy advisors in central government departments to inspection officers who directly engage with regulated businesses, are first and foremost public servants. As such, their recruitment and retention are subject to many of the same challenges of the wider public sector. Evidence suggests that OECD Members have started to adjust how they recruit public servants to attract the skills they need in a changing environment (OECD, 2023[34]). This includes adopting a more forward-looking approach to anticipate future needs and respond through appropriate remuneration packages; being more flexible in how skills are being deployed according to changing priorities; and rewarding motivation and achievements.

While strategies to attract and recruit talent are critical, providing continuous learning and career development opportunities is just as important to ensure that officials have the right skills to design and deliver regulation. Putting in place learning opportunities and providing a career pathway can make civil servant roles more attractive and help upgrade the skills of existing staff to ensure it keeps pace with evolving challenges (OECD, 2023[34]). Some countries have developed specific frameworks to aid career progression and development. For example, the **UK Civil Service** has developed several "professions"

and expert networks to support the development of officials: the "Policy Profession Standards" (UK Civil Service, 2021[35]) describe the different skills and expectations for officials in policy roles at different stages of their career across three pillars: strategy democracy and delivery. This can also help guide their development, through appropriate training modules, postgraduate learning and an executive master's in public policy. In addition, the UK Government Economic Service champions the use of sound evidence and analysis in government by providing a technical framework and professional standards, learning opportunities and support for the professional development of economists across departments (UK Government Economic Service, n.d.[36]).

In addition to more general analytical and behavioural competencies, regulatory officials at all levels of government also need to be upskilled in the use of specific tools and best practices to design, implement and enforce high-quality regulations. One way to achieve this is to build regulatory management capacities, including through relevant training opportunities. For example, in **Canada**, the Community of Federal Regulators has developed a Professional Development Certificate programme as well as guidance for departments and agencies on the recruitment and development of skills in cost-benefit analysis to better implement the Cabinet Directive on Regulation requirements (Centre for Regulatory Innovation, 2022[37]).

Given their prominent role in delivering and/or developing rules in many OECD Members, building capacity in using good practices is equally important across different levels of government, including subnational ones. To that effect, OECD Members have established various mechanisms to share best practices in regulatory management tools across subnational governments (Figure 5.6).

Figure 5.6. Mechanisms to share best practices across subnational governments

Note: Data are based on 38 OECD Members. The countries considered as federal are: Australia, Austria, Belgium, Canada, Germany, Mexico, Switzerland and the United States. The European Union is not included in the data.
Source: Indicators of Regulatory Policy and Governance (iREG) Survey, 2024.

Currently, 20 countries report having at least one mechanism to share or promote best practices in regulatory management across subnational governments, up from 17 countries in 2021. The most commonly used mechanism is workshops, seminars and conferences. Peer learning is an important mechanism for government officials to learn and adopt best practices on regulatory management and in this way ensure that regulations have a positive impact on citizens' lives. Box 5.10 describes the example of Colombia for promoting best practices on better regulations across government agencies, including subnational governments.

Box 5.10. Using competitions to promote best practices in regulatory policy in Colombia

In 2021, the National Planning Department of Colombia, in collaboration with the Development Bank of Latin America, created a competition to recognise good practices in regulatory improvement at different levels of government. The contest considers initiatives led by public, private, mixed and non-profit entities to implement regulatory improvement tools or their strategies to improve the quality of regulations. The objective is to highlight examples of success and disseminate and promote them across different levels of government. The third edition of the contest in 2023 featured seven categories: 1) institutional adoption of the regulatory improvement plan; 2) regulatory impact analysis; 3) *ex post* evaluation; 4) public consultation and participation; 5) reduction of the regulatory stock; 6) administrative simplification and innovation; and 7) private sector initiatives. A committee of representatives from the National Planning Department of Colombia, the Development Bank of Latin America, academic experts and international peers is in charge of evaluating the proposals, lending legitimacy and transparency. The winners receive a certificate, and the selected practices are disseminated in the yearbook of good regulatory practices and in the national media.

Good regulatory practices at the subnational level

Over the three editions of the contest held so far, numerous initiatives by subnational governments were submitted and earned recognition: this included a total of 7 initiatives in 2021 growing to 18 in 2022. Notable examples include:

- In 2021, in institutional adoption, the Mayor's Office of Medellín came first for the implementation of regulatory improvement tools through Decree 747 of 2021; second place was for the reduction of Bogotá's regulatory stock through the repeal of unnecessary administrative acts.
- In 2022, in institutional adoption, the Mayor's Office of Pasto came in first place for the adoption of all the tools for regulatory improvement promoted by the National Planning Department; second place went to the District Secretariat of Culture, Recreation and Sport of Bogotá for the systematisation of regulatory impact assessments and public consultation.
- In 2022, in public consultation, the Mayor's Office of Pasto won for providing feedback to participants in consultation processes and for the use of media outlets; second place went to the District of Barranquilla for installing its own consultation tool.
- In 2022, in administrative simplification, the Mayor's Office of Pasto won for simplification, systematisation and digitalisation of licenses and permits; second place went to the government of Cundinamarca for the contribution to transparency and for documenting the efforts.

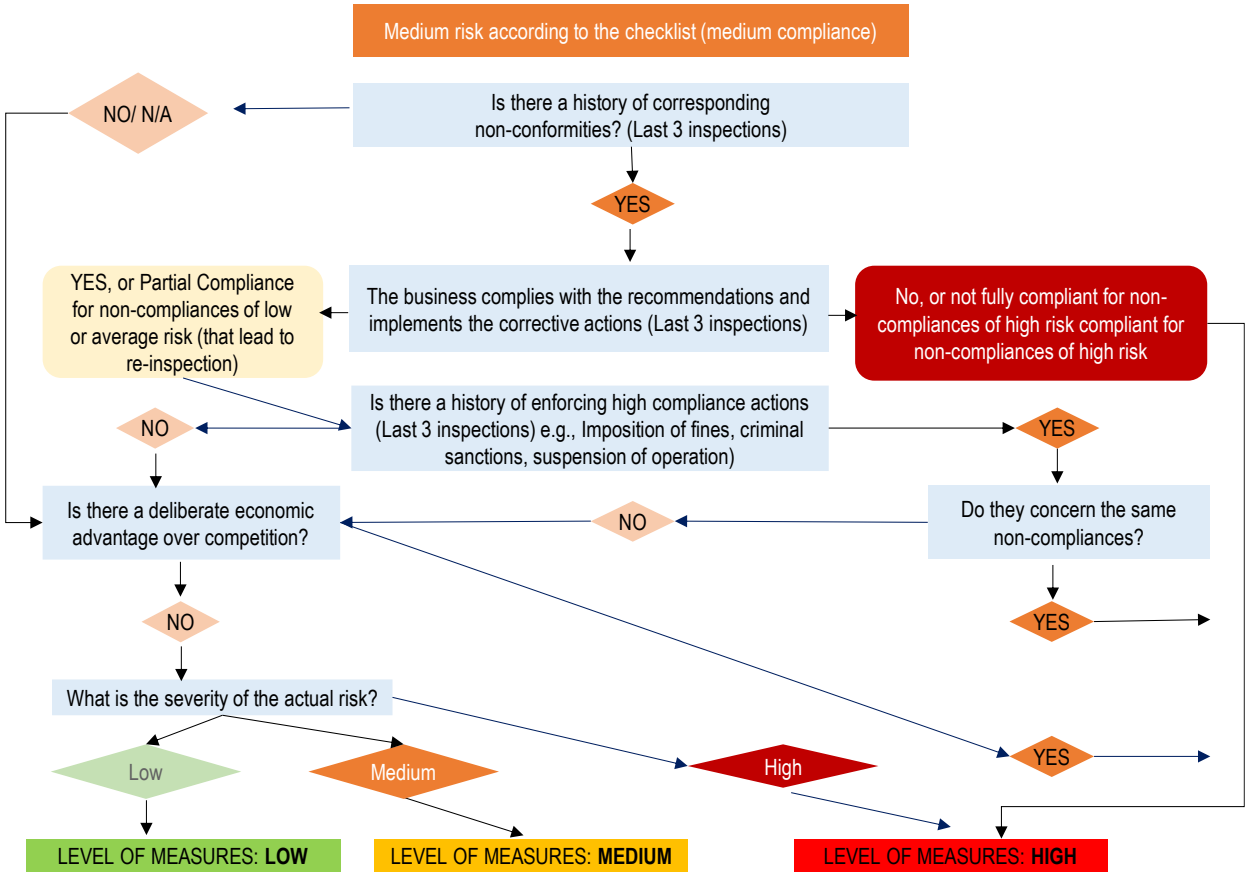
Source: Development Bank of Latin America (2023[38]); Development Bank of Latin America and National Planning Department of Colombia (2022[39]; 2022[40]; 2021[41]).

To deliver rules in a way that is based on risk and proportionate to the issue at hand, those in charge of taking individual case decisions, e.g. inspection officers, need to be empowered to make use of appropriate levels of discretion within reasonable boundaries. This (framed) discretion allows enforcement officers to be responsive and apply "common sense" by taking into account the characteristics, compliance history and behaviour of the inspected entity while maintaining uniformity in the decision-making process to foster compliance without undue severity (Blanc and Cola, 2019[24]). In other words, the aim is to ensure that discretion is exercised in a reasonable manner and protected from regulatory capture (Blanc, 2020[42]). This makes it possible for regulators and inspectors to opt for non-punitive measures, or guidance, whenever possible and supported by evidence, e.g. when infractions are minor and inadvertent, instead of

immediately resorting to fines or sanctions. This approach is key not only to support compliance and risk management, but also to foster legitimacy from regulated subjects.

To make the best possible use of discretion, officials need to be equipped with appropriate guidance. In the **United Kingdom**, the Health and Safety Executive's Enforcement Management Model (EMM) assists inspectors in using their discretion to take enforcement decisions based on an appropriate response to risks (Health and Safety Executive, 2013[43]). The EMM has been implemented in **Greece** and **Italy** in different regulatory domains with OECD support, where a tailor-made model guides inspectors through a decision tree, providing them with clear criteria and parameters for determining appropriate actions in cases of non-compliance. Figure 5.7 illustrates how the EMM decision tree guides regulators to make enforcement actions in proportion to the business' compliance behaviour and the associated risk level.

Figure 5.7. Decision tree of the Enforcement Management Model for a medium-risk business



Source: Inspections tool developed by the OECD and the Ministry of Development of the Hellenic Republic; Published Ministerial Decision.

In addition to guidance, regulators also require the necessary powers and incentives that enable discretionary decision making. However, some legal frameworks put a limit on effective use of discretion. For example, in **Italy**, the Criminal Code makes civil servants' omission or refusal to perform official acts a criminal offence. This also extends to cases where a regulator might opt for providing guidance rather than sanctioning. As a result, members of the public administration are more reluctant to adopt approaches that are risk-based, responsive and collaborative (D'Alberti, 1989[44]), resulting instead in a defensive bureaucracy approach (Lorenzoni, 2023[45]) where civil servants are afraid to take decisions in fear of punishment. Thus, they might deliberately choose a second-best option and build up even more procedural steps to protect themselves from negative consequences (Artinger, Artinger and Gigerenzer, 2019[46]). This generates inefficiencies and mistrust between the public and the private sectors.

Building legitimacy through reliability

When institutions can demonstrate their reliability through positive impact, this will reinforce people's trust in them. To nurture and grow this virtuous circle of trust and impact, regulators need to build a reputation of reliability. They must ensure that their decisions are taken in a transparent, consistent and ethical way so that those affected understand both the outcome and are also able to follow its rationale. In addition to individual decisions, being seen as reliable also requires regulators to be able to demonstrate that they are high-performing public bodies that can be trusted to deliver value-for-money.

Part of regulating reliably is acting ethically. When people perceive that the decisions affecting them are in line with broader ethical principles that are shared across society, they will be more likely to accept and comply, improving overall policy outcomes. However, if the regulator's reputation is no longer solid, there is a low probability that businesses will take the regulating authority and/or the ethical conduct seriously (European Commission, 2017[47]). The importance of ethics in regulation has recently been brought into the spotlight in the context of regulatory failures that led to aviation accidents where oversight responsibility was, to a large degree, delegated to industry, raising questions about potential conflicts of interest (Box 5.11).

Box 5.11. Failure of regulatory oversight in aviation: Boeing 737 MAX and the Federal Aviation Authority

Following the fatal accidents of two Boeing 737 MAX 8 aircrafts in October 2018 and March 2019 killing a total of 346 people, an inquiry led by the United States Congress House Transportation Committee concluded that the Federal Aviation Agency (FAA) was compromised by "numerous oversight lapses and accountability gaps" that played a significant part in the crashes. In particular, the report criticised that "excessive FAA delegation of certification functions to Boeing on the 737 MAX eroded FAA's oversight effectiveness and the safety of the public". Boeing employees acting as "authorized representatives" of the FAA or conducting certification on the regulator's behalf were found to be "impaired from acting independently of the company". While delegation had been a feature of aviation regulation for decades, the FAA had become increasingly reliant on it in the face of growing technical complexity. The investigation also showed that the aeroplane manufacturer was able to withhold critical information from the FAA including the very existence of the aircraft's Manoeuvring Characteristics Augmentation System that led to the crashes where internal Boeing emails suggested a lack of technical expertise of the regulator ("This airplane is designed by clowns who in turn are supervised by monkeys"). A further (non-fatal) incident in January 2024, where a door plug blew off a Boeing 737 MAX 9 mid-flight causing decompression and an emergency landing, raising questions as to whether changes to the FAA's model of delegated oversight in the wake of the previous crashes were sufficient to change behaviours.

Source: House Committee on Transport and Infrastructure (2020[48]); Rose (2024[49]).

Regulators are increasingly emphasising ethical considerations in rule-making and taking steps to ensure that decisions are objective, impartial, rational and aligned with values shared across society, which contributes to delivering regulations better (Whitton, 2001[50]). However, ethical behaviour is different from simply obeying laws and procedures. There are practical steps regulators must take to ensure their actions are ethical (Ashby, 2020[51]). This includes: ethics expressed as unambiguously prioritised rules, i.e. the regulator must have a clearly established set of objectives that guide its overall strategy; integrity of all subsystems, i.e. the regulator must avoid undue external interference in its decision making and establish mechanisms to monitor and correct any breaches; and transparency of behaviour, i.e. the regulator must be able to demonstrate retrospectively how decisions have been taken and on what basis.

A consistent track record of ethical and reliable behaviour will also open doors for regulators to use more co-operative and impactful forms of regulatory delivery. To drive behavioural change and improved outcomes, deterrence and punitive responses to non-compliance are generally neither the most effective (save for clearly unethical cases) nor proportionate approach (unintended effects could exceed the nature and scale of the breach). For example, "naming and shaming" small businesses for minor non-compliance issues could ruin their reputation and customer base, and eventually force closure – a disproportionate outcome compared to the business's breach.

Enforcement should be based on a culture of "learning to improve", helping regulated entities to comply, and on co-operative mechanisms. The outcomes-based co-operative regulation approach builds on scientific research on how people behave and suggests that stakeholders' co-operation allows the regulator to achieve common purposes and shared goals. The key assumption of this model is that co-operation is based on trust, which in turn is based on evidence of ethical behaviour (Hodges, 2022[52]). Stakeholders are thus incentivised to co-operate in a trusted and respectful environment, identifying risks and problems, proposing shared solutions, and increasing overall performance.

The use of accurate data is another critical element to ensure consistency in regulatory decisions and engender a sense of reliability. Regulators have an opportunity to use data both to inform the general policy direction as well as individual case decisions. This data-driven approach (OECD, 2021[26]) enables an "intelligent" and effective regulatory response and enhances its "predictability". However, to unlock this potential, the data must be of sufficiently high quality, appropriately sourced and comparable as relevant. Therefore, regulators require robust data collection mechanisms that respect relevant privacy and commercial confidentiality rules, as well as examination and interpretation methods. They also need to accessibly explain how data were used to ensure traceability of information and decisions.

While the use of data and other forms of evidence can greatly enhance the consistency and predictability of regulatory decisions, they are still subject to human judgement, leading to potential inconsistencies. For instance, inspection officers may come to different conclusions when assessing similar situations. The resulting inconsistencies can undermine the effectiveness of individual decisions and reduce the regulator's (perceived) reliability. Regulators have recognised this and some have taken steps to measure and address the degree of "noise" in decision making (Box 5.12).

Box 5.12. Measuring "noise" in decision making in Italy to enhance food safety inspections

The notion of "noise" refers to the cause for inconsistency in judgements when evaluating the same situation. Unlike bias, which is easier to identify and remedy, noise can largely go unnoticed. Reducing both noise and bias allows for better decision making, and has a positive impact on regulatory performance and delivery.

The "noise-experiment" currently being conducted in the Lombardy region in Italy focuses on measuring the level of "noise" present in food safety inspections. The aim is to reduce the variability between inspectors' assessments to obtain a coherent and consistent evidence-based judgment. It enhances the quality of inspections, promotes trust from the controlled entities and improves regulatory delivery.

The experiment has several goals: build a noise correction model; provide the inspectors with additional training material and information; and check if the scorecards being used during inspections are sufficiently balanced. The overall aim is to reduce subjectivity in the expression of judgment, thus improving the quality of the assessment itself and ensuring fairness in the inspection process – all the while maintaining inspectors' discretion.

Note: Builds on Kahneman, Sibony and Sunsten (2021[53]).

Finally, reliability also rests upon appropriate institutional foundations that empower regulators to deliver on expectations and meet their objectives efficiently. In many cases, rules are delivered and implemented by regulatory agencies that are separate from central government, with (varying degrees of) independence to shield individual decisions from political influence. The specific arrangements that govern these bodies, such as their (statutory) objectives and other duties, powers, functions, and funding, all have a bearing on how efficient and effective they will be in serving the public. While all regulators are different, it is possible to identify a series of governance principles that underpin the efficient and effective delivery of regulatory outcomes, including: role clarity; an effective decision-making and governance structure that preserves regulatory integrity; preventing undue influence and maintaining trust; accountability and transparency; stakeholder engagement; suitable funding arrangements; and performance evaluation (OECD, 2014[54]).

Regular performance reviews and accountability mechanisms are critical to ensuring regulators remain fit-for-purpose and enabling them to communicate reliably. This is especially important at a time when regulators have to balance an ever-growing list of expectations (and in some cases duties), such as contributing to the transition to net zero, with the achievement of their core objectives. External review can point to those areas of relative strength and where improvements can be made. Transparent reviews help facilitate accountability in terms of the regulator's performance and in more general public administration terms. Effective review can be achieved through a variety of mechanisms tailored to the specific institutional setting, including parliamentary oversight by select committees or review by independent audit institutions. The OECD Performance Assessment Framework for Economic Regulators provides a consistent framework for review based on international best practice to support regulatory performance (Box 5.13).

Box 5.13. Improving regulatory performance and governance through external review: The OECD Performance Assessment Framework for Economic Regulators

The Performance Assessment Framework for Economic Regulators (PAFER) is an OECD tool to help assess regulatory authorities' governance arrangements and performance, meet accountability standards, and identify areas where the regulator might improve. The PAFER framework incorporates the seven Best Practice Principles for the Governance of Regulators (OECD, 2014[54]). Each principle is analysed in relation to one of four pillars in the PAFER methodology: 1) the regulator's role and strategic objectives; 2) the inputs (e.g. funding); 3) processes (e.g. stakeholder engagement); and 4) output and outcomes (e.g. completed regulatory tasks or regulatory policy outcomes).

A recent PAFER review conducted by the OECD for Brazil's Electricity Regulatory Agency (ANEEL) provided recommendations under each of the four assessment pillars (OECD, 2021[55]). ANEEL is Brazil's longest-standing independent regulator and is responsible for regulating the generation, transmission, distribution and commercialisation of electricity. Based on an analysis of ANEEL's existing governance arrangements and the sector context, the review recommended that ANEEL define an overarching and forward-looking strategic agenda, facilitate innovation using agile regulatory frameworks, co-ordinate to clarify roles and responsibilities, and engage with governmental and non-governmental stakeholders to reinforce the value of ANEEL's actions as an independent regulator for the sector. The review went on to define further recommendations in relation to, among other items, ANEEL's financial and human resources, the agency's organisational structure, and performance indicators (OECD, 2021[55]).

As stated in the above-mentioned OECD best practice principle relating to performance evaluation, it is important that regulators measure and evaluate their performance and understand the impact of their decisions.

Source: Network of Economic Regulators | OECD.

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6 Country profiles

Australia

Overview

In August 2024, Australia published the newly developed Regulatory Policy, Practice and Performance Framework. The Framework provides six principles for fit-for-purpose regulation across the regulatory lifecycle. It complements new guidance on regulator performance published in December 2022, which sets out expectations through three best practice principles.

A series of changes to impact analysis guidance were made in March 2023. It included moving from regulatory impact analysis to policy impact analysis, and clarified the existing scope to any rule with an expectation of compliance with a more than minor impact on any group within the community. Ministries themselves now decide whether to undertake minor impact analysis where impacts are expected to be low, whereas previously this was mandatory. Third-party reviews are now only able to be certified as impact analysis equivalents with prior agreement of the Office of Impact Analysis (OIA). OIA itself still does not assess the quality of third-party reviews but may now comment on the quality of analysis included.

Updated guidance on consultation highlights that full public consultation should be the default. Notwithstanding the clarification, Australia would benefit from an increased focus on stakeholder engagement prior to a policy decision having been made, especially with regards to subordinate regulation.

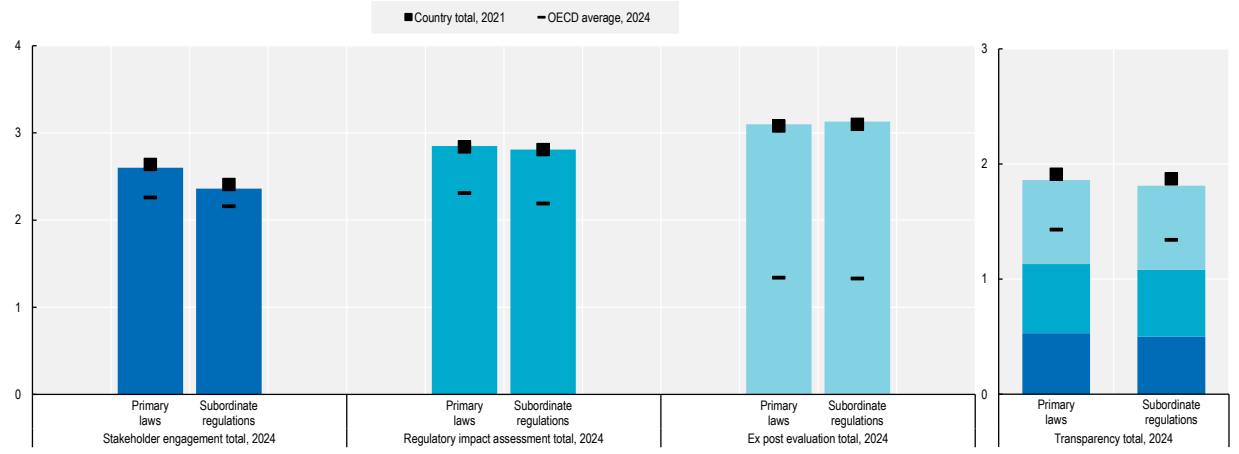
Broad engagement and advancement of regulatory policy in Australia is led by the Regulatory Reform branches. It was transferred from the Department of the Prime Minister and Cabinet (PM&C) to the Department of Finance in July 2022.The OIA is located in PM&C and is responsible for providing advice, guidance, and oversight of impact assessments devised by agencies.

In focus: Recent developments and next steps

The March 2023 guidance clarified the importance of both monitoring and evaluating policies. Implementing these changes in practice – both from proponent agencies and from OIA in its oversight role – will have a large bearing on regulatory outcomes for citizens. Guidance issued by the Australian Centre for Evaluation based in the Treasury is a step in the right direction, but it will be important to ensure that monitoring and evaluation costs are included as part of regulatory design to ensure that appropriate data is collected and policies are rigorously reviewed.

Post-implementation reviews (PIRs) are generally required where proposals have avoided *ex ante* scrutiny during their initial development. In practice, Australia's RIA scope has ensured that exemptions from RIA are granted exceedingly sparingly. It will be important to maintain this key tenet – even in the face of recent rapid decision making – and continue to ensure that exemptions are only triggered for genuine unforeseen emergencies. The timing of PIRs could be improved to ensure that data collection and monitoring impacts are immediately put in place to establish a baseline for the eventual evaluation. Consideration should be given to overseeing more general reviews of regulations such as those conducted under automatic review clauses and sunsetting provisions as part of ensuring continual regulatory improvement.

Indicators of Regulatory Policy and Governance (iREG): Australia, 2024



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (99% of all primary laws in Australia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Australia: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Australia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Austria

Overview

In Austria, regulatory impact assessment (RIA) has been mandatory for all primary laws and subordinate regulations since 2013. A comprehensive threshold test determines whether a simplified or full RIA has to be conducted for draft rules. A simplified RIA is carried out in about two-thirds of cases. The methodology for a full RIA requires the assessment of a range of impacts, including on the environment, social aspects, and gender equality. Simplified RIAs contain only a short narrative explanation and text, no outcome indicators to measure progress and in most cases a simplified assessment of financial costs.

The threshold test also determines the requirement for *ex post* evaluations (EPE), which was introduced in 2013. Assessments of whether underlying policy goals have been achieved, the comparison of actual and predicted impacts, and the identification of costs, benefits and unintended consequences of regulations are part of the standard evaluation methodology.

The Federal Ministry for Arts, Culture, Civil Service and Sport (BMKOES) reviews the quality of all full RIAs and EPEs and oversees the application of threshold tests for simplified RIAs. It provides its opinions on RIAs for primary laws and can ask for revisions of assessments. The ministry also issues guidelines, provides training on regulatory tools, publishes RIAs and EPEs online and reports their results annually to Parliament. The Ministry of Finance supports the BMKOES with the development of guidelines and with reviewing assessments of financial impacts and costs.

All draft primary laws, their RIA and accompanying information are made available on the Parliament website, where the public can submit comments. An interactive platform was launched in 2018 to provide the public with an opportunity to express views ahead of parliamentary initiatives.

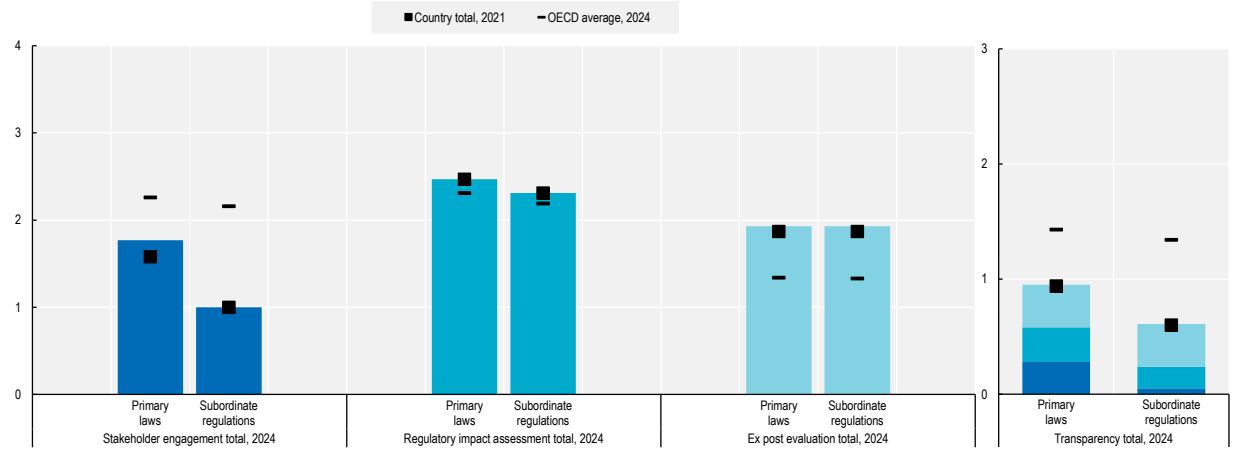
Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 37% of primary laws in Austria. Since 2021, citizens can also share input on legislative initiatives introduced by MPs and popular initiatives There is no mandatory requirement for conducting RIAs for primary laws initiated by the parliament.

In focus: Recent developments and next steps

Recognising the importance of stakeholder engagement on draft rules, Austria expanded the scope of online consultations in 2021. The public can now share input on most legislative initiatives introduced in Parliament, including government-sponsored Bills, Bills from individual MPs, as well as popular initiatives that received the support of at least 100,000 citizens and petitions.

Austria would benefit from extending the use of its online consultation platform to policy issues as a gateway towards establishing a more systematic approach to involving stakeholders early on in the development of regulations. Moreover, Austria could extend the scope of public consultations to subordinate regulations, and would benefit from introducing systematic quality control of engagement processes.

Indicators of Regulatory Policy and Governance (iREG): Austria



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (37% of all primary laws in Austria). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Austria: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Austria's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Belgium

Overview

Regulatory impact assessment (RIA) is mandatory for all primary laws and for some subordinate regulations submitted to the Cabinet of Ministers at the federal level. RIAs are required to include an assessment of impacts on decarbonisation targets, biodiversity, natural resources, and human health. In practice however, a significant number of laws are introduced without impact assessments.

The Federal Public Service Strategy and Support (BOSA) co-ordinates RIA and steers the implementation of better regulation. BOSA is supported by the Impact Assessment Committee (IAC), which provides advice on RIAs upon request by the responsible ministry and reports annually on the quality of RIAs and functioning of the RIA process. Often taking place late, RIAs rarely support decision-making. Belgium does not systematically require an identification and assessment of alternatives to the preferred policy option. RIA could be better used to help decide between policy options. A lack of proportionality criteria within the RIA framework prevent ministries from using resources efficiently by targeting proposals that require more attention.

Based on requirements spelt out across different documents, policymakers are required to consult with stakeholders in the development of new rules. The system of consultation involves different social partners. Public consultation is held on an ad hoc basis by ministries and published on their individual ministerial webpage. Periodic *ex post* review is mandatory for some legislation and sunsetting clauses are sometimes used. The Court of Audit has undertaken ad hoc in-depth reviews on specific regulatory areas such as agriculture, energy, and youth.

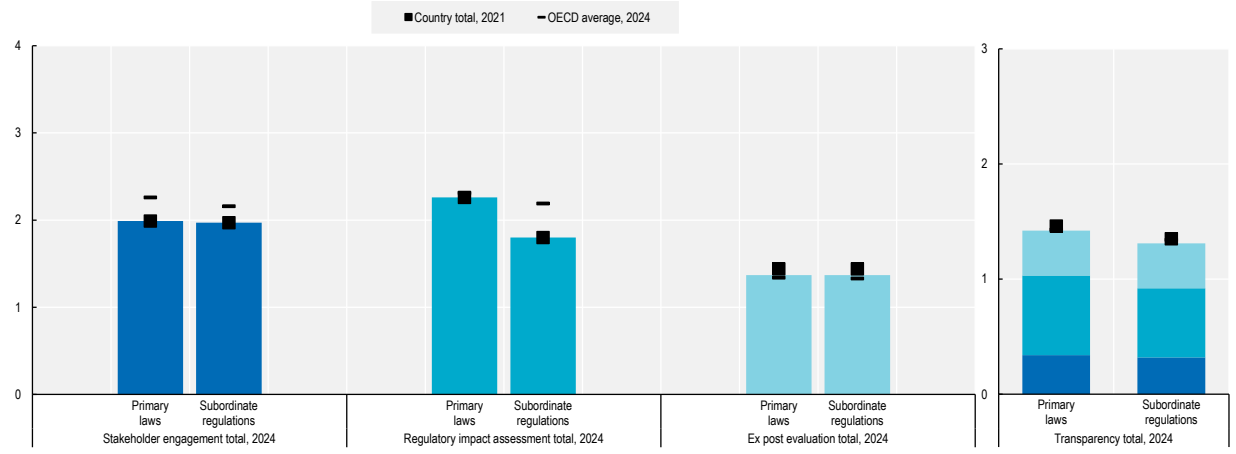
In focus: Recent developments and next steps

Belgium has not introduced substantive changes to its institutional and policy framework for regulatory quality at the federal level over the past years. In-depth reviews have been introduced, for example regarding wage supplements in the calculation of civil servants' pensions and certain security verifications by the National Security Administration.

To further enhance the quality of RIAs and functioning of the process, the establishment of proportionality criteria would support the identification of areas and rules which require further assessment. The IAC reviews RIA at the request of the proposing ministry, which is not required to follow its recommendations. The IAC could engage earlier and more systematically in reviewing RIAs. The introduction of additional training programmes could also help improve the quality of the analysis.

The overall system could benefit from further transparency. Consultations and engagement could be further strengthened through the creation of a single online platform, compiling ongoing consultations and be easily accessed by the public. The systematic publication of RIAs across all ministries can also help foster transparency.

Indicators of Regulatory Policy and Governance (iREG): Belgium



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (81% of all primary laws in Belgium). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Belgium: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules▲	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Belgium's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Canada

Overview

Regulatory impact assessments (RIAs) are mandatory for all primary laws and subordinate regulations. Its scope includes a variety of impacts, from budget, competition, and trade to sustainable development and innovation. Canada has also remained committed to its agenda on gender-based analysis plus (GBA+) with a mandate for all government departments and agencies to assess social and economic impacts on diverse groups of Canadians for all subordinate regulatory proposals.

Public consultation is also mandatory for all primary laws and subordinate regulations. Canada, under recent reforms, has attempted to make public consultations more dynamic, interactive, and transparent for public stakeholders. For example, Canada's *Let's Talk Federal* Regulations and Online Commenting Feature for Canada Gazette, Part I platforms, have strengthened how stakeholders engage and support the development of subordinate regulations. In 2018, Canada also commenced a program of Targeted Regulatory Reviews (TRRs) to improve the *ex post* review and stock of regulations. To date, two rounds of Targeted Regulatory Reviews have been completed, the first in 2019 and the second in 2021, with six overarching themes. A third round is underway and is expected to finish in early 2025.TRRs focus on the government's broader agenda for advancing regulatory modernisation and have aligned with the country's motivation to strengthen innovation, growth, and competitiveness.

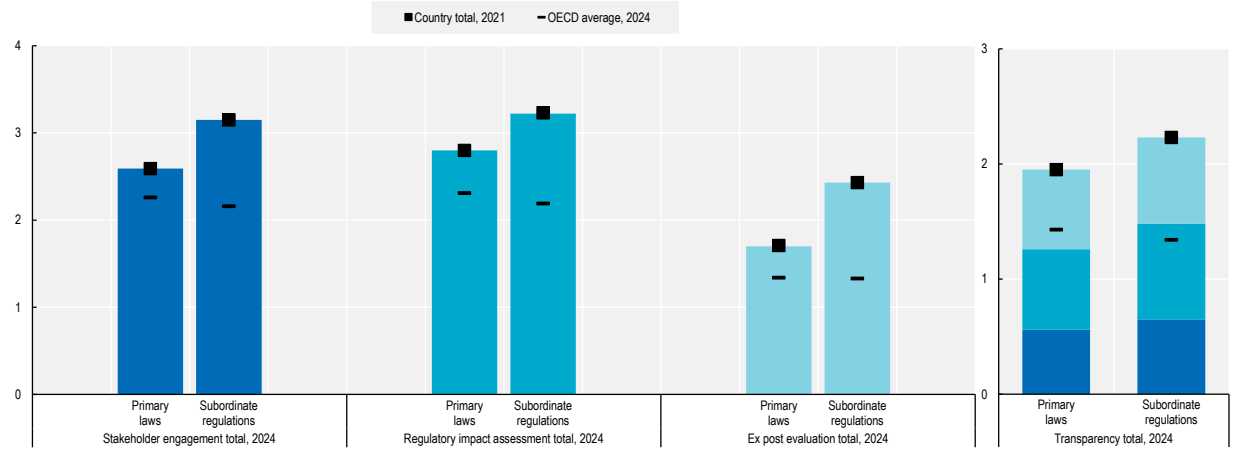
The Treasury Board of Canada Secretariat (TBS) oversees the development of subordinate regulations and provides a review and challenge function to ensure quality RIA, consultation, and regulatory co-operation. It supports the Treasury Board, a Cabinet committee that considers and approves regulations. A Centre for Regulatory Innovation was established at TBS to help regulators develop and run regulatory experiments, regulatory sandboxes and test emerging technologies. It aims to encourage innovation while safeguarding consumer trust and confidence. For primary laws, the Privy Council Office supports Cabinet in its assessment and approval of legislative proposals destined for parliamentary consideration.

In focus: Recent developments and next steps

In 2022, Canada launched two consultation platforms: the *Let's Talk Federal* Regulations platform and the Online Regulatory Consultation System (ORCS). These platforms have been targeted towards strengthening transparency and openness in Canada's regulatory system. Canada has also recently adopted the Cabinet Directive on Strategic Environmental and Economic Assessment (SEEA), which facilitates a thorough analysis across various dimensions, encompassing greenhouse gas emissions, impacts on nature and biodiversity, broader environmental effects, climate change impacts, and climate resilience.

In the future, Canada could consider advancing guidance and processes for *ex post* evaluations of regulations, as they are not always done regularly by individual ministries. Canada could also consider reinforcing regulatory oversight for *ex post* evaluations.

Indicators of Regulatory Policy and Governance (iREG): Canada



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (78% of all primary laws in Canada). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Canada: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Canada's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Chile

Overview

Chile has continued to update its regulatory management tools in recent years. In 2022, Presidential Instructive No. 1/2022 updated Chile's regulatory impact assessment (RIA) system. It introduced RIA requirements for any major amendments to Executive bills, and further clarifies which subordinate regulations are subject to RIA. Exemption conditions for regulations adopted under emergency scenarios now requires that a RIA is conducted within three months of their adoption. RIAs dealing with presidential decrees or primary laws initiated by the executive must be published on proposing ministries' websites.

Stakeholder engagement is formally required for certain proposals, e.g. concerning indigenous people's rights and certain environmental issues. Voluntary guidelines on consultation and links to ministries' consultation portals are listed on a central website. In 2022, requirements were introduced for ministries to establish a Citizen Participation Unit. They promote compliance with citizen participation mechanisms, including specific rules of ministries.

Chile has Presidential *ex post* evaluation requirements for some subordinate regulations and has had administrative simplification procedures for some time. Subordinate regulations for which a high impact RIA was conducted are required to be evaluated four years after their enactment. Each ministry publishes a list of existing regulations for the public to provide feedback for potential review. Chile has expanded the mandate of the Commission for Evaluation and Productivity (CNEP) to include advice to the President on improvements in regulatory quality and policy and program evaluation. CNEP provides advice on the application of methodologies to measure the impact of new regulations and on carrying out review processes of existing regulations, and to ensure coherence. It also has the mandate to propose a list of programs, institutions, and public policies for *ex post* evaluations.

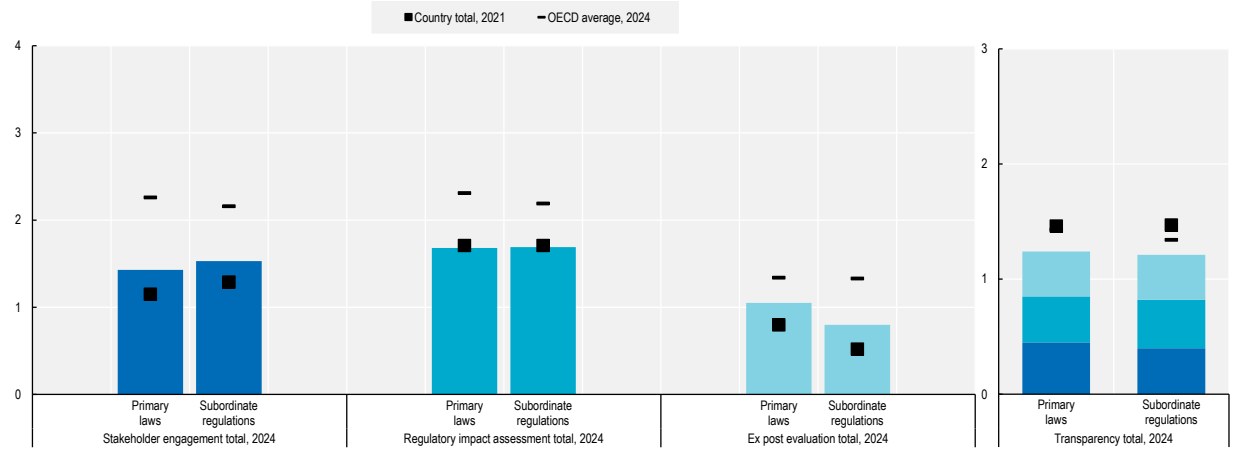
Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 41% of primary laws. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by the legislative.

In focus: Recent developments and next steps

Chile has introduced requirements to assess gender equality and the social and economic impacts on SMEs. RIAs are now submitted to the Ministry General Secretariat of the Presidency (SEGPRES) through an automated platform. To increase publicity and co-ordination, ministries are now required to assign a person responsible to co-ordinate RIAs and liaise with SEGPRES.

To maximise impact, Chile should prioritise the systematic implementation of RIAs and public consultations in practice. Chile could improve transparency by subjecting RIAs to public consultation and ensure enough time for citizens and business to react. Ministries could benefit from continuous training to further develop RIA skills across the administration. In April 2024, a Bill was introduced to elevate better regulation to a law from a Presidential decree. It establishes the Agency for Quality of Public Policies and Productivity as the oversight body responsible for providing guidance, support and training to civil servants.

Indicators of Regulatory Policy and Governance (iREG): Chile



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (41% of all primary laws in Chile). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Chile: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Chile's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Colombia

Overview

In Colombia, regulatory impact assessment (RIA) is carried out mostly for technical regulations. A more comprehensive assessment is required in cases where a new regulation is issued or when the modification of an existing one increases compliance costs. RIA uptake is still low for most subordinate regulations. More recently, guidelines and templates were developed to increase RIA adoption across the administration. Ensuring that RIA is used systematically will be crucial to reap its benefits. Securing commitment at the highest political level will be instrumental.

Regulators and line ministries are formally required to consult with stakeholders in the preparation of regulations. SUCOP is a digital platform that aims at centralising stakeholder engagement practices across all government entities, allowing the public to participate in the rule-making process. Although an increasing number of institutions are using SUCOP, its use is not mandatory yet. Several line ministries regularly use their own websites to seek comments, instead of using SUCOP.

The use of *ex post* evaluations is still nascent. Despite the requirement to assess technical regulations every five years after their entry into force, few evaluations have taken place. Pilot programmes and collaboration agreements with international organisations have supported the assessment of regulations in key sectors. Administrative simplification is prominent. The Regulatory Simplification and Rationalisation Programme aims at reducing administrative burdens by simplifying, standardising, eliminating, and streamlining formalities and administrative processes.

Regulatory oversight consists of three main bodies. The National Planning Department (DNP) at the centre of government, is responsible for systematic improvement and advocacy across the government, issuing guidance on regulatory management tools and ensuring co-ordination. The mandate of the Public Function Administrative Department includes identifying potential areas for red tape reduction. The Ministry of Trade, Industry and Tourism covers the development of technical regulation, overseeing public consultation and, since 2018, also *ex ante* evaluations in co-ordination with the DNP of these instruments.

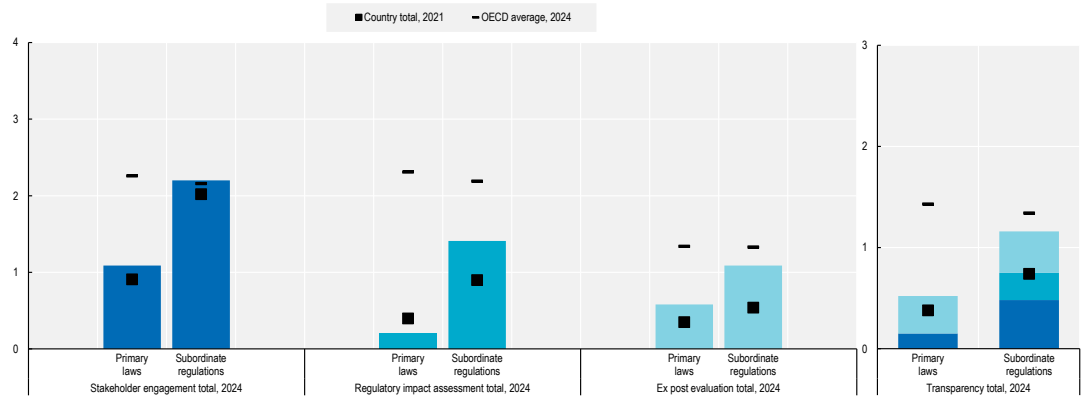
Indicators on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 7% of primary laws in Colombia. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by parliament.

In focus: Recent developments and next steps

Colombia has taken steps to foster regulatory quality through the implementation of regulatory management tools across the administration. The DNP has recently published guidelines, materials, and undertaken capacity building activities to support line ministries and other entities implementing public consultation, RIA, and *ex post* evaluation.

Colombia should take steps to expand the scope and application of RIA and *ex post* evaluations beyond technical regulations. Additionally, promoting the use of SUCOP as the single portal for public consultations could help boost stakeholder engagement.

Indicators of Regulatory Policy and Governance (iREG): Colombia



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (7% of all primary laws in Colombia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Colombia: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Colombia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Costa Rica

Overview

In Costa Rica, regulatory impact assessment (RIA) is systematically employed in the development of technical regulations. However, for other subordinate regulations, it is only required if the proposal creates new administrative procedures. The depth of the assessment depends on whether the regulatory proposal generates administrative burdens for citizens and businesses.

Costa Rica continues to foster stakeholder engagement through digital tools. The portal Trámites Costa Rica centralises RIAs, public consultations, and Better Regulation Plans and allows for comments by the public. Draft regulations are available for consultation for at least 10 working days.

Ex post evaluation is in its initial stages. The assessment of existing regulations focuses on reducing administrative burdens for citizens and businesses. Entities from the executive branch prepare and submit annual Better Regulation Plans for public consultation. These documents specify the administrative procedures that will be simplified in the upcoming year. Additionally, the Ministry of Economy, Industry, and Trade is leading the strategy We Allow You to Work. The initiative focuses on streamlining the most salient bottlenecks identified by stakeholders with the objective of improving the business environment and reducing excessive administrative burdens for citizens and businesses.

Two bodies within the Ministry of Economy, Industry and Trade have regulatory oversight functions. The Better Regulation Unit (BRU) is responsible for RIA quality control of technical regulations and administrative formalities, as well as of co-ordinating and promoting regulatory policy through the provision of training and advice including across various levels of government. The opinion of the BRU on RIAs is binding for entities of the central administration and is valid for 18 months. If the regulation is not issued within this time, a new RIA is required. The Quality Unit oversees the development of technical regulations, including verification of compliance with RIA requirements. The unit performs stakeholder consultation and analysis of the technical regulation stock to identify reform needs.

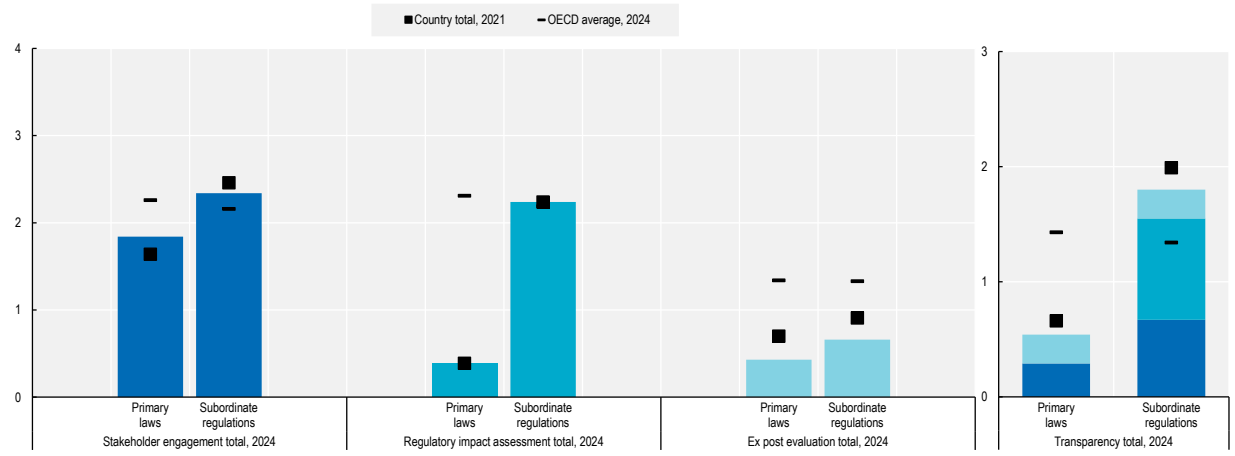
Indicators on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 21% of primary laws in Costa Rica. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by parliament.

In focus: Recent developments and next steps

Costa Rica continues to support good regulatory practices adoption, mainly by reducing administrative burdens.

Costa Rica would benefit from further enlarging the scope of RIA to all types of subordinate regulation. Pilot programmes in selected ministries could help identify key lessons in the implementation of a whole-of-government RIA system. To further support the RIA system and broaden regulatory quality, the opinions of the BRU could go beyond the simplification of formalities to include elements such as the justification of the intervention, the assessment of impacts, and the quality of the stakeholder engagement activities, among others.

Indicators of Regulatory Policy and Governance (iREG): Costa Rica



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (21% of all primary laws in Costa Rica). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Costa Rica: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed
Note: The data reflects Costa Rica's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Czechia

Overview

Czechia has a well-developed regulatory impact assessment (RIA) process, including mechanisms for quality control through the RIA Board operating at arm's length from the government. All draft primary laws and subordinate regulations prepared by the executive must be accompanied by a basic overview of impacts; a full RIA is carried out for drafts with significant impacts. The quality of RIA could be improved especially in terms of quantifications of impacts. Analytical capacities the carry out impact assessments are still insufficient despite recent progress.

All legislative drafts submitted to the government are published on a government portal accessible to the general public. It is obligatory to conduct public consultations within the RIA process and summarise their outcomes in RIA reports. However, there are no compulsory rules specifying the length or form of such consultations.

Czechia was an early adopter of administrative burden programmes which remains a government priority, with three "antibureaucratic packages" adopted since 2022. The focus has not yet been widened to other regulatory costs.

The Government Legislative Council is an advisory body to the government overseeing the quality of draft legislation before it is presented to the government. One of its working commissions, the RIA Board, evaluates the quality of RIAs and adherence to the procedures as defined in the mandatory RIA Guidelines, provides assistance to drafting authorities if requested, and issues opinions on whether draft legislation should undergo a full RIA.

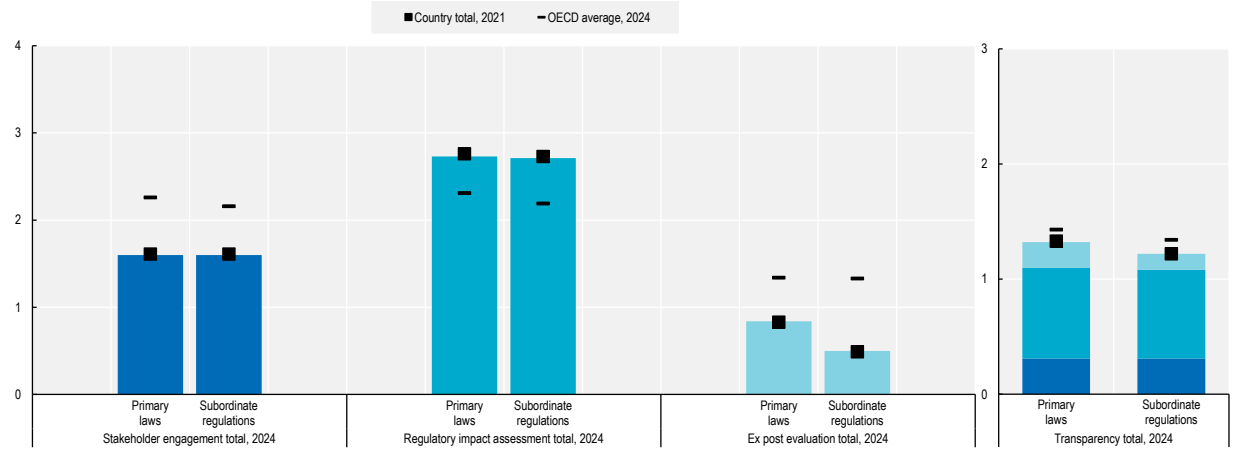
In focus: Recent developments and next steps

The January 2023 update to the RIA Guidelines included the addition of a new obligation to assess specific impacts on families and territories, as well as highlighting the need for consistent assessments of impacts on the SDGs (sustainable impact assessment).

From 1 January 2025, it will be obligatory to prepare an *ex post* evaluation according to a binding template for all laws that had a RIA within a maximum period of five years from the entry into force. The RIA Board will oversee this process. Czechia should ensure that analytical capacities are sufficiently developed.

Czechia should standardise the public consultation process, use the new "*eLegisativa*" portal for public consultations and be more proactive in engaging with stakeholders sufficiently early. Oversight over the quality of stakeholder engagement should be strengthened.

Indicators of Regulatory Policy and Governance (iREG): Czechia



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (65% of all primary laws in Czechia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Czechia: Regulating for…

People	Identify likely distributional effects when designing rules	■
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	■
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	■
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	■
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

■ All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
■ Major primary laws/ ● Yes, there is a regulation
■ Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
■ Never/ ▲ No ■ Not allowed

Note: The data reflects Czechia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Denmark

Overview

Regulatory reform is a longstanding feature of the Danish government agenda, with an increasing focus on fostering innovative, digital, and business-friendly rules. The Ministry of Justice is responsible for overall co-ordination and written guidance on regulatory policy. Full RIAs must be carried out for primary laws and subordinate regulations with significant expected administrative or compliance costs.

Denmark systematically engages stakeholders in the later stages of rule-making, including on RIAs for draft regulations. The Danish Business Regulation Forum (DBRF), a forum for industry stakeholders advises the government on business regulation and RIA methodology. The government periodically reviews existing regulation with significant impacts. The DBRF also conducts in-depth reviews of regulations in different policy areas, identifies options for simplification in response to digitisation, and offers business-oriented digital solutions.

The Better Regulation Unit at the Danish Business Authority (DBA) measures the impact of legislation on businesses, and performs quality control of RIAs for regulations creating significant burdens for businesses. It also provides guidance and training on regulatory management tools, oversees compliance with the DBA's Innovation and Entrepreneurship Check and principles for implementation of business-oriented EU-regulation. The DBA also operates a one-stop shop service, acting as a single point of contact for innovators to raise questions or identify regulatory barriers. It then works with other parts of government to provide support for the innovator.

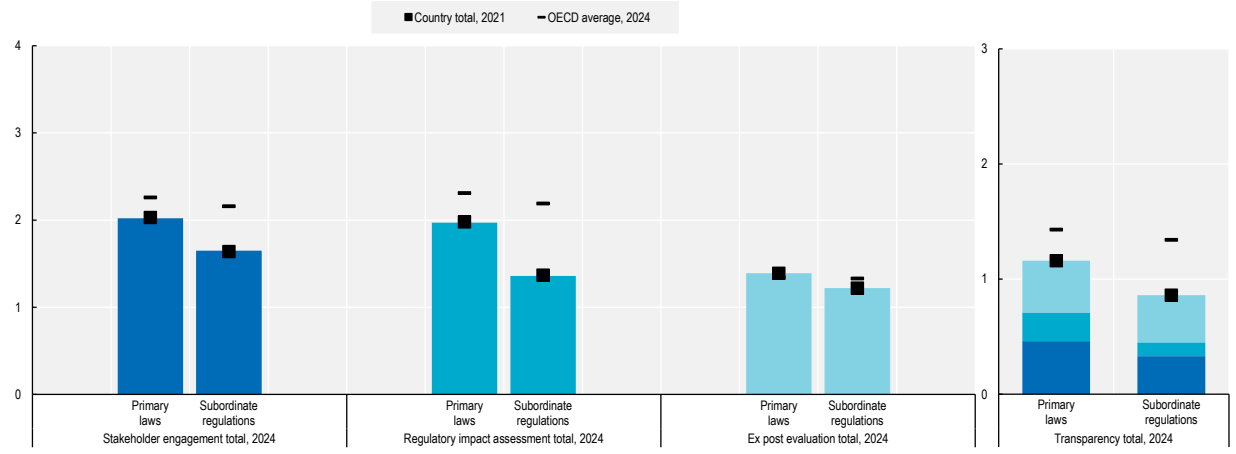
The Secretariat within the Ministry of Digital Government and Gender Equality receives draft legislative proposals before public consultation and makes recommendations to improve implementation impact assessments and compliance with the seven principles of digital-ready legislation.

In focus: Recent developments and next steps

Denmark has taken steps in advancing its principles for digital-ready legislation. As a next step, it is exploring how to improve the digital readiness of the regulatory stock. There are approximately 1,600 laws that pre-date the digital-ready requirements. Funded by the European Union and implemented by the OECD, a recent project developed a framework and methodology for prioritising the revision of existing legislation for digital readiness. The framework and methodology were finalised in June 2024, with the government currently considering an implementation timeline.

Additionally, building on targeted engagement initiatives – such as Denmark’s Citizens Assembly on climate issues and Youth Climate Council – with methodological changes, like systematically informing stakeholders in advance that a consultation is due to take place and including consultation views in RIAs, would further bolster transparency.

Indicators of Regulatory Policy and Governance (iREG): Denmark



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (99% of all primary laws in Denmark). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Denmark: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Denmark's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Estonia

Overview

In Estonia, preliminary regulatory impact assessments (RIAs) refer to the legislative intent documents, which precede all primary laws, unless exemptions apply. Full RIAs are rare, but simplified RIAs are included for all draft laws. Recent efforts to improve RIA practice include systematic training of law drafters and the creation of a network for public officials. A 2023 amendment to the inter-ministerial co-ordination process required the Ministry of Justice to review all draft laws twice before they are presented for Government approval, enabling earlier identification of RIA shortcomings and the chance to review improvements. The Ministry is testing a new methodology to assess RIA quality, data collection began in 2023, and data analysis and results are expected by the end of 2024.

In 2023, Estonia created an open government roadmap to improve stakeholder engagement in policymaking. Public consultations are spread via an information system for draft legislation (EIS), ministries' websites, social media and newspapers. Online consultations to inform stakeholders about the nature of the policy problem and identify policy options are conducted in some cases. Later-stage consultations are held for all primary laws and subordinate regulations.

Ex post evaluation has been mandatory for some regulations since 2012, occurring 3–5 years after implementation, and covering competition, administrative burden, and regulatory overlap. *Ex post* evaluations must now assess if the policy goals are met. *Ex post* evaluations are mandatory for urgent laws that bypassed usual rule-making processes where they impose significant impacts on specific groups. Publishing *ex post* evaluations is at the discretion of the relevant minister.

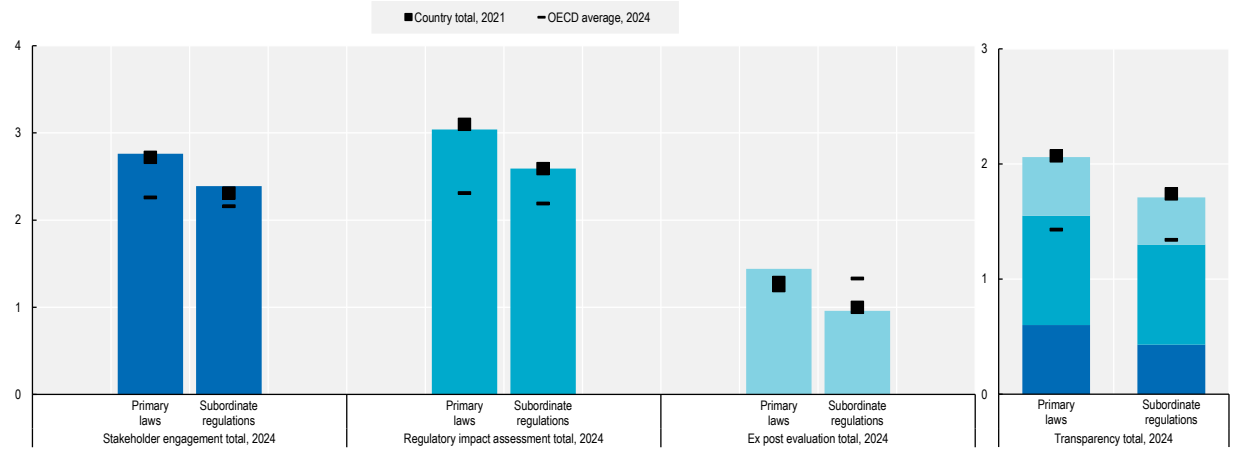
The Ministry of Justice oversees regulatory quality and is responsible for improving and evaluating regulatory policy. The Minister of Justice reports annually to parliament, including on compliance with RIA and stakeholder engagement requirements. The Government Office co-ordinates stakeholder engagement across government by issuing guidelines and promoting the engagement co-ordinators' programme. Its EU Secretariat co-ordinates EU law transposition, and its Legal Department examines the quality of draft subordinate regulations.

In focus: Recent developments and next steps

Estonia is developing a "digital co-creation workspace" for law drafters that will replace the existing EIS online information system, tracking legislative developments and making RIAs available on a central portal. The co-creation workspace will replace EIS once the public consultations' functionality, which began development in the summer of 2024, is fully implemented. This online platform will allow civil servants across ministries to co-create the same legislative text in a collaborative workspace with experts and stakeholders outside of the government.

The strategy document "Principles for Legislative Policy until 2030", adopted in November 2020, aims to increase the proportion of *ex post* evaluations. Estonia would benefit from systematically applying *ex post* evaluations and reinforcing capacity to scrutinise their quality.

Indicators of Regulatory Policy and Governance (iREG): Estonia



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (92% of all primary laws in Estonia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Estonia: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Estonia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Finland

Overview

Recent Finnish governments have successively prioritised strengthening the rule of law, democracy, participation, and trust in society. Recent reforms aim to increase guidance and offer practical support to regulators in their application of a whole-of-government strategy on better regulation, extending stakeholder engagement to children and youth, and introducing *ex post* evaluations.

Several stakeholder engagement platforms exist in Finland to inform the public of regulatory drafts and solicit feedback. Lausuntopalvelu.fi, an online service for public statements, and the Governments Registry for Projects and Initiatives, which publicly provides information on the ministries' development projects, legislative preparation and various institutions, were recently complemented by new guidance to broaden target groups. RIAs are required and conducted for all primary laws and some subordinate regulations. The RIA Guidelines were renewed in 2022, and are expected to extend requirements to include assessment of macroeconomic, financial, and indirect costs. Meanwhile, e*x post* evaluation is not mandatory, and its principles do not specify impact categories as they build on the RIA guidelines for simplicity.

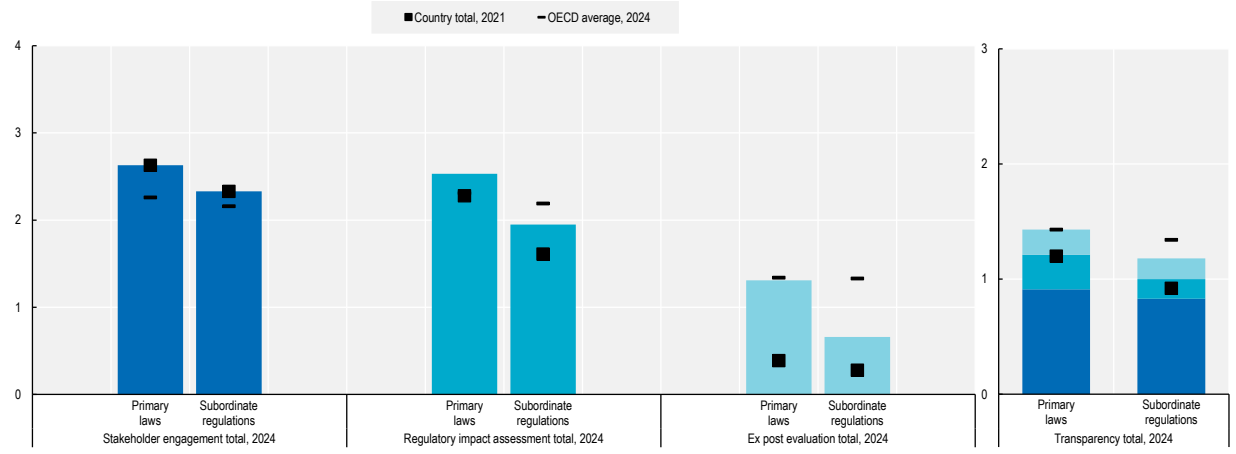
The Finnish Council of Regulatory Impact Analysis (FCRIA) is Finland's regulatory oversight body. It reviews selected RIAs for significance and representativeness before approval of the regulation, providing advice and formal opinions on quality but has no sanctioning power. The FCRIA chairs a government competence network for impact assessment, in place since 2021 to support law drafters in preparing RIAs. The FCRIA also has a mandate to review *ex post* evaluations. In addition, a government-wide working group aims to improve law drafting and enhance co-ordination across ministries and promote the uptake of best practices.

In focus: Recent developments and next steps

Finland has several recent reforms demonstrating high ambitions for evidence-based rule-making. The first policy document for *ex post* evaluation was adopted in 2023. It outlines common principles for monitoring and evaluating national legislation, state treaties and EU rules together with case examples of implementation methods. Mandatory requirements to conduct *ex post* evaluation and standardised evaluation techniques can further ensure rules continue to deliver for citizens and business.

Stakeholder engagement has improved in recent years, with specific guidance to strengthen the inclusion of different societal groups as targeted stakeholders. Children now have the right to participate in consultations: in particular, a new handbook addresses regulatory impacts on children. Finally, the legislative drafting consultation guidelines has been underway since early 2023. The preparation is carried out in collaboration between ministries and a working group. Fully implementing the new guidelines will be crucial to realising the gains offered by strengthened stakeholder engagement.

Indicators of Regulatory Policy and Governance (iREG): Finland



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in Finland). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Finland: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Finland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

France

Overview

In France, regulatory impact assessments (RIA) are required for all draft primary laws and major subordinate regulations and made available on the *Legifrance* platform. To manage regulatory burdens and rationalise the legal framework, the introduction of any new subordinate regulation is subject to a "one-in, two-out" offsetting approach. Each legislative proposal must be accompanied by five impact indicators to enable policymakers to effectively measure the achievement of policy objectives. *Ex post* evaluation of existing rules is conducted on an ad hoc basis by a range of institutions and typically cover a specific policy or reform. In a drive to simplify regulations for businesses, the French government conducted a series of stakeholder meetings in 2023 and a public consultation soliciting suggestions for simplification. France does not require public consultation for the development of new regulations, except for those with an impact on the environment. In practice, consultations with selected groups take place frequently but online consultations with the public remain non-systematic, except for environmental issues. When public consultations do occur, they are centrally accessible on the *Vie-publique* platform.

Under the authority of the Prime Minister, the *Secrétariat Général du Gouvernement* ensures compliance with procedures for RIA and stakeholder engagement, inter-ministerial co-ordination, and liaison with the *Conseil d'État* and the Parliament. The former plays a critical role, both upstream (through its consultative function for legal quality and the control of stakeholder engagement) and downstream (as the administrative judge of last resort). The *Ministère de la fonction publique, de la simplification et de la transformation de l'action publique* oversees simplification efforts.

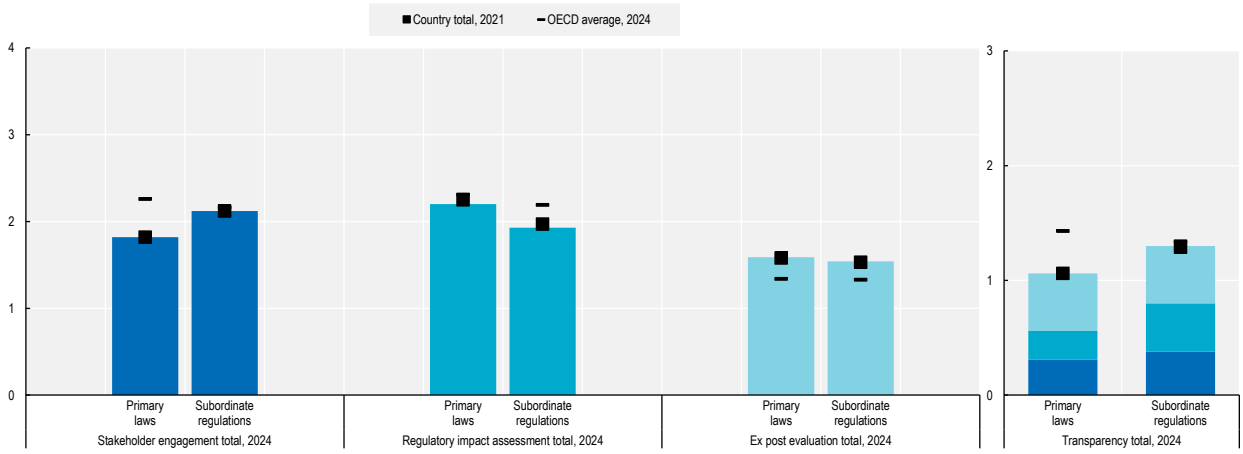
Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 42% of primary laws in France. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by the Parliament.

In focus: Recent developments and next steps

France established the *Pôle d'expertise de régulation numérique* (PEReN), a pool of specialist computer and data science experts that provide technical support and guidance across the administration. In addition, the *France Expérimentation* programme enables supervised testing of innovative business ideas through temporary derogation from existing rules to identify and remove regulatory barriers.

France has deployed new methods to involve stakeholders, in an ad hoc format, in early discussions prior to major reforms. For example, the *États généraux de la justice*, organised in 2021, brought together practitioners, specialists and individuals to share their concerns related to access to justice, leading to the adoption of two laws in 2023. However, to fully reap the benefits of stakeholder engagement, France should consider opening up consultations more systematically as is done for environmental regulations. In addition, France could also improve its *ex post* evaluation practice by making it more systematic.

Indicators of Regulatory Policy and Governance (iREG): France



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (42% of all primary laws in France). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

France: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects France's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Germany

Overview

Better regulation, and bureaucracy reduction in particular, have been in the focus of the political debate in Germany for some time. At the end of 2021, responsibility for better regulation moved from the Federal Chancellery to the Federal Ministry of Justice, albeit with a reduced number of staff. The State Secretaries' Committee for Better Regulation and Bureaucracy Reduction decided to strengthen the development and improvement of instruments to make legislation more fit for purpose, effective and user-oriented.

Regulatory impact assessment (RIA) continues to be mandatory for all primary and secondary legislation prepared by the Federal Government. The results are part of the draft proposals when they are published and deliberated in Cabinet. Germany has recently introduced a 'digital readiness check' (*Digitalcheck*) to ensure that new rules are fit for digital implementation and also strengthened its sustainability assessment. The system for assessing impacts of draft proposals *ex ante* is complemented by *ex post* evaluation. Rules that create compliance costs of over 1 million EUR are subject to a full review to ascertain whether they achieve their intended objectives.

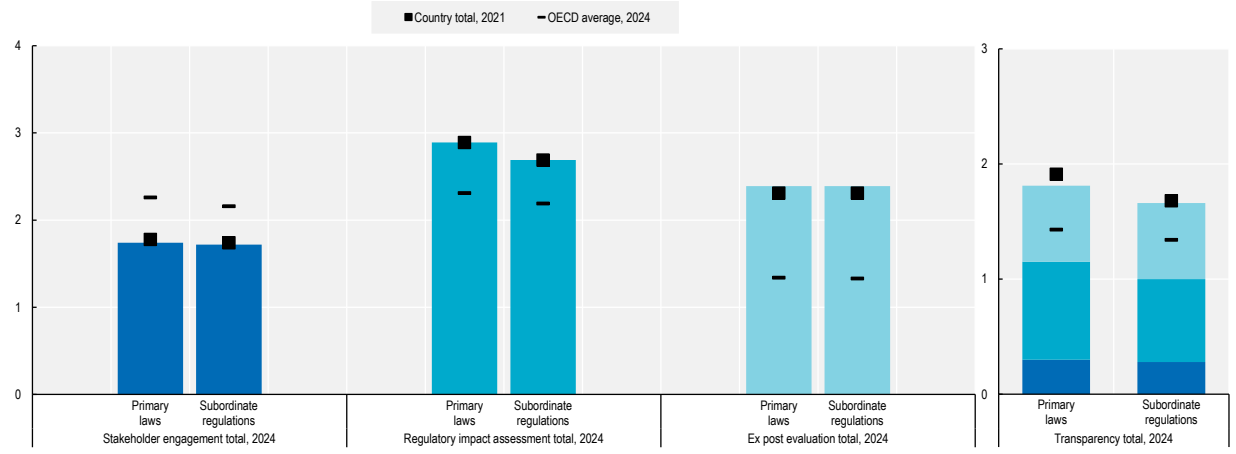
While consultation with social partners and experts is well established, consultation open to the general public is the exception rather than the rule. However, there are some positive examples over the last few years, including a public consultation led by the Federal Ministry for Economic Affairs and Climate to prepare a legislative proposal on regulatory sandboxes. The Ministry of Environment conducted an online dialogue on the Action Programme for Natural Climate Protection and a citizen dialogue on climate adaptation.

The National Regulatory Control Council (NKR) reviews the cost assessments in RIAs as well as the implementation of the *Digitalcheck*. It also provides advice during all stages of rulemaking and has responsibilities in administrative simplification and burden reduction. The Federal Statistical Office provides methodological support on the quantification of costs and has published guidelines and initiated a training programme on *ex post* evaluation.

In focus: Recent developments and next steps

With the Centre for Legislative Drafting (*Zentrum für Legistik*), Germany is establishing a government think tank, which will gather and promote scientific research as well as practical experience and provide tools, training and advice for Government officials. It will focus in particular on the earliest stages of the legislative process, including the involvement of all relevant stakeholders. Germany is also planning to continue its work on the development and implementation of so-called 'Reality Checks' (*Praxischeck*) – a workshop-based approach to engage relevant stakeholders to identify from a users' perspective bureaucratic hurdles and potential solutions.

Indicators of Regulatory Policy and Governance (iREG): Germany



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (74% of all primary laws in Germany). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Germany: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Germany's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Greece

Overview

Following the introduction of Law 4622 in 2019, regulatory impact assessments (RIAs) are required for all primary laws and subordinate regulations of major economic or social importance. RIAs should include specific, time-bound and measurable objectives and indicate how the proposed laws contribute to the SDGs. Despite these changes, impact quantification is focused solely on budgetary aspects, while broader impacts and risks such as those to public administration, market economy, environment, and society are analysed qualitatively.

Public consultations are systematically conducted for all primary laws, with few exceptions. In practice, draft primary laws are posted on the consultation portal without prior notification for a minimum of two weeks. Significant subordinate regulations can be, but are typically not, submitted for public consultation.

Ex post evaluation remains nascent. The requirement to conduct *ex post* evaluation of all primary laws and major subordinate regulations within five years after their enactment has not yet been implemented. A Handbook on *ex post* evaluation of legislation is expected to be published in late 2024. Codification efforts to improve consistency and quality have involved recasting, cancellation and consolidation of existing legislation.

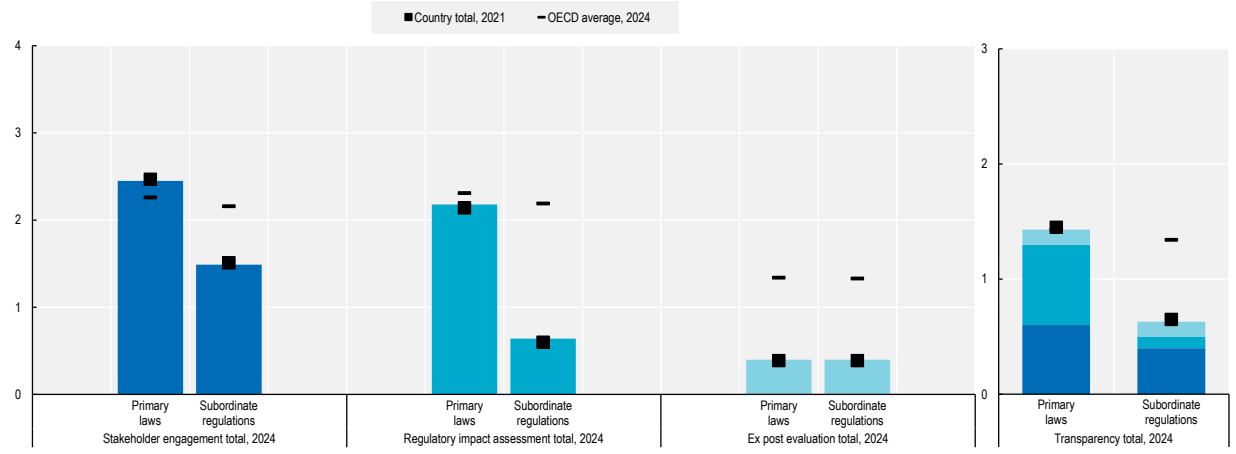
The Secretariat General of Legal and Parliamentary Affairs (GSLPA) oversees regulatory governance, supported by two Committees. The GSLPA is responsible for initiating the drafting of bills and accompanying RIAs, upon request from the responsible Ministry, and for posting them online for public consultation. The Committee on Evaluation of the Quality of Legislative Procedure is an advisory body responsible for scrutinising draft Bills and associated RIAs before they are introduced to Parliament by the GSLPA. The Central Codification Committee is responsible for the legislative codification process, pursuant to the methodology in the pertinent handbook. Simultaneously, a separate department within GSLPA, known as 'Raptarchis,' consolidates existing regulations in force, following a distinct methodology outlined in a separate handbook. Despite their differing approaches, both entities collaborate closely. The GSCO monitors and evaluates public policies and, in co-operation with the GSLPA, prepares the annual report on Regulatory Production and Evaluation.

In focus: Recent developments and next steps

Greece has made positive recent steps to enhance regulatory management capacity by developing RIA handbooks and templates, legislative drafting, and codification methodology. The advisory Committees to scrutinise legislation and ensure regulatory quality are also contributing to establishing a robust regulatory management process.

Implementing the *de jure ex post* evaluation requirements would yield benefits, along with continuing efforts to simplify the existing regulatory framework. There are concerns about whether RIAs adequately reflect and assess potential costs and benefits, which should be carefully considered when developing rules. Applying the existing regulatory management tools to subordinate regulations would further enhance regulatory quality in Greece.

Indicators of Regulatory Policy and Governance (iREG): Greece



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in Greece). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Greece: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Greece's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Hungary

Overview

All primary laws and subordinate regulations are required to undergo regulatory impact assessment (RIA). Policymakers are required to consider RIA results when developing new laws to ensure they are fit for purpose. Drafting requirements provide that legislation should result in simpler, faster and less costly procedures, reduces the number of legal obligations and administrative burdens, and prevent over-regulation and overlap.

Draft legislation must include a statement of purpose, which is then published to allow the possibility to provide comments by email. However, consultation is not required in the early phases of rule-making. While *ex post* evaluation is required, it is not done systematically. A new *ex post* evaluation methodology is being developed and will follow the same form as RIA.

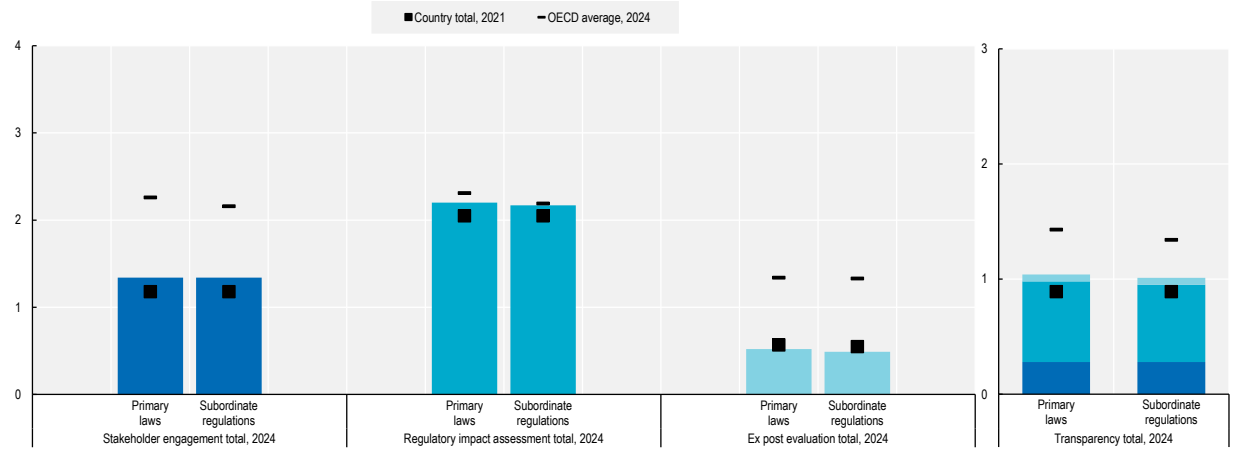
The Government Office of the Prime Minister develops and operates the impact analysis system, co-ordinates the preparation of rules with the responsible ministry, and can propose modifications to RIAs and *ex post* evaluations. It prepares an annual report on RIA based on feedback from each ministry, which is not publicly available. Within the Ministry of Public Administration and Regional Development, the State Secretary in charge of the territorial administration and the Ministry of Justice makes proposals for simplifying regulatory burdens on citizens and businesses. The Government Control Office (GCO), an independent body, audits whether ministries comply with obligations to publish summaries of preliminary RIAs of draft legislation and whether proposals exempted from consultation and RIA fall within the defined scope. The GCO also takes part in *ex post* evaluation. There is no specific oversight body in charge of the quality of the analysis and breadth of stakeholder consultation on RIA nor *ex post* reviews.

In focus: Recent developments and next steps

Hungary introduced a new central consultation portal, where summaries of preliminary RIA and other supporting documents are made publicly available. Furthermore, an amendment of Act CXXX of 2010 mandates that the Hungarian Central Statistical Office contributes to conducting both *ex ante* and *ex post* impact assessments of Acts, Government Decrees and Ministerial Decrees by providing the relevant data necessary to the legislative authority conducting the assessment.

Hungary would gain from improving transparency and stakeholder engagement through the policy cycle. Stakeholders should be engaged earlier in the policy cycle, during the problem identification stage and preliminary RIA should be made public and consulted on. Sufficient time should be given to stakeholders and legislative authorities to allow for meaningful engagement. Hungary would also benefit from technical quality support for RIAs and systematic *ex post* evaluation. This would allow to further improve the efficiency and effectiveness of public policies and promote system accountability.

Indicators of Regulatory Policy and Governance (iREG): Hungary



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (93% of all primary laws in Hungary). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Hungary: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Hungary's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Iceland

Overview

Regulatory impact assessment (RIA) has been increasingly emphasised since the issuance of the amended "Governmental resolution on preparation and formulation of law proposals and parliamentary resolution" in 2023. The amendments emphasised the coverage of RIA requirements to diverse fields such as equality, environment and human health for all primary laws, in addition to the previous focus on the budget and public sector. Iceland's *ex post* evaluation system remains voluntary, and in practice few *ex post* evaluations are conducted for both primary laws and subordinate regulations.

The central consultation portal was renewed with the aim to increase transparency in 2023 after 5 years of operation. A new feature includes a list of main stakeholders who are notified and invited to comment. Anyone can still provide comments to regulatory proposals, which are always made publicly available, and subscribe to automatic notifications from the portal. Most RIAs are posted on the consultation portal. Additional features included setting longer consultation periods, which range from two to four weeks, and a requirement for reactions to stakeholder comments in the consultation portal to be published within three months of the end of the consultation period. Deciding to undertake limited or no consultation with stakeholders has been extended to include legislative intent documents and parliamentary resolutions, which needs to be explained. Proposed parliamentary resolutions should now be published on the consultation portal.

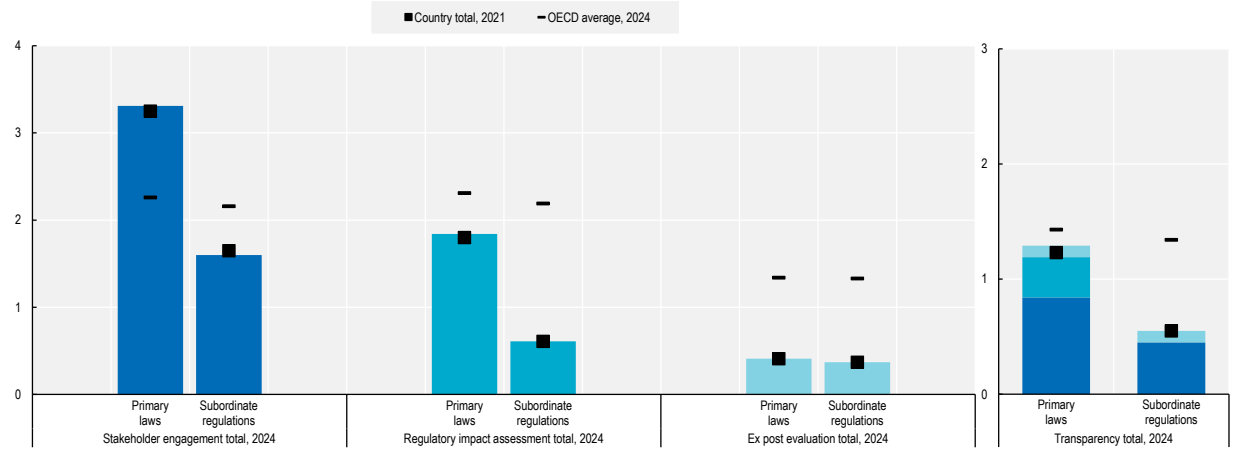
The Department of Legislative Affairs was moved from the Prime Minister's Office to the Ministry of Justice in 2022. The core responsibility for regulatory oversight continues to lie with the department. The Department of Public Finances (DPF) in the Ministry of Finance and Economic Affairs is responsible for developing guidance materials and overseeing RIA. The DPF also reviews RIAs on gender equality.

In focus: Recent developments and next steps

The governmental resolution on preparation and formulation of law proposals and parliamentary resolution was amended in 2023. The major changes have further emphasised the types of impacts assessed in RIA, including, among others, impacts on equality, environment and climate, improved and broadened stakeholder engagement and transparency, as well as a series of institutional arrangements. Revised ministerial guidance on the preparation of regulatory proposals was issued to support its operationalisation.

The recent amendments are expected to strengthen RIA. Building on the changes, consultation could be systematically applied to subordinate regulations. Iceland would benefit further from expanding the focus to *ex post* evaluation of both primary laws and subordinate regulations, and strengthening oversight and quality control of evaluations conducted.

Indicators of Regulatory Policy and Governance (iREG): Iceland



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (88% of all primary laws in Iceland). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Iceland: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Iceland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Ireland

Overview

There has been little change in Ireland's Better Regulation agenda in recent years. Ireland still conducts mandatory regulatory impact assessment (RIA) for major primary laws and subordinate regulations. RIAs are required to include a variety of social, economic and environmental impacts and some are published on the central government's website.

Following various Open Government Partnership National Action Plans, Ireland had committed to improving consultation by public bodies with citizens, civil society and others. Despite some improvements, consultation practices do not yet operate on a systematic basis across government departments. Progress on developing a single central government website for public consultations seems to have stalled, with only some ongoing consultations published on the beta-version website. As Ireland develops the tools to conduct more transparent and open stakeholder engagement, public consultation could be applied more systematically to a broader range of draft regulations, particularly for subordinate regulations.

Standing orders from Parliament state that the minister responsible for implementing a law must provide an assessment of its functioning within a year. In addition, sectoral departments are required to enact policy and conduct reviews at least every seven years according to the Policy Statement on Economic Regulation. Ireland introduced sunsetting clauses in some of the subordinate regulations relating to the COVID-19 pandemic.

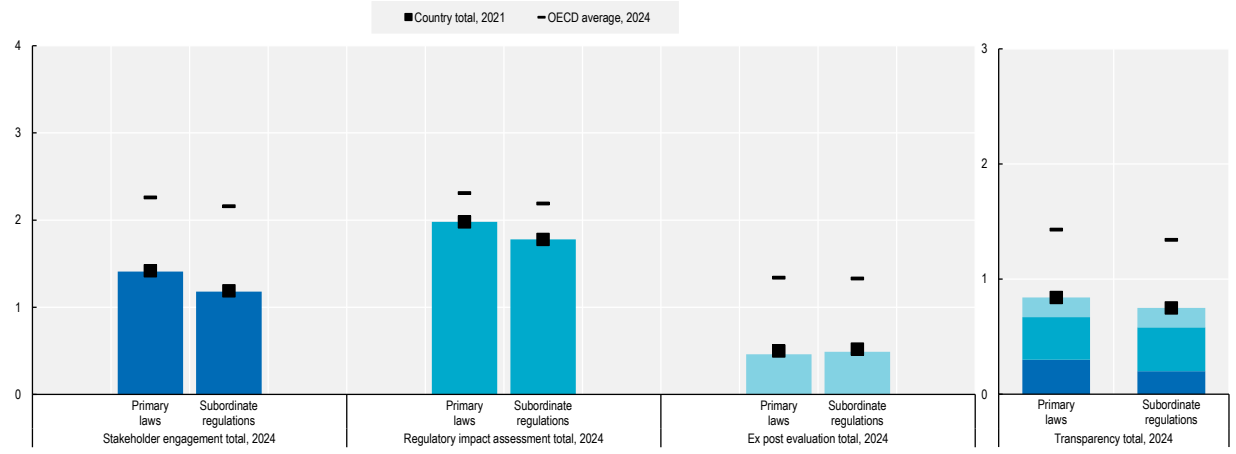
Various aspects of the Better Regulation agenda sit across a number of departments, with the Department of the Taoiseach, along with the Office of the Attorney General, having a role in relation to transparency and the quality of regulation; the Department of Public Expenditure and Reform leading on public service modernisation, development and reform functions (including in relation to RIA) and the Department of Enterprise, Trade and Employment leading on administrative burdens and competition issues. Responsibility rests with each department to ensure adherence with the 'Regulating Better' principles as set out by government and ensure the effective oversight of regulatory bodies under their aegis.

In focus: Recent developments and next steps

Through the National Framework for Children and Young People's Participation in Decision-making, the government provided guidance for the public administration to better involve children and young people in rulemaking. A renewed push to fully operationalise the single central government website for public consultations will be an important step in broadening and improving stakeholder engagement in the rule-making process.

Establishing a central oversight body to review the quality of regulatory management tools and introduce requirements for the systematic *ex post* evaluation of existing regulations will help strengthen the quality of decision making in Ireland.

Indicators of Regulatory Policy and Governance (iREG): Ireland



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (99% of all primary laws in Ireland). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Ireland: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Ireland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Israel

Overview

Government Resolution No. 2118 of October 22, 2014 introduced regulatory impact assessment (RIA) in the regulation-making process, strengthened public consultation practices and provided the basis for more efficient regulatory oversight. The Principles of Regulation Law, 2021 established basic principles of quality regulation, as well as a dedicated and independent regulatory oversight body – the Israeli Regulatory Authority (ILRA).

RIA is obligatory for all government-initiated primary laws and subordinate regulations; this obligation does not apply to regulations initiated by the Knesset. Regulatory review, *ex ante* and *ex post*, have mostly focused on evaluating regulatory costs and other impacts. Evaluation of benefits is slowly being introduced.

Individual ministries are responsible for most legislative planning activities, with limited inter-ministerial co-ordination. All proposals undergo public consultation for a minimum of 3 weeks. Since 2020, all draft primary laws and subordinate regulations are systematically published on a central governmental website for public consultation where all comments are visible. Personalised alerts for specific stakeholders are being piloted. The public engagement unit launched a pilot project in 2023 testing a digital infrastructure to enhance consultations between government and businesses.

According to the 2021 Law, the ILRA will conduct ad hoc reviews of regulatory stock. The ILRA is currently developing principles for *ex post* evaluation, supplementing an existing guide on examining and reducing regulatory burdens.

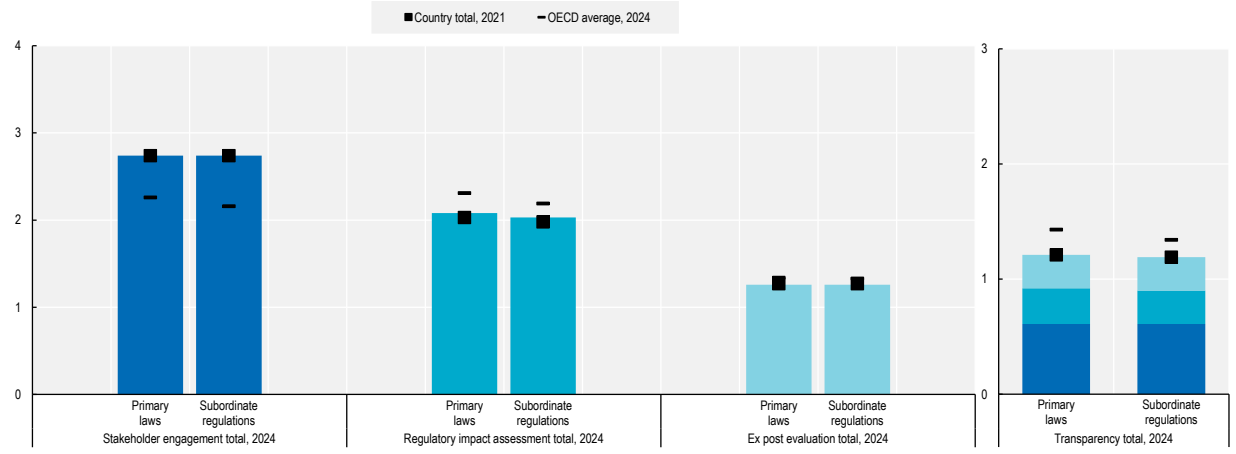
The 2021 Law established the ILRA as a standalone agency responsible for central oversight, replacing the Better Regulation Department within the Prime Minister's Office. It is led by a Chair, appointed by the Government, at the suggestion of the Prime Minister based on a recommendation by a professional committee. The ILRA's functions include advising on regulatory policy and processes, advising on and scrutinizing the quality of RIAs, and conducting ad hoc evaluations of existing regulations. The ILRA also trains regulators and regulatory policy units located within line ministries.

In focus: Recent developments and next steps

The newly-established ILRA reformed the framework for regulatory oversight in Israel. In December 2023, the ILRA also published a new guide for RIA, accompanied by a detailed best practice document. The ILRA is also leading an inter-ministerial committee to advance reforms for business licensing requirements.

As next steps, Israel should focus on implementing the 2021 Law measures and advancing the ILRA's planned work, especially in the areas of *ex post* evaluations, training to strengthen capacity in line ministries, and RIA oversight.

Indicators of Regulatory Policy and Governance (iREG): Israel



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (76% of all primary laws in Israel). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Israel Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ▲	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Israel's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Italy

Overview

Regulatory impact assessment (RIA) is mandatory for all major normative acts in Italy. Exemptions can be submitted for low-impact proposals, with a justification to be reviewed by the Department for Legal and Legislative Affairs (DAGL). In urgent case, simplified RIAs can be submitted for decree-laws, ensuring a minimum of information to support the decision-making. DAGL may issue a negative opinion to the State Secretary to the Presidency before the draft legislation is presented to the cabinet if the quality of any RIA is deemed inadequate. Policymakers are required to engage with stakeholders in the development of new rules. However, the scope of engagement remains discretionary and, in practice, only some primary laws and subordinate regulations undergo consultation with the general public. When ministries conduct public consultations, they are easily accessible via a single online access point. Ministries must also publish biannual legislative programmes, highlighting planned RIAs and consultations. The programmes are posted on central government and ministries' websites.

Periodic *ex post* evaluation (EPE) is required for some selected laws and regulations, based on a mix of qualitative and quantitative criteria but in practice the final decision lies with political decision makers. Ministries are obliged to publish biennial evaluation plans setting out which measures they intend to review, which are subject to public consultation and review by DAGL.

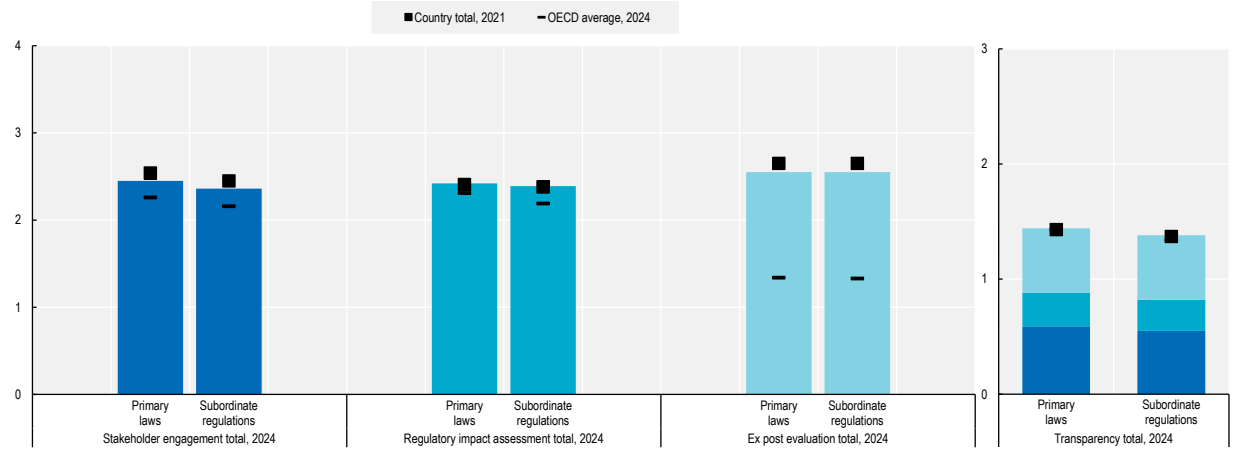
DAGL, within the Presidency of the Council of Ministers, has overall responsibility for regulatory policy and reports annually to Parliament on the use of regulatory management tools. DAGL is supported by the *Nucleo di valutazione dell'impatto della regolamentazione* (NUVIR), which is in charge of reviewing *ex ante* (AIR) and *ex post* (VIR) impact assessment; evaluating selected proposals if requested by the Presidency of the Council of Ministers; supporting training and the definition of RIA and EPE methodologies. Co-ordinated by the Department for Digital Transformation and the Ministry for Economic Development, the *Sperimentazione Italia* programme, since 2020, allows for the temporary derogation of existing rules to test innovative initiatives in a controlled environment and to inform rule changes.

In focus: Recent developments and next steps

Established in 2023 as autonomous office in charge of quality control for RIA and *ex post* evaluation, NUVIR has replaced the former Impact Assessment Independent Unit. It is composed of five independent experts, reporting directly to the Head of DAGL and working with the Department's Unit for Rationalisation and Better Regulation.

For RIAs to be easily accessible for the public, they should be published on a single webpage. RIAs should be measured in terms of impacts and by quantity of people affected. One positive is the preparation to issue guidelines for RIA at the regional level. However, national public agencies require updated guidance to combat challenging aspects such as scientific uncertainty and impacts of new technologies; longer-term perspective such as the SDGs; and to improve RIA quality of proposals with expected major impacts.

Indicators of Regulatory Policy and Governance (iREG): Italy



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (77% of all primary laws in Italy). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Italy: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Italy's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Japan

Overview

In 2017, *ex post* evaluation was introduced into Japan's Regulatory Evaluation Guidelines which had formerly stipulated *ex ante* evaluation. Following this addition, coupled with a burden reduction package which ran from 2017-2020, Japan has made incremental improvements to its regulatory policy more recently. Some *ex ante* evaluation reports relating to subordinate regulations are released for public consultation via the e-gov portal. In order to prove benefits outweigh the costs, both direct costs and benefits should be monetised in principle, but if this is not possible, at least compliance costs need to be quantified. Regulatory alternatives and the associated monitoring also should be stated in *ex ante* regulation reports. All *ex ante* evaluations should be reviewed within five years as *ex post* evaluations. The review uses the original *ex ante* evaluation as the baseline to determine whether expected impacts materialised as anticipated. The linking of both *ex ante* and *ex post* evaluations also provides the opportunity to better engage with stakeholders, though stakeholders are only sometimes consulted on *ex post* evaluations.

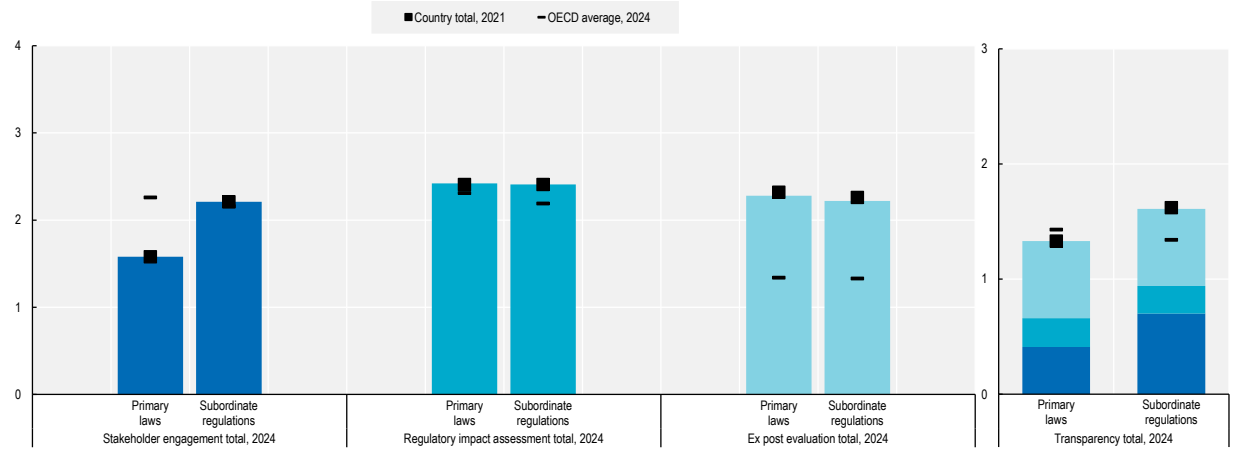
Japan's regulatory policy includes two important bodies. One is the Council for Promotion of Regulatory Reform, which is an advisory board to the Prime Minister set up in the Cabinet Office. The functions are to investigate regulatory issues needed for structural reform, and to submit a recommendation to the Prime Minister. The Administrative Evaluation Bureau of the Ministry of Internal Affairs and Communications supports and inspects regulatory evaluation activities in each ministry and agency, and is responsible for developing and managing related guidelines and portal sites.

In focus: Recent developments and next steps

Starting in 2023, a fundamental review of the Regulatory Evaluation Guidelines was undertaken, taking into account the insights of the OECD in the iREG survey. In June 2023, as a preliminary measure, a new mechanism was introduced to check whether co-ordination with stakeholders was carried out prior to *ex ante* evaluation. The review finalised in March 2024, clarifying the definition of regulations, increasing the focus on distributional impacts, and improving social consensus on the need for rules.

Japan utilises Councils across a range of policy areas to gather opinions of stakeholders in developing primary laws and subordinate regulations. Forthcoming Council meetings and their agendas are published in advance to help stakeholders prepare their feedback. The Councils themselves have a series of rules to follow in terms of composition and procedures. Council meetings are open to registered participants, and transcripts are published afterwards. Council meetings have begun to take place in a hybrid format more recently. An interactive website is available for the public to access relevant documents and provide comments on draft subordinate regulations. Japan would benefit from enhancing engagement with stakeholders in developing primary laws, for example by extending public online consultations to the interactive government website, rather than the Diet website as is currently the case.

Indicators of Regulatory Policy and Governance (iREG): Japan



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (73% of all primary laws in Japan). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Japan: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
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	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
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	Base inspection and enforcement activities on risk criteria ▲	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Japan's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Korea

Overview

Korea has incorporated several changes in its regulatory policy system since 2021. Consultations are conducted for all regulations initiated by the executive, and early-stage consultation to identify different policy options has been enhanced with the People's Idea Box, a citizen-led initiative utilising surveys or forums to identify regulatory issues. Korea continues e-consultations through the Regulatory Reform Sinmungo to receive public feedback.

Two research centres, the Korea Development Institute and the Korea Institute of Public Administration recently piloted economic and social *ex post* evaluations, with forthcoming evaluations publicly announced to allow stakeholder input. Evaluations are now required to consider if underlying policy goals are being fulfilled, and if they align with international standards.

Regulatory oversight is conducted by the Regulatory Reform Committee (RRC), co-chaired by the Prime Minister and a non-government sector representative. The Office for Government Policy Coordination (OGPC), through the Regulatory Reform Office, acts as the RRC's secretariat, playing an oversight and steering role across central agencies. The OGPC conducts an annual evaluation of its own units which involves various performance indicators, such as the level of satisfaction with the improvement of public procurement regulations, the level of regulatory improvement, and the level of compliance with RRC recommendations.

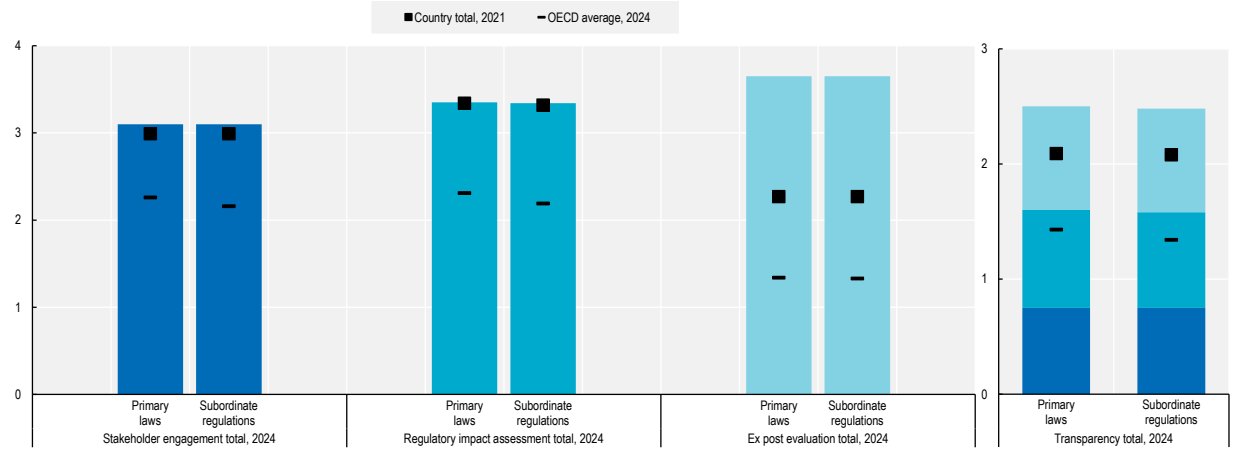
Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approximately 6% of primary laws in Korea. Primary laws initiated by parliament are not accompanied by RIA and not always supported by stakeholder engagement. Since 2021, there were three separate attempts to subject the development of laws made by the National Assembly to RIA, but none were successful.

In focus: Recent developments and next steps

In 2022, Korea revised its RIA system to reduce burdens on regulated entities by eliminating or easing regulations that impose excessive costs when new rules are introduced or strengthened. Cost-benefit analyses are not mandatory for all new regulations, and there is an ongoing effort to identity and improve existing regulations with net costs. To further enhance RIA benefits, incorporating broader coasts such as indirect, financial, and macroeconomic impacts is recommended.

The Regulatory Innovation Strategy commenced in 2022 and led by the President, focuses on repealing or improving key regulations, especially relating to investment and employment. The Regulatory Innovation Task Force, composed of various former officials, leads regulatory improvement and the Regulatory Adjudication Division convenes stakeholders to resolve ongoing disputes and propose alternatives. Regulatory Sandboxes serve as testbeds for temporarily testing new technologies that are currently restricted and have been expanded to cover regulations on socio-economic mobility and recycling waste disposal.

Indicators of Regulatory Policy and Governance (iREG): Korea



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (6% of all primary laws in Korea). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Korea: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Korea's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Latvia

Overview

Since regulatory impact assessment (RIA) was made obligatory for all draft legal acts submitted to Cabinet, including subordinate regulations in 2009, Latvia has continued to adjust RIA requirements and introduced guidance to support institutions. Accordingly, RIA should be conducted early in the policy-making process and undergo public consultation. Latvia's RIA methodology assesses mainly financial, budgetary, and administrative costs, as well as broader environmental and social costs. New requirements to assess impacts on gender equality and poverty were introduced in 2021.

Through the "Government Modernization Plan 2023-2027", the government has set out measures to improve the quality of policy planning and regulation, in particular through data-driven policymaking and introducing a methodology for *ex post* evaluation. Currently, *ex post* evaluation is used ad hoc and required for only some subordinate regulations and not for primary laws. Latvia has undertaken periodic reviews comparing regulation across countries, regions, or jurisdictions, and thematic in-depth reviews.

Building upon existing processes, Latvia has taken steps to improve stakeholder engagement practices. In 2021, a centralised portal was created to allow stakeholders to participate in all government consultations more easily, aiding transparency and accessibility. In 2022, voluntary guidelines on engagement and effective public participation were developed and issued to government departments.

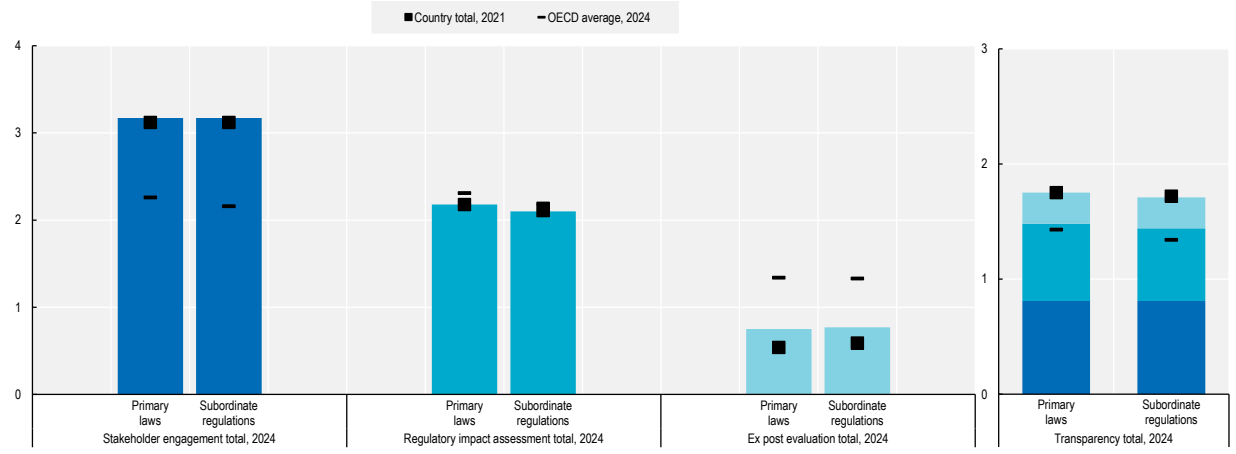
The main responsibilities for co-ordinating regulatory policy and promoting regulatory quality are shared between the Ministry of Justice and the State Chancellery. The Ministry of Justice issues opinions regarding draft legal acts and planning documents and provides methodological assistance. The Chancellery, through its Legal Department, focuses on compliance with the rules for drafting legislation, including the obligation to conduct RIA and engage relevant stakeholders, and also co-ordinates the development and application of uniform rules of regulatory drafting.

In focus: Recent developments and next steps

Latvia shows progress towards making RIA more holistic and improving the accessibility and transparency of stakeholder engagement. However, alongside the embedding of improved RIA methodologies, opportunities to improve the quantification of impacts and enhance capability in cost-benefit analysis remain. Latvia would also benefit from a proportionate approach to RIA (e.g. through thresholds) to drive up implementation whilst ensuring transparency regarding expected impacts in the absence of an in-depth RIA.

Finally, Latvia should follow through on its plans to use *ex post* evaluations more systematically, developing methodologies to ensure regulations are evaluated based on their goals, observed outcomes, and both costs and benefits.

Indicators of Regulatory Policy and Governance (iREG): Latvia



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (58% of all primary laws in Latvia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Latvia: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Latvia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Lithuania

Overview

The main document guiding regulatory policy in Lithuania is the Law on Legislative Frameworks, which establishes high-level requirements for regulatory impact assessment (RIA), consultation and *ex post* evaluation. RIA is required for all primary laws, with a 2022 amendment introducing additional impacts on climate and equal opportunities as well as strengthening the requirement to use data in RIA. Consultation is systematically required once a regulation is drafted. The obligation was updated in 2022 to more clearly determine when the public should be consulted, the purpose of the consultation, and what data should be collected. Additional guidance and methodology on consultations were also uploaded on the E-Citizen (*E-Pilietis)* platform. A methodology for *ex post* evaluation was introduced in 2021 and determines the objectives, scope of applications, process and roles of actors involved, and extending its application to subordinate regulations. It includes an assessment of whether laws achieve their objectives and the associated costs and benefits. All reviews are carried out and overseen by the Ministry of Justice, with assistance by the Government Strategic Analysis Centre (STRATA). In implementing this methodology, Lithuania should ensure assessments go beyond purely qualitative exercises and include elements of quantitative analysis.

The responsibilities of the Government Meeting Organisation Unit were recently strengthened to prepare the legislative plan. For the first time, the mid-term legislative plan was prepared for the 2021-2024 period. It covers the laws, resolutions of both Parliament and the Government, and EU legislation being planned. It also indicates major legislative initiatives for which a full RIA must be performed. The Governance Department and its Analytics and Sustainable Governance Unit has an active role in promoting better regulation by enabling public sector data use for decision making and implementation.

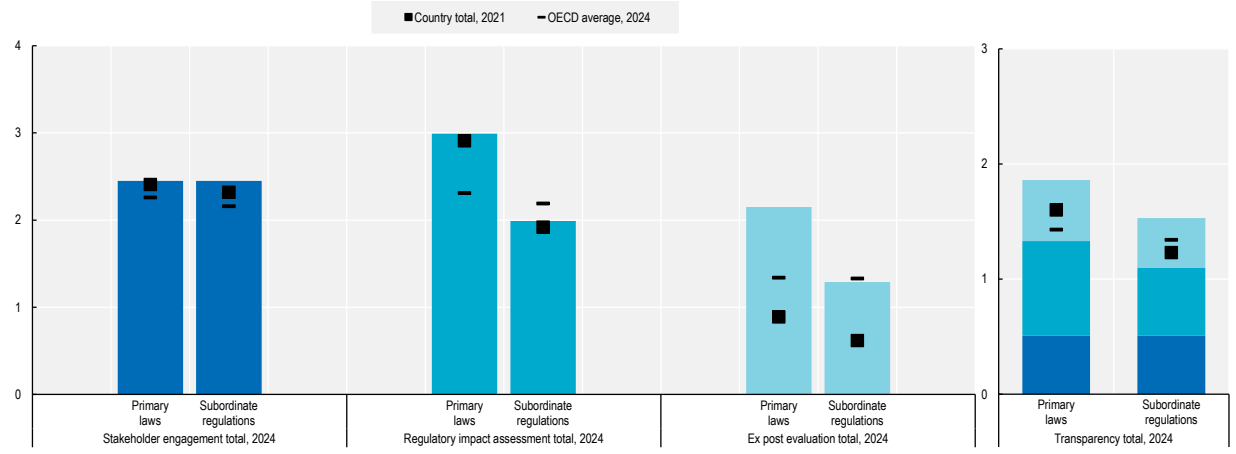
Indicators for RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 38% of primary laws in Lithuania. There is no mandatory requirement for conducting RIAs for primary laws initiated by the parliament but, according to its statute, the parliament may decide to publish draft laws for consultation. Proposals received shall be referred to the relevant committee.

In focus: Recent developments and next steps

With the recent changes to regulatory policy in Lithuania, the focus now needs to shift to implementation. The Environmental Protection Agency's Centre for Environmental Analysis has provided methodological support and strengthened capacities. Further improvements could focus on conducting RIA early in the policy process before decisions to regulate are made, extending its use more systematically to the design of subordinate regulations, and introducing a requirement to assess macroeconomic and indirect costs.

Building on the recent changes to stakeholder engagement, Lithuania should focus on complementing its consultations on draft regulations with a more systematic use of early-stage engagement and publishing responses to comments.

Indicators of Regulatory Policy and Governance (iREG): Lithuania



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (38% of all primary laws in Lithuania). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Lithuania: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Lithuania's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Luxembourg

Overview

Luxembourg has experienced some deteriorations in regulatory policy over the past three years. As foreseen by the "Omnibus" law, formal consultations with advisory groups or preparatory committees originally took place before 2021, but more recently such consultations are not taking place. Leveraging opportunities for stakeholder engagement and facilitating avenues for the general public to provide feedback on proposed regulatory drafts, would contribute to strengthen Luxembourg's rule-making process. Stakeholder engagement for developing both primary laws and subordinate regulations currently remains limited to formal consultation with professional groups, with open consultations on two websites: www.legilux.lu and www.chd.lu.

In the past three years, no e*x post* evaluations of existing regulations have been undertaken in Luxembourg, a departure from the previous period during which some *ex post* evaluations were carried out on an ad hoc basis in areas such as sustainable development. Establishing and embedding an *ex post* evaluation framework, including a clear methodology, could help to ensure that rules continue to provide community benefits.

In Luxembourg, regulatory impact assessment (RIA) takes the form of a checklist that is undertaken for all rules. While Luxembourg refers to the European Commission guidance material rather than creating its own, the limited current focus of RIA in Luxembourg does not reflect those standards. To enhance the usefulness of RIA, the analysis included in impact assessments could be more thorough and further extend to other types of costs, impacts and benefits of regulations.

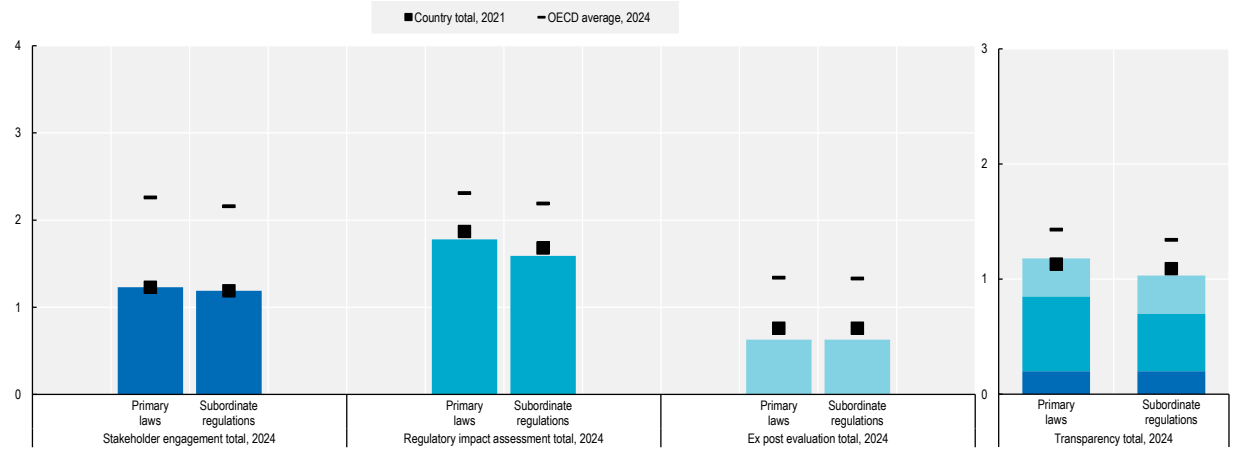
Since November 2023, there is no longer an explicit oversight body in charge of promotion or guidance on regulatory policy or regulatory reform as the current governmental program is focused on administrative simplification via digitalisation across all domains and ministries. These functions were previously under the purview of the Ministry of Digitalisation, which had taken over some competences of the Ministry of the Civil Service and Administrative Reform. In parallel, the Council of State provides opinions on whether proposed primary laws comply with the existing regulatory framework.

In focus: Recent developments and next steps

Luxembourg recently broadened the scope of RIAs to include a separate environmental impact assessment (*Nohaltegkeetscheck*) for all primary laws and subordinate regulations, based on guidance prepared by the Ministry for Environment. More broadly, RIA requirements could be deepened and extended to other types of impacts, including the benefits of regulation.

Luxembourg could enhance domestic support for regulatory policy through the creation of bespoke guidance material. In particular, guidance on stakeholder engagement, RIA, and *ex post* evaluation could promote buy-in and build awareness of the importance of regulatory management tools in the country.

Indicators of Regulatory Policy and Governance (iREG): Luxembourg



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in Luxembourg). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Luxembourg: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Luxembourg's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Mexico

Overview

The General Law of Better Regulation provides the framework for regulatory policy. It gives the oversight body, the National Commission for Better Regulation (CONAMER), the authority to promote and supervise the implementation of regulatory management tools such as regulatory impact assessment (RIA), stakeholder engagement, and *ex post* evaluations, which are mandatory for executive branch entities.

Mexico uses threshold tests to perform analyses proportional to regulations' expected impacts. It also uses specialised assessments such as effects on risk management, trade, and consumer rights, amongst others. The practice of late stage stakeholder engagement has declined, and early stage consultation is performed ad hoc. With the exception of technical regulations, the practice of *ex post* evaluations has declined starkly in the past few years.

Mexico could benefit from an independent specialised assessment of the performance of its RIA, stakeholder engagement and *ex post* evaluation systems, against international best practices, which can provide insights to strengthen these tools' effectiveness as policy instruments, to enhance the capacity of regulators help achieve underlying policy objectives.

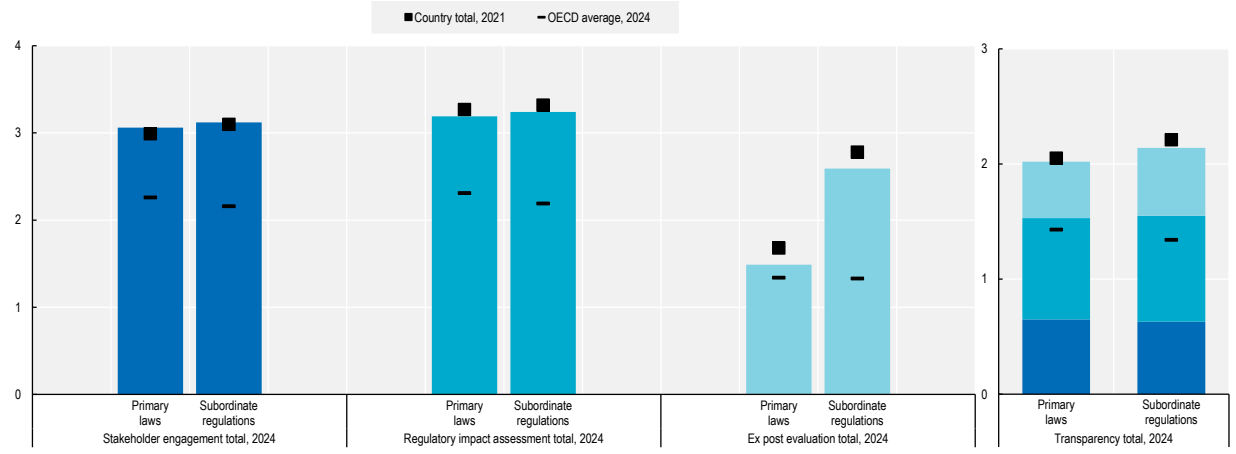
CONAMER has technical and operational autonomy but remains hierarchically subordinate to the Ministry of Economy. CONAMER's attributions and mandate include advice and support to implement regulatory management tools and the scrutiny of RIAs and other better regulation obligations by regulators and line ministries. The General Bureau of Standards of the Ministry of Economy is responsible for supervising the development of technical regulations, including the consideration of international standards and practices. Draft technical regulations must then follow the general RIA process overseen by CONAMER.

Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 14% of primary laws in Mexico. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by parliament.

In focus: Recent developments and next steps

The 2024 incoming administration has announced its intention to reform the current framework of regulatory improvement to place emphasis on administrative simplification of formalities (*trámites*) including digitisation. The underlying objective is to ensure that the policy pursues broader public benefits, rather than benefits focused on competition and the business sector. Whilst the intention to follow a more citizen-centric approach in the streamlining of formalities is a welcome development, other policy objectives such as improving the business environment and boosting competitiveness should be part of a well-balanced policy on regulatory governance. Mexico could consider reviewing the experiences of countries such as Canada, Portugal and the UK in the simplification of licences, permits and government services, including the creation of one-stop shops.

Indicators of Regulatory Policy and Governance (iREG): Mexico



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (14% of all primary laws in Mexico). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Mexico: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Mexico's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Netherlands

Overview

The Netherlands continues to progress its regulatory practices with an updated regulatory impact assessment (RIA) framework, improvements to regulatory oversight and quality control in *ex post* evaluation and supporting measures to increase the systematic use of evaluations. The Netherlands was an early adopter of regulatory reform policies and exhibits a culture of open stakeholder engagement processes and has recently improved useability of its longstanding central government website. The current better regulation agenda focusses on operability, particularly on enforcement.

A significant development has been the replacement of the *Integraal Afwegingskader* with the *Beleidskompas*, or "Policy Compass", a framework for RIA across the central government. All policymakers must work within the *Beleidskompas*, whether proposing, revising, or evaluating a policy or regulatory act. Under the new framework, RIA scope and proportionality are embedded via a scan questionnaire that tests several impacts around the themes of people, society, and environment. The mandatory RIA modules are identified and the proportional level of RIA is determined based on the scale of anticipated impacts. Additionally, regulation (*Regeling Periodiek Evaluatieonderzoek*) requires every ministry to create a publicly available Strategic Evaluation Agenda (SEA). The SEA lists all evaluations on ministries' budget lines and enables later *ex post* synthesis reports. The new rules also mandate periodic reviews on the most important 'policy themes' of a ministry, the design of which is sent to parliament.

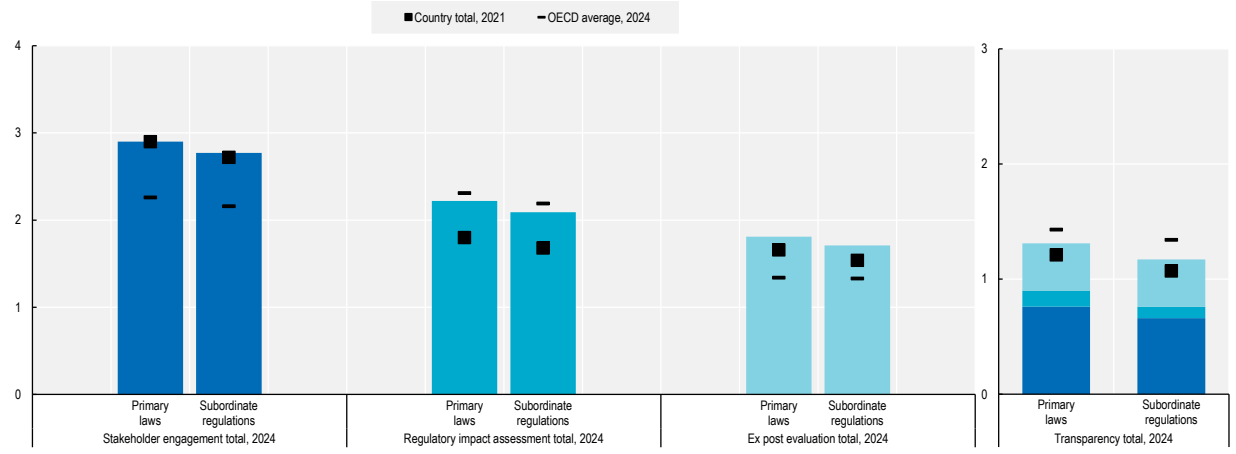
The Unit for Judicial Affairs and Better Regulation Policy within the Ministry of Justice and Security is responsible for scrutinising compliance with the RIA framework. The Better Regulation Unit within the Ministry of Economic Affairs and Climate Policy co-ordinates the regulatory burden reduction program and provides oversight on the quality of assessments. The Dutch Advisory Board on Regulatory Burden (ATR) advises on proposed rules during the early rule-making stages. The Inspectorate of the State Budget within the Ministry of Finance oversees ministries' compliance with requirements to monitor and evaluate regulations after implementation and co-ordinates the government-wide *ex post* evaluation framework.

In focus: Recent developments and next steps

The updated RIA framework *Beleidskompas* has resulted in a streamlined, modular and more proportionate methodology. Boosting awareness of RIA and encouraging early engagement would support the identification and testing of relevant impacts and aid with robustly assessing costs and benefits. Special effort has been put in the development of a test to assess the capability-to-act, *doenvermogen*, of citizens when confronted with new regulations.

An *ex durante* style evaluation process, *Invoeringstoets*, started in 2023 to help support the implementation of new rules. It is conducted within a period of 1 to 3 years of the entry into force of the relevant regulation. The evaluation focuses on operations, enforcement, the identification of bottlenecks, and is undertaken with stakeholders and regulators responsible for implementation. Harnessing synergies between the *Invoeringstoets* and *ex post* evaluations will be important to ensure that regulations continue to deliver positive outcomes for all citizens.

Indicators of Regulatory Policy and Governance (iREG): Netherlands



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (95% of all primary laws in the Netherlands). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Netherlands: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects the Netherland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

New Zealand

Overview

In March 2024, New Zealand transferred regulatory oversight functions to a new standalone Ministry for Regulation. The Ministry's main stated functions are to help ensure regulatory quality, improve existing regulatory systems, raise capabilities of those involved in regulatory design and delivery, and foster ongoing regulatory management system improvement.

Regulatory stewardship – the governance, monitoring, and ongoing care of regulatory systems – remains a pillar of New Zealand's approach to regulatory management, established in the Public Service Act 2020 as a statutory obligation for ministries. The 2022 *Starting out with Regulatory Stewardship* resource helps agencies implement their obligation and builds on the earlier Government Expectations for Good Regulatory Practice. Horizontally, the new Ministry will conduct targeted regulatory reviews into specific sectors and systems, as well as respond to notifications of specific regulatory issues.

Regulatory impact assessment (RIA) is required when developing all primary laws and subordinate regulations. Proportionate analysis based on the complexity and significance of the regulatory proposal was introduced in 2021. In addition to the main RIA guidance, several ministries publish guidance on assessing specific impacts, such as the Ministry for Women's Bringing Gender In tool. All RIA statements are published on a central online registry.

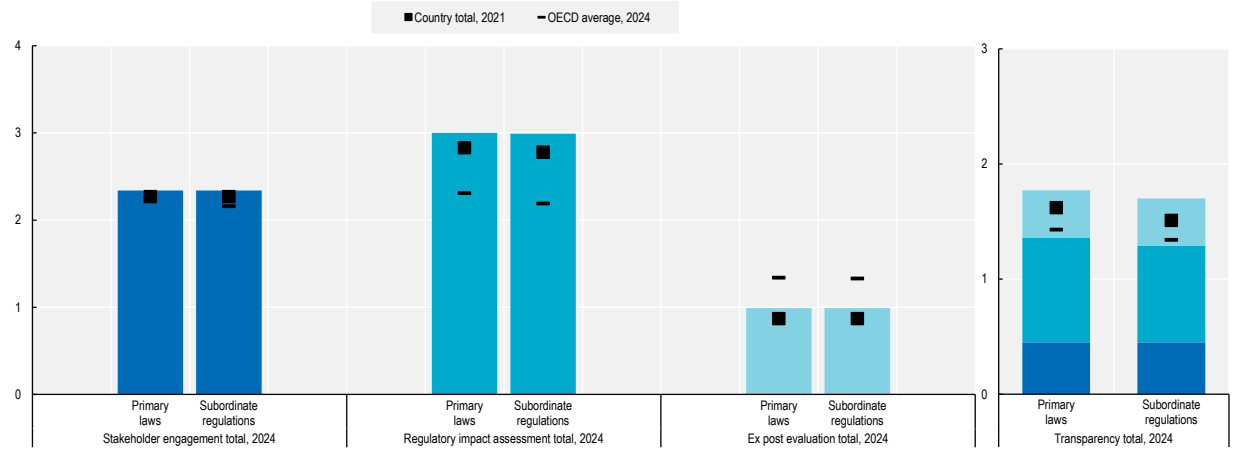
The Cabinet Manual enables ministries to take an iterative approach to stakeholder engagement throughout the policy cycle. The Department of the Prime Minister and Cabinet's new Policy Methods toolbox provides guidance on consultation, helping ministries build capacity, identify the appropriate level of engagement, and select appropriate methods. The toolbox also helps ministries comply with Treaty of Waitangi obligations to engage with Māori.

In focus: Recent developments and next steps

New Zealand has taken steps to advance digital transparency and engagement. Ongoing consultations can now be listed by consulting agencies on a central website. A new online platform also enables the Ministry for Regulation to engage with ministries on RIA requirements, issue exemptions, confirm processes and publications, and systematically collect data for monitoring and reporting. A new Regulatory Standards Bill being developed aims to further increase transparency and accountability in regulation-making.

Moving forward, ensuring sufficient resources and capacities to undertake *ex post* evaluations will be an important aspect of realising the gains that regulatory stewardship has to offer.

Indicators of Regulatory Policy and Governance (iREG): New Zealand



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (92% of all primary laws in New Zealand). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

New Zealand: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects New Zealand's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Norway

Overview

Regulatory impact assessment (RIA) is required for all primary laws and subordinate regulations in Norway. The depth of assessment is based on the expected significance of the impacts, which is determined by the proposing ministry.

Public consultation is conducted for all draft laws – as a rule for a minimum of 6 weeks. Stakeholders' input to consultations are published, although there is no requirement for policymakers to directly respond to submitters. The Guidance note on the Instructions for Official Studies allows for a shorter deadline than six weeks to be set in EEA cases. In Norway, ministries conduct *ex post* evaluations and they often appoint official commissions to evaluate existing rules in key policy areas. Norway could make more systematic use of their *ex post* evaluation tools, to better manage the regulatory stock, ensuring that rules remain delivering positive outcomes for citizens.

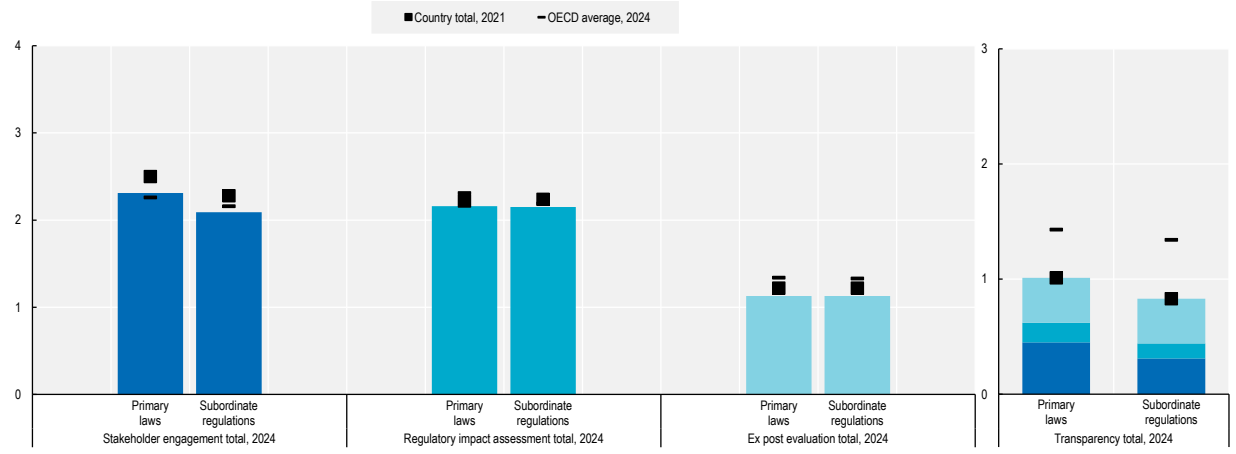
The Ministry of Finance oversees the Instructions, which sets the requirements for preparing regulatory proposals, RIAs, and stakeholder engagement. Requirements for conducting *ex post* evaluation are based on regulations for financial management (*Økonomiregelverket*). Administration and guidance of the Instructions are delegated to the Norwegian Government Agency for Public and Financial Management (DFØ). The Ministry of Justice and Public Security guides on legal aspects for the Instructions. The Ministry of Foreign Affairs is responsible for providing guidance on the provisions relating to EEA and Schengen matters. Updates to the Instructions in 2024 clarified the responsibility concerning EEA matters, and also to other simplifications and improvements. The Better Regulation Council, co-ordinated by the Ministry of Trade, Industry, and Fisheries, reviews selected RIAs and regulatory proposals affecting businesses. The Council has strengthened its capabilities to comment on stakeholder engagement activities, and publishes formal opinions of RIAs for revision. Its role has expanded over time by focusing on innovation-friendly regulations and conducting advocacy work across the government through meetings and seminars with government ministries.

In focus: Recent developments and next steps

The DFØ updated the guidelines for socio-economic analysis in 2023. It further strengthened analysis for informed decision-making, outlined the steps for conducting assessment and provided detailed guidance on selected topics. The update includes more comprehensive guidance, highlighting potential pitfalls, practical tips and examples, particularly on societal problem definition and quantitative and qualitative impact assessment.

The Ministry of Finance established new rules for calculating greenhouse gas (GHG) emissions to conduct CBA in 2022. All CBAs affecting the climate must now assess the climate impact using uniform carbon prices, as specified in annually updated price paths from the Ministry. It aims to ensure a cohesive and effective approach by aligning with Norway's national GHG reduction target, the key fiscal instruments in the national climate policy, and the Paris agreement temperature goal as a basis for the price paths.

Indicators of Regulatory Policy and Governance (iREG): Norway



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in Norway). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Norway: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Norway's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Poland

Overview

Poland has continued adjusting its legal framework to improve regulatory management. Transparency and citizen participation in rule-making has improved in recent years. The public is increasingly informed in advance that public consultations are planned to take place for specific regulatory drafts and can submit comments on draft laws made available on an online portal. During the legislative process, draft laws may be returned to the ministries if the public consultation process did not comply with the rules, including if the consultation report is absent. The Government Legislation Centre will now oversee the correctness of the consultation process of all legislative acts.

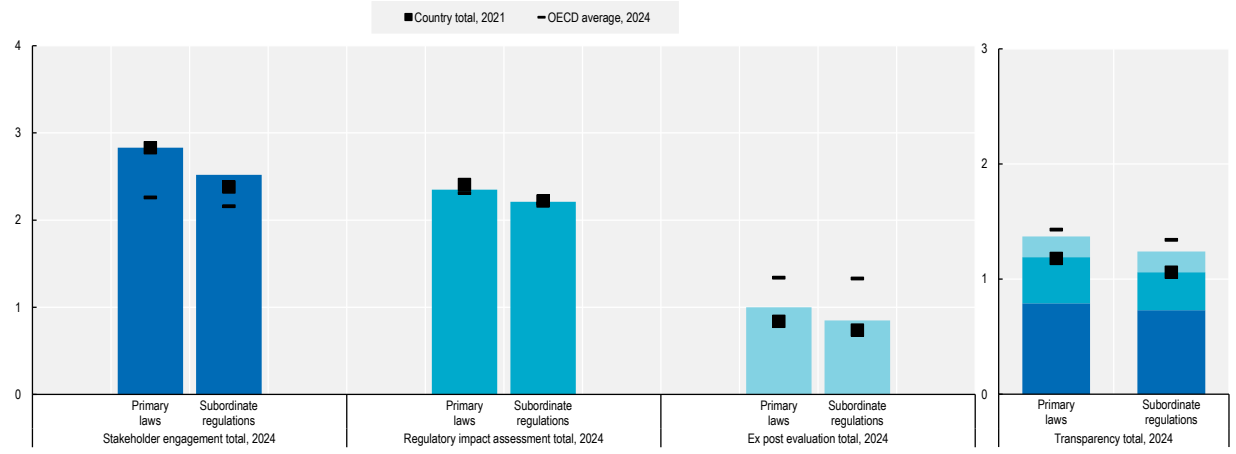
Regulatory impact assessment (RIA) is mandatory for all primary laws and subordinate regulations, and assess a range of impacts including competition, SMEs, environment, public finances (central and local government), regional areas, and specific social groups. A RIA must accompany all draft proposals submitted for public consultation. Moreover, RIA will be obligatory for parliamentary bills in the Sejm.

The Department for the Improvement of Business Regulation within the Ministry of Economic Development and Technology is responsible for the systematic advancement of the better regulation agenda. The Chancellery of the Prime Minister is responsible for the central oversight of regulatory management tools. It encompasses several regulatory oversight functions. The Government Programming Board is an auxiliary body to the Council of Ministers. The Board sets the government work programme, which includes legislation, strategic programmes and projects, and is responsible for the quality control of stakeholder engagement, RIA and *ex post* evaluations, together with the RIA Co-ordinator. Since 2024, the RIA Co-ordinator has become a member of the Government Programming Board and their mandate has been strengthened. The RIA Co-ordinator issues opinions on the impact of proposals before they are included in the government work programme and is responsible for reviewing all RIAs submitted by government ministries and offices for all primary laws and subordinate regulations at the stage of intergovernmental consultations. The RIA Co-ordinator is also tasked with examining RIAs for government acts and bills before their appraisal by the Council of Ministers' Standing Committee.

In focus: Recent developments and next steps

Ex post evaluations can be conducted by the initiative of the responsible Minister, at the request of the Council of Ministers or its auxiliary body, of the SMEs Ombudsman or of the RIA Co-ordinator. In practice, evaluations focus mainly on primary laws while subordinate regulations are not systematically evaluated after their enactment. Poland would benefit from conducting *ex post* evaluations more systematically and broadening their scope beyond administrative burdens, focusing more on the total social, economic, and environmental impacts of regulation. In June 2024, the Government Programming Board launched the first edition of an *ex post* evaluation along with its time schedule. The scope of the review was consulted with social partners.

Indicators of Regulatory Policy and Governance (iREG): Poland



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (80% of all primary laws in Poland). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Poland: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Poland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Portugal

Overview

Requirements for regulatory impact assessments (RIAs) have existed since 2017 in Portugal. Originally focusing on subordinate regulations, subsequent reforms to Portugal's RIA framework extended its scope to encompass all primary laws. Reflecting this change, administrative burdens and substantive compliance costs are measured on all subordinate regulations for citizen and businesses, whereas they are only quantified for some primary laws. Recent reforms have also included attempts to enhance and automate the calculation of compliance costs in existing rules, and better integrate statistical information to improve evidence-based decision making. Methodological guidance for RIA was also recently updated in Portugal, with a particular focus on poverty, gender equality, disability, and climate action impact assessment.

Consultations are required for both major primary laws and subordinate regulations, and are posted on a central portal. In 2021, the Government of Portugal launched Participa.gov.pt to support participatory processes in the public administration. Though not mandatory for all rules, *ex post* evaluations of existing regulations have been conducted, although their focus is generally limited to matters of administrative simplification. For instance, the government led the "*Cooperativa na Hora*" initiative, which streamlined and simplified various administrative procedures related to commercial registration and civil registration.

In 2021, Portugal's regulatory oversight body, the Technical Unit for Legislative Impact Assessment (UTAIL) transferred to Portugal's new Competence Centre for Planning, Policies and Foresight of the Public Administration (PlanAPP). PlanAPP absorbed all functions of UTAIL and integrated new functions of offering technical support to public bodies for the assessment, transposition and implementation of directives and regulations emerging from the European Union.

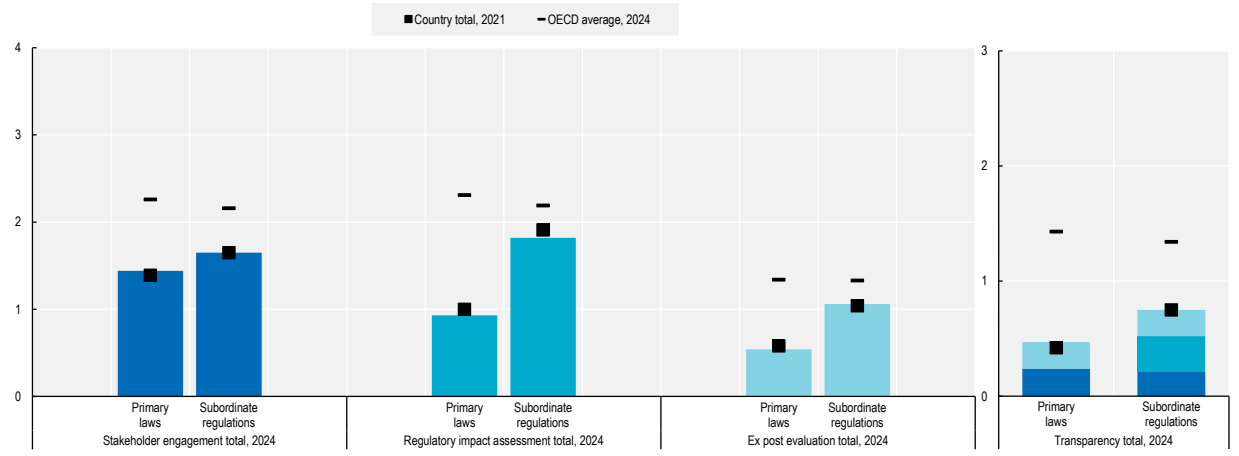
Indicators presented on RIA and stakeholder engagement only cover processes carried out by the executive, which initiates approx. 10% of primary laws in Portugal. There is no mandatory requirement for consultation with the general public nor for conducting RIAs for primary laws initiated by the parliament.

In focus: Recent developments and next steps

RIA was strengthened recently in Portugal. Decree-Law No. 32 of 9 May 2022 requires that all draft normative acts of the government be subject to RIA before adoption. Both consulting on and the publishing of RIAs would help to maximise the potential benefits of the changes in rule-making requirements.

Stakeholder engagement still tends to only take place at later-stages of Portugal's policymaking process. Early-stage consultations could, therefore, be adopted to benefit from stakeholders' experiences and identify and mitigate potential issues to improve Portugal's regulatory policy landscape. The Government of Portugal could also advance requirements to ensure *ex post* evaluations are applied for all subordinate regulations.

Indicators of Regulatory Policy and Governance (iREG): Portugal



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (10% of all primary laws in Portugal). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Portugal: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Portugal's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Slovak Republic

Overview

The obligation to conduct regulatory impact assessment (RIA) has been in place since 2008 with subsequent reforms introducing methodologies for assessing economic, social and environmental impacts, including an SME Test as well as impacts on innovation and, since 2021, on marriages, parenthood and families. Despite the deepened analytical resources available to decision makers, in many cases ministries still struggle with the quantification of wider impacts. The Government has introduced capacity building initiatives in an attempt to address these problems.

Public consultations are well developed and usually take place once a draft proposal has been prepared. Policymakers would benefit from opening up consultations at earlier stages too, which are currently focused on business associations and trade unions. Requirements to consult on *ex post* evaluations were introduced in 2021. *Ex post* evaluations of existing rules originally focused mostly on administrative burdens, with three "anti-bureaucratic packages" for businesses in 2020, 2022 and 2024, which led to cost savings of at least EUR 150 million. Since 2022, systematic evaluations of individual regulations affecting the business environment have been conducted, leading to amendments of existing rules.

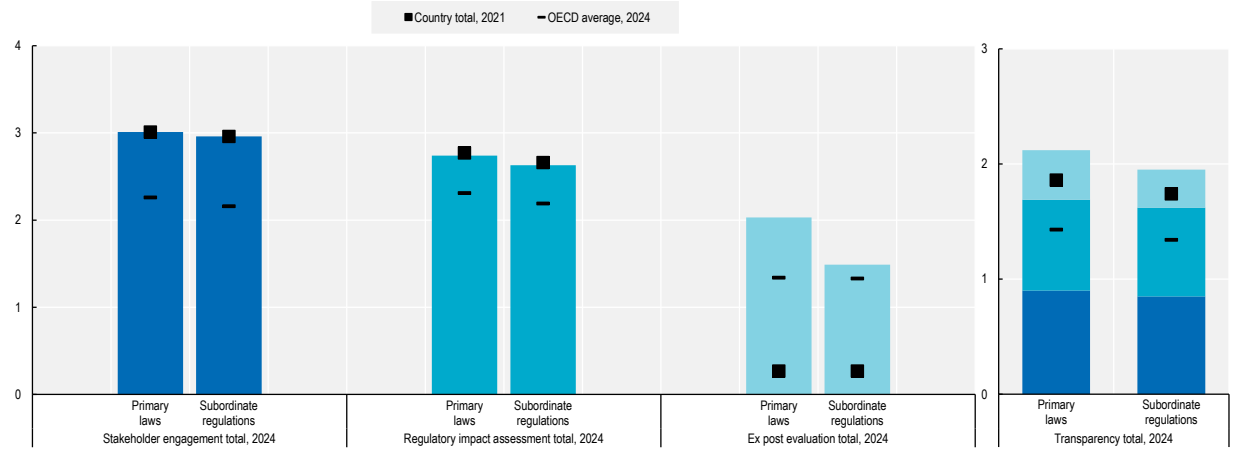
The Permanent Working Committee of the Legislative Council at the Ministry of Economy (RIA Committee), established in 2015, is responsible for overseeing the quality of RIAs and compliance with stakeholder engagement procedures. The Committee is composed of representatives from several ministries, checking the quality of RIAs in their respective area of competences. The *Ex post* Team, within the Better Regulation Unit at the Ministry of Economy, reviews the quality of *ex post* evaluations of regulations affecting the business environment.

In focus: Recent developments and next steps

In 2022, the Slovak Republic introduced a Unified Methodology for evaluating existing regulations. It covers the systematic evaluation of individual regulations and is undertaken by the responsible ministry or agency). The Unified Methodology also introduced a one-in, two-out approach for regulatory offsetting as well as rules regarding regulatory gold-plating in the implementation of EU laws.

Slovakia would benefit from further strengthening regulatory oversight by appointing one body close to the centre of government responsible for scrutinising the quality of RIA, rather than shared responsibility across several ministries, as is currently the case with the RIA Committee. Adopting a proportionate approach through 'light-touch' RIAs for low-impact proposals and digitalising the RIA process could reduce burdens on the administration. As the *ex post* evaluation framework matures, it could also be broadened to focus on other areas than business environment.

Indicators of Regulatory Policy and Governance (iREG): Slovak Republic



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (78% of all primary laws in the Slovak Republic). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Slovak Republic: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Slovak Republic's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Slovenia

Overview

Regulatory impact assessments (RIA) are mandatory for all primary laws (except proposals under urgency procedures and on the ratification of an international treaty), and for some subordinate regulations. One area that Slovenia has placed a strong emphasis on assessing impacts is on compliance costs for SMEs. Slovenia mandated the use of its SME Test in 2017, to quantify the impact of varied policy proposals for achieving regulatory goals without unfairly hindering opportunities for SMEs in the market, or the business environment. The comprehensive web-based version allows policymakers and civil society representatives to provide feedback and conduct sophisticated analysis. While the shorter version, MY Calculator, on the Stop Bureaucracy portal, enables general public to assess the effects of regulatory proposals.

Slovenia continues to focus most of its *ex post* evaluation efforts on reducing administrative burdens. The portal Stop Bureaucracy https://www.stopbirokraciji.gov.si, allows citizens and business representatives to provide suggestions to reduce regulatory burdens and monitor their implementation through the single document website, www.enotnazbirkaukrepov.gov.si. *Ex post* evaluation is generally discretionary; it is mandatory only for primary laws adopted through emergency procedures. Any *ex post* evaluations undertaken only provide a summary report as per the Government Rules of Procedure.

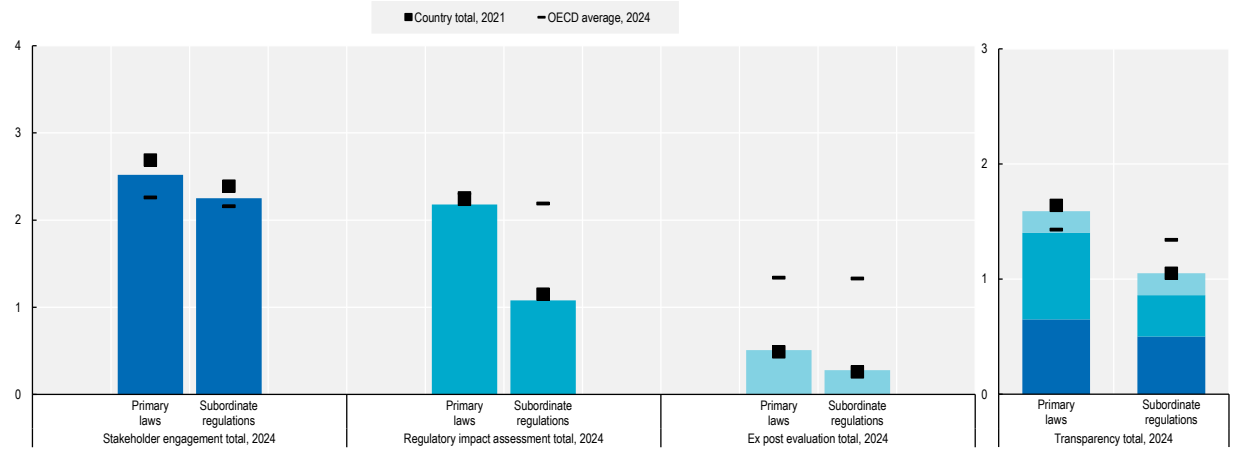
The General Secretariat of the Government is tasked with monitoring the implementation of stakeholder engagement, which is required for all primary laws and subordinate regulations. Engagement could be enhanced by systematically informing the public in advance about the planned consultations. RIA oversight is not centralised: the Ministry of the Economy, Tourism and Sport carries out inter alia an SME review, and the Ministry of Public Administration from a better regulation perspective and other fields within its competences. The Government Office of Legislation evaluates government proposals, for which the National Assembly solicits the government's opinion. The Government Office also provides guidance on the use of regulatory management tools and co-ordination on regulatory policy.

In focus: Recent developments and next steps

The Methodology for Assessing the Consequences of Regulation on Different Social Areas of Society, released in 2023, guides civil servants in conducting RIA and *ex post* evaluation. It covers administrative, financial, economic, social, environmental, and development impacts. The objective is to strengthen the governmental capacity in planning and implementing policies. Slovenia could benefit from introducing threshold tests or proportionality criteria to the application of RIA, which would help determine those proposals which warrant a more in-depth assessment.

Looking ahead, Slovenia could both formalise and expand the current scope of *ex post* evaluations. Broadening the application of *ex post* evaluations would present opportunities to better engage stakeholders on the regulatory stock and help to further improve the business environment, while at the same time ensuring that regulations continue to deliver positive outcomes for the broader community.

Indicators of Regulatory Policy and Governance (iREG): Slovenia



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (83% of all primary laws in Slovenia). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Slovenia: Regulating for…

People	Identify likely distributional effects when designing rules	■
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	■
	Provide mechanisms for the public to give feedback on existing rules ▲	■
Planet	Assess impacts on the environment when designing rules	■
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	■
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	■
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	■
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

■ All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
■ Major primary laws/ ● Yes, there is a regulation
■ Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
■ Never/ ▲ No ■ Not allowed

Note: The data reflects Slovenia's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Spain

Overview

Spain's recent better regulation efforts focused on adding specialised analyses to regulatory impact assessment (RIA) and strengthening the policy setup for *ex post* evaluation. RIA is mandatory for all regulations. Specialised impact estimations include the effects on competition and SMEs. Spain now requires estimated impacts on digital public administration services on citizens and the government. *Law 27/2022* strengthened the evaluation framework for policies and regulations. Some primary laws and subordinate regulations are subject to *ex post* evaluations. Additionally, Spain has put in place the bases to institutionalise the use of regulatory sandboxes in specific sectors such as finance and energy. An independent assessment could identify areas to enhance the use of *ex ante* and *ex post* assessment tools.

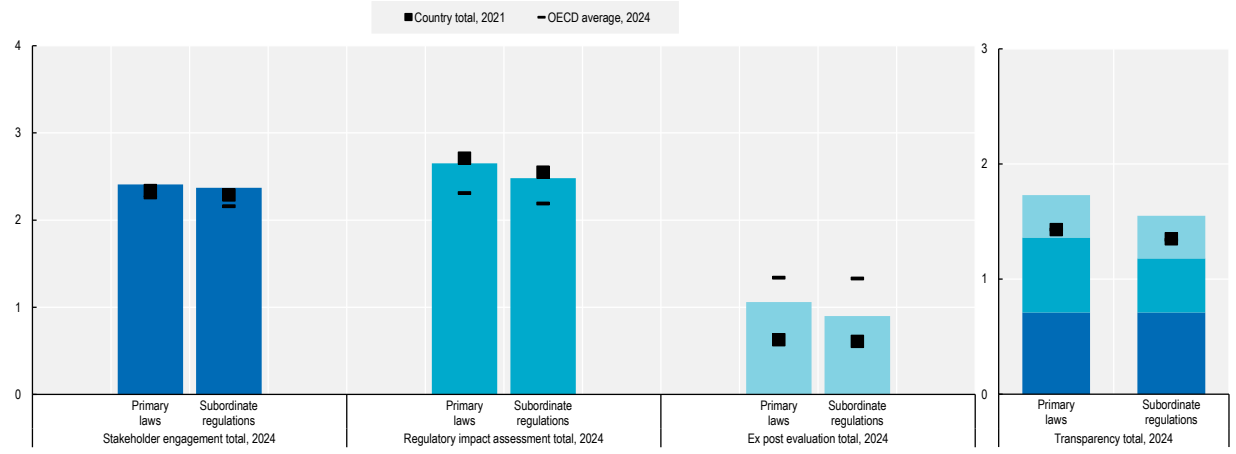
Stakeholder engagement focuses mainly on significant anticipated impacts and early-stage consultation is a common practice. In both cases, a centralised online platform provides citizens with opportunities to participate and offers access to the annual regulatory planning agenda. It also publishes yearly statistics on citizen engagement and hosts content related to transparency and good governance. Spain could introduce proportionality criteria to subject stakeholder engagement to a broader range of regulatory proposals.

Spain's institutional arrangements include the Regulatory Coordination and Quality Office, in the Ministry for the Presidency, Justice and Parliamentary Relations. The Office promotes the quality, co-ordination and coherence of the executive's rule making. It oversees the implementation of regulatory management tools and supervises the initial definition of the objectives and methodology for *ex post* evaluations covered by RIAs but does not scrutinise them. The Ministry for the Digital Transformation and Civil Service ensures the quality of various RIA components and oversees efforts to reduce administrative burdens and enhance public consultation. The Council of State reviews the legality of rules, monitors public administration, and ensures legal quality in regulations initiated by the executive.

In focus: Recent developments and next steps

Spain introduced climate change assessments in RIA as part of a series of reforms derived from *Law 7/2021*. The Law aims to establish a regulatory framework that promotes decarbonisation, to achieve greenhouse gas emissions neutrality by 2050. It seeks to promote an energy transition towards renewable energy sources, encourage energy efficiency, and ensure effective adaptation to climate change, aligning with international commitments. In seeking to achieve these goals, modifying *Law 50/1997* established the obligation for public agencies to prepare an estimation of the "Impact due to climate change, which must be assessed in terms of mitigation and adaptation to it". As part of an independent assessment of its RIA system, Spain could identify and address the difficulties faced by public entities to meet this requirement, to enhance its contribution of the Better Regulation policy to the green transition.

Indicators of Regulatory Policy and Governance (iREG): Spain



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (85% of all primary laws in Spain). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Spain: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Spain's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Sweden

Overview

Sweden has strengthened its regulatory governance via an interdepartmental working group across the Government Offices. The Government has assigned 34 authorities with explicit responsibilities or reporting requirements on better regulation, and an additional 11 authorities to work on simplifying regulations. Stakeholder engagement is conducted via a central government portal, posting relevant documentation for public feedback from relevant stakeholders on primary and some subordinate regulatory proposals. Stakeholders are unable to comment directly on the portal, but can submit written feedback, which is publicly available. Committees of inquiry and regulatory agencies conduct engagement with stakeholders at an early stage when investigating a policy issue. They analyse and evaluate proposals, before the procedure continues within the agencies or Government Offices.

A new ordinance on regulatory impact assessment (RIA) was enacted in May 2024. Among other things, RIAs now need to explain why the chosen option does not entail more costs than necessary to achieve its purpose, as well as describe how and when regulatory impacts can be evaluated. *Ex post* evaluations are normally conducted by a ministry, government agency or committee of inquiry.

The Swedish National Financial Management Authority has new responsibilities for guidance, training and methodological support for conducting RIA. The Authority shall cooperate with the Swedish Better Regulation Council on proposals affecting businesses. The Council is a decision-making body responsible for RIA scrutiny and is placed at the Swedish Agency for Economic and Regional Growth. The Agency follows the development of regulatory costs for businesses, develops and proposes simplification measures, participates in international fora and raises awareness about the impact of regulations on businesses.

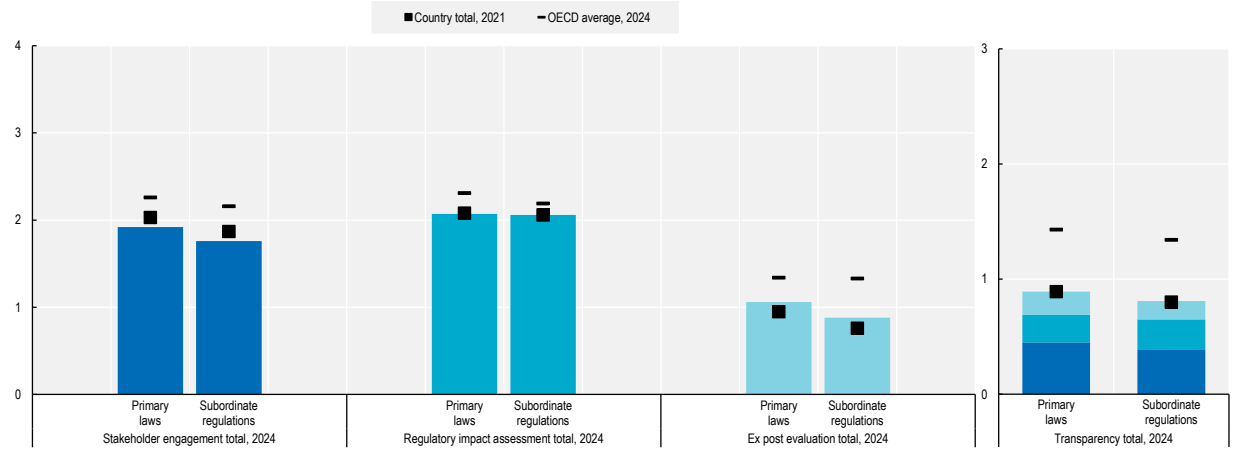
In focus: Recent developments and next steps

The Government established a simplification council, *Förenklingsrådet*, in April 2024 to identify areas for simplification for businesses and to submit proposals to the Government. Its focus is on reducing regulatory burdens from existing rules to promote competitiveness and innovation.

In May 2024, the Government established a council for implementation of EU law, *Implementeringsrådet*. It aims to improve Swedish businesses' competitiveness by analysing upcoming EU legislation ahead of negotiations, and making recommendations with the purpose of avoiding implementation of EU law above minimum level requirements.

Soundly implementing the recent RIA changes is key to their success. One considerationA short-term consideration is to mandate quality assurance for all RIAs to more fully leverage the expertise of the Better Regulation Council. Over time, broadening oversight scope to all economic, social, and environmental impacts would allow for more detailed feedback to further improve the quality of proposals.

Indicators of Regulatory Policy and Governance (iREG): Sweden



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in Sweden). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Sweden: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	▲ ■ ●
	Assess impacts on social groups when designing rules	▲ ■ ●
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	▲ ■ ●
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	■ ●
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	■ ●

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Sweden's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Switzerland

Overview

All regulations in Switzerland must undergo a preliminary regulatory impact assessment (RIA). The greater the expected economic impact of a proposal, the more comprehensive the RIA should be. An in-depth RIA is conducted when the economic relevance is significant. Representatives from various administrative units gather through an annual RIA network to exchange views and discuss current RIA issues.

In Switzerland, the electorate decides on political issues up to four times a year through votes on popular initiatives and optional referendums, particularly for legislative amendments. Thus, the legislative process is geared towards achieving a broad consensus among the key stakeholders. Switzerland is one of the few OECD Members that informs stakeholders of upcoming consultations. Stakeholders can comment on all draft primary laws and major subordinate regulations in public online consultations, which last at least 12 weeks.

The Swiss Constitution enshrines policy evaluation, with *ex post* evaluations conducted for major regulations. While there are co-ordination mechanisms and support units for evaluation, there are no standardised techniques. A 2023 Federal Act on Reducing Regulatory Cost for Businesses sets a framework for in-depth evaluation of regulations in identified priority sectors through "sectoral studies".

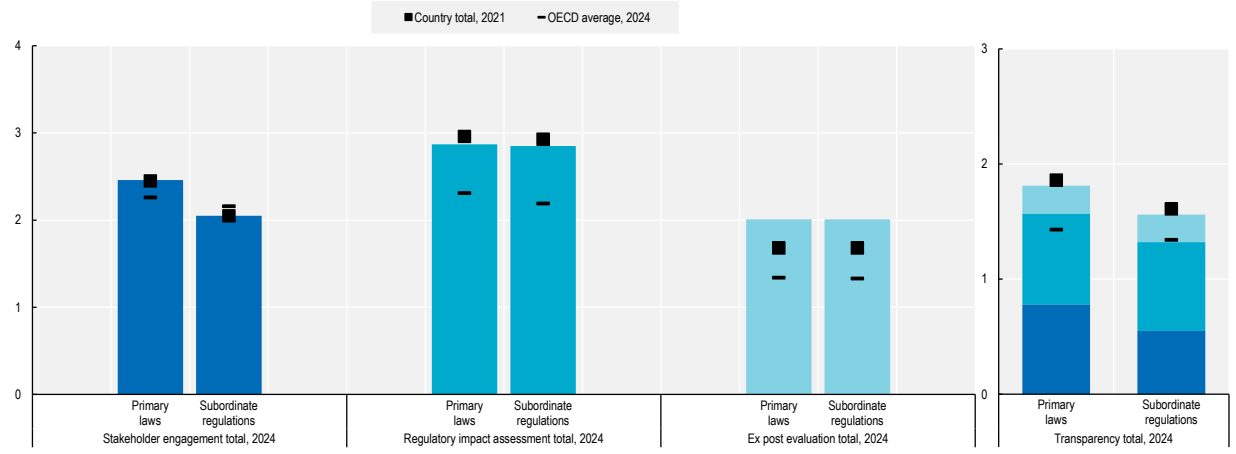
The State Secretariat for Economic Affairs (SECO), within the Federal Department of Economic Affairs, Education and Research, issues guidelines for conducting RIA (the new RIA handbook was published in 2022), provides non-public opinions on the quality of selected RIAs, and promotes international regulatory co-operation. SECO also publishes reports on regulatory costs and business perception surveys of administrative burdens. The Federal Office of Justice and the Federal Chancellery's Legal and Central Language Services scrutinise legal quality and advise on stakeholder engagement. The Federal Office of Justice provides guidelines for legislative drafting, stakeholder engagement, and *ex post* evaluation. It also manages the Federal Administration Evaluation Network, an intra-government forum for exchange on evaluation. Parliamentary Committees and the Parliamentary Control of the Administration (PCA) review the quality of some evaluations carried out by the federal administration.

In focus: Recent developments and next steps

The Federal Act on Reducing Regulatory Cost for Businesses adopted in September 2023 is a significant step taken to help improve the competitiveness of Swiss businesses. Implementation, particularly of the in-depth *ex post* evaluations through sectoral studies, will be key to reduce regulatory costs of businesses and to promote the digitalisation of government services.

Switzerland carries out early-stage stakeholder engagement on the nature of the problem and possible solutions for most regulations but is not open to the general public. Establishing a more systematic approach to public early-stage consultations on laws and regulations can further ensure that all affected parties have the opportunity to help shape any resultant policies.

Indicators of Regulatory Policy and Governance (iREG): Switzerland



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (82% of all primary laws in Switzerland). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Switzerland: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects Switzerland's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

Türkiye

Overview

Türkiye reviewed its 2006 "By-Law on Principles and Procedures of Drafting Legislation," following constitutional amendments in 2017. The original by-laws established a framework for improving and maintaining legal and regulatory quality in Türkiye, applicable to both primary laws and subordinate regulations. The new "Regulation on the Principles and Procedures of Legislative Preparation," commencing in 2022, requires regulatory impact assessment (RIA) for draft subordinate regulations and presidential decrees prepared by the executive. The new regulation established the Regulatory Impact Assessment Department (RIAD), inside the Presidency of Strategy and Budget within the Presidency to serve as the regulatory oversight body. It acts as a central control unit, including by providing guidance to public entities on the use of RIA.

The new regulation includes a requirement to consult stakeholders when undertaking RIA. Stakeholder engagement is with public organisations, professional organisations and NGOs, and, if the proposing ministry decides, the general public. Stakeholder engagement could be improved by instituting a systematic approach to open consultation on new regulatory proposals, and through informing the public of upcoming consultations.

Reviewing existing regulations is not yet a formal part of Türkiye's regulatory management system. There are *ad hoc* opportunities for regulators to receive complaints from affected parties, although individual ministries determine whether anything further will be done with them. Formalising *ex post* evaluations could help ensure that existing rules are meeting their objectives.

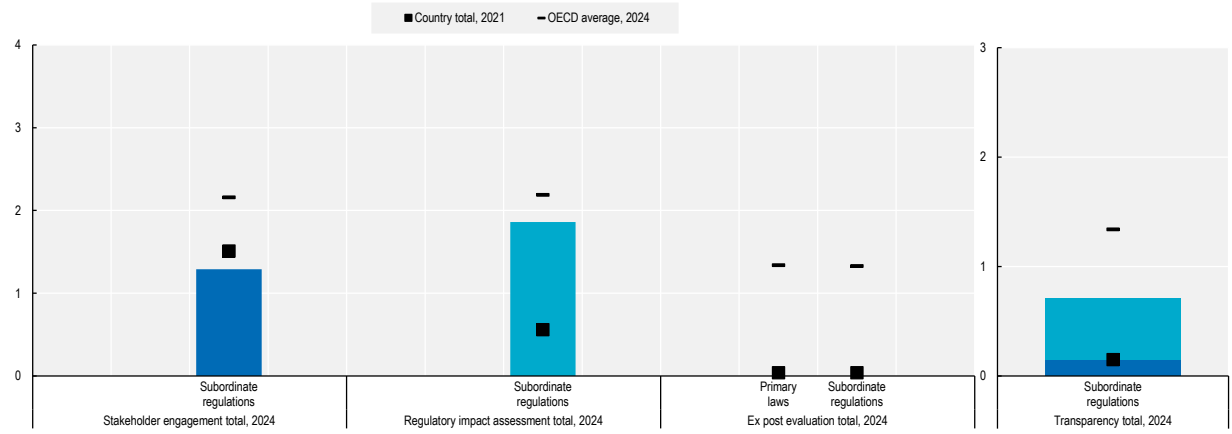
As the executive does not initiate primary laws in Türkiye, only the scores for subordinate regulations are displayed for stakeholder engagement and RIA. There is no mandatory requirement for consultation with the general public, RIAs, nor *ex post* evaluation for primary laws initiated by parliament.

In focus: Recent developments and next steps

The 2022 regulation contains detailed RIA instructions. Requirements include several categories of impacts that should be assessed – noted as budget, social, economic and commercial life, environment, and relevant sectors – and a threshold for when a full RIA should be conducted, set at more than TRY 100 million of annual budget impact. A full RIA contains eight stages; other RIAs only include analysis of the problem, objective/targets, determination of most appropriate option, and reporting.

The RIAD has produced comprehensive guidance on RIA to support its implementation. It includes how to conduct the various stages of RIA – with methods and templates – and guidance on conducting stakeholder engagement. Collectively, it establishes a strong and wide-ranging reform for RIA that will need to be closely monitored and evaluated, to ensure a well-functioning system in practice. RIAD's role will be essential to its successful implementation, who is well-placed in the centre of government. RIAD should focus on ensuring they have the right functions, powers and capacity to effectively deliver their mandate to drive the implementation of the new RIA system.

Indicators of Regulatory Policy and Governance (iREG): Türkiye



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on RIA and stakeholder engagement only cover processes that are carried out by the executive. As the executive does not initiate any primary laws in Türkiye, results for RIA and stakeholder engagement are only presented for subordinate regulations and do not apply to primary laws. Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

Türkiye: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All subordinate regulations/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major subordinate regulations/ ● Yes, there is a regulation
Some subordinate regulations/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed
Note: The data reflects Türkiye's practices regarding subordinate regulations initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

United Kingdom

Overview

The UK's regulatory strategy and reform agenda has evolved in recent years, reflecting broader political priorities. In May 2024, the government published a Smarter Regulation package aimed at reforming existing regulations to reduce burdens and ensuring a well-functioning regulatory system. This was flanked by a review of Pro-innovation Regulation for Emerging Technologies led by the Government Chief Scientific Advisor. The review seeks to unlock growth potential in key sectors of the economy, providing new impetus after innovation-friendly regulation.

Changes to the Better Regulation Framework (BRF) introduced in September 2023 evolved the UK's approach to regulatory scrutiny with the aim of increasing the use of alternatives to regulation, considering wider impacts earlier, and assessing more consistently whether implemented regulations are achieving their objectives. The new system is expected to be more proportionate, requiring a full RIA for regulatory provisions greater than +/-£10m EANDCB.[1] and for those made through primary laws. The changes also require departments to produce an "options assessment" – an early-stage simplified form of a full RIA – for regulatory provisions above the threshold when regulation becomes a department's preferred policy. Public consultations continue to occur systematically for new proposals and are conducted over the internet.

The Better Regulation Executive has been restyled as the Regulation Directorate under the Department for Business and Trade and is responsible for better regulation policy and promoting and delivering changes to the regulatory policy framework. The Cabinet Office is responsible for the Guide to Making Legislation and providing training and support to government departments. The UK Regulatory Policy Committee (RPC) provides independent scrutiny and quality assurance of RIAs.

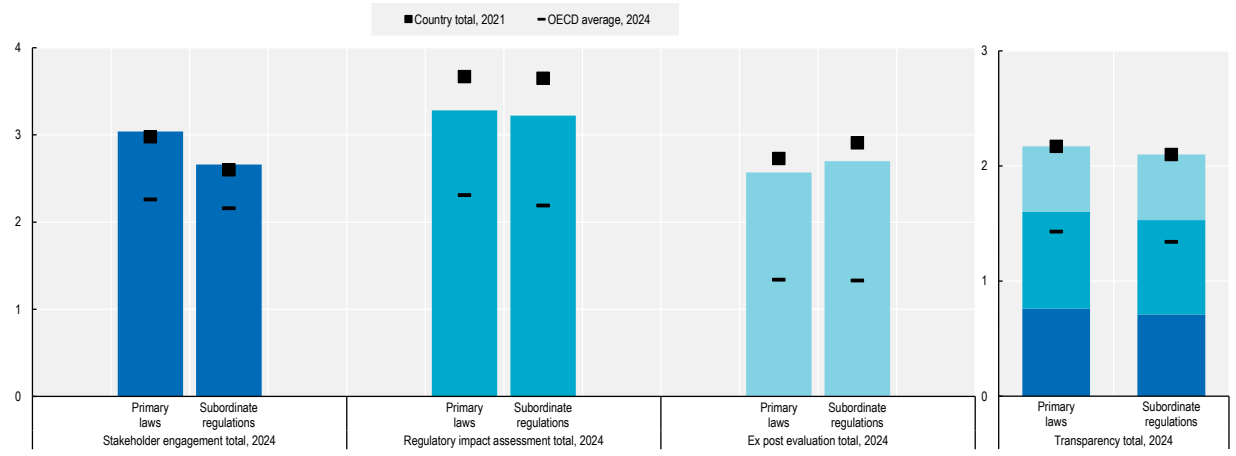
In focus: Recent developments and next steps

The UK has strong foundations in place for regulatory scrutiny, and recent reforms have been welcomed by the UK's RPC. Despite this, there have been concerns regarding the decline in the quality of the better regulation agenda and RIAs. While the UK's RPC is supportive of the reforms to the Better Regulation Framework, they have noted a concerning increase in the number of RIAs rated as not "fit for purpose", coupled with late submissions which undermines effective scrutiny.[1] Additionally, the RPC's recent response to the Smarter Regulation White Paper, whilst positive, emphasises the need for further improvements, such as ending the exemption of building safety regulations from the framework.[2] The UK would benefit from further focusing on strengthening the quality of the better regulation agenda and RIAs, which are crucial for ensuring that regulatory measures are effective and beneficial to all.

1. Government impact assessments increasingly poor quality and too late – Regulatory Policy Committee (blog.gov.uk).
2. The RPC's response to the Smarter Regulation White Paper – Regulatory Policy Committee (blog.gov.uk).

[1] Equivalent Annual Net Direct Cost to Business.

Indicators of Regulatory Policy and Governance (iREG): United Kingdom



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (74% of all primary laws in United Kingdom). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

United Kingdom: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ●	
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects the United Kingdom's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

United States

Overview

The Administrative Procedure Act governs the rulemaking process, requiring agencies to provide public notice and seek comments when proposing new regulations or revising or repealing existing ones. Agencies must consider the comments and in the final rule explain how they addressed significant issues raised by commenters. A final rule is subject to judicial review to ensure it conforms with legal requirements, including those concerning notice and comment.

The evaluation of regulatory costs and benefits is well developed in the U.S., based on Executive Orders 12866 and 13563. In April 2023, Executive Order 14094 amended Executive Order 12866, providing that the requirement for more fulsome RIAs applies to all significant regulatory actions with annual impacts of USD 200 million or more (adjusted triennially for changes in GDP).

The Office of Information and Regulatory Affairs (OIRA) within the Executive Office of the President is the regulatory oversight body. It scrutinises significant regulations and RIAs and can return drafts to agencies for reconsideration if their quality is deemed inadequate. OIRA also co-ordinates the application of regulatory management tools across government, reports to Congress on their impacts, provides guidance and training on their use, and identifies areas where regulation can be made more effective.

As the executive does not initiate primary laws in the United States, only the scores for subordinate regulations are displayed for stakeholder engagement and RIA. There is no mandatory requirement for: consultation with the general public, RIAs, nor *ex post* evaluation for primary laws initiated by Congress.

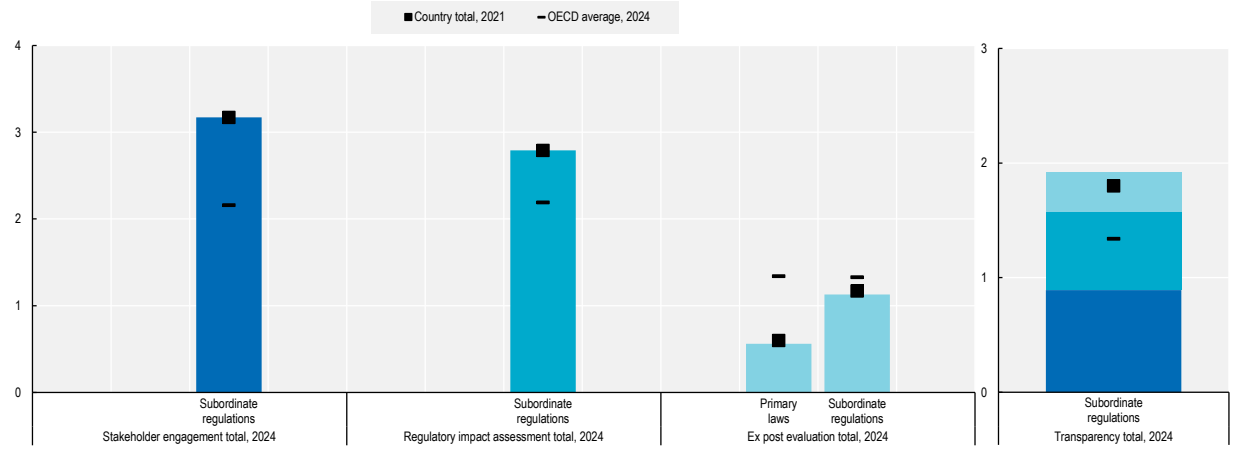
In focus: Recent developments and next steps

Executive Order 14094 provided for more inclusive regulatory policy, equitable and meaningful participation by a broader range of interested or affected parties, including underserved communities. Apart from a broad range of parties including consumers, workers and labour organisations, program beneficiaries, businesses and regulated entities, and relevant experts – there was also recognition that information accessibility and early and proactive engagement may need tailoring to suit different parties' characteristics.

Circular A-4 was updated as part of the modernising regulatory review process. It provides OMB's guidance to agencies on the regulatory analysis required under Executive Order 12866. Substantive changes include information on behavioural biases, improving government operations and service delivery, and promoting distributional fairness and advancing equity as rationales for government intervention. It also provided for a new discount rate of 2%, which will be updated every three years.

Ex post evaluation of subordinate regulations has been mandatory since 2011. The U.S. could benefit from strengthening the link between RIA and *ex post* evaluation, for example by requiring regulators to identify a process for assessing progress in achieving a regulation's goals as part of RIA or by mandating a post-implementation review for regulations exempted from RIA given the recent changes to the threshold.

Indicators of Regulatory Policy and Governance (iREG): United States



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Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

United States: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	
	Have regulation or policy on risk-based inspections ▲	
	Identify unintended consequences of rules	

All subordinate regulations/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major subordinate regulations/ ● Yes, there is a regulation
Some subordinate regulations/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects the United States's practices regarding subordinate regulations initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

European Union

Overview

The European Commission (EC) conducts *ex ante* impact assessments (IA) for major EU laws (regulations and directives) and secondary legislation (implementing and delegated acts). They cover the rationale for intervention – including why EU action is required – different policy options and their expected impacts. The final IA report is shared with the College of Commissioners to inform deliberation and published alongside the legislative proposal. The EU's *ex post* evaluation system consists of systematic evaluation of individual regulations and comprehensive "fitness checks" that consider the aggregate impact of different interventions in a policy area. The EC's regulatory fitness and performance (REFIT) programme aims at making EU laws simpler, more targeted and easier to comply with. This is supported by the Fit for Future Platform, which brings together expertise from different stakeholders to make suggestions to simplify and reduce unnecessary costs of EU rules.

The EC has streamlined its process to engage stakeholders by bundling previously separate consultation steps on the same initiative (or evaluation) into a single "Call for Evidence" (CfE) on the 'Have your Say' portal. Stakeholders are typically asked to comment on the CfE document and to participate in a questionnaire-based consultation. A summary of the feedback and how it has been addressed is published and complements the final IA (or evaluation) report. Transparency could be further strengthened by making IAs also available when consulting on draft secondary legislation, with the opportunity to comment based on the IA.

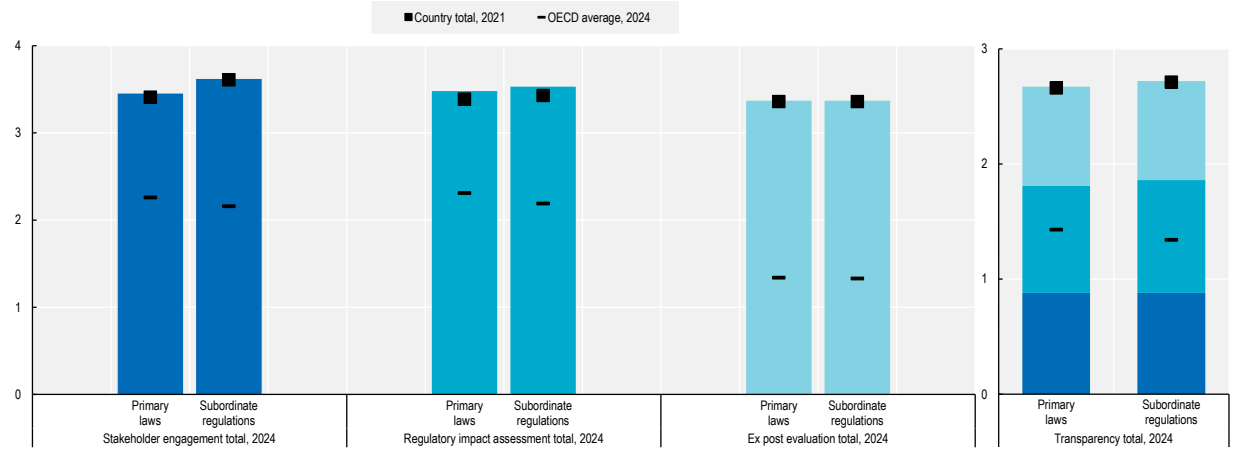
The EC's Secretariat-General ensures is responsible for its better regulation policy, providing capacity support and guidance. It also serves as secretariat to the independent Regulatory Scrutiny Board (RSB), which checks the quality of all IAs, fitness checks and selected evaluations.

In focus: Recent developments and next steps

Over the last few years, the EC has renewed its focus on driving competitiveness and growth, including through the introduction of a new "competitiveness check" in 2023 and a commitment to reducing reporting burdens by at least 25% and more recently of at least 35% for SMEs. In addition, the EC has been implementing a "one-in, one-out" (OIOO) approach since 2022, requiring the offsetting of new regulatory burdens in the same policy area. Simplification and implementation become a key focus of the new EC to ensure that legislation performs as it should. This will be supported by implementation dialogues with stakeholders and reality checks. The new EC also plans to stress-test the whole EU *acquis* with the objective of detecting implementation challenges and scope for simplification.

Several reports found the implementation of the 2016 Interinstitutional Agreement on Better Law Making remains wanting. Whilst the European Parliament and the Council, have established some capacity to conduct IAs on their substantial amendments to EC proposals, this is not being used in practice. More consistent implementation of the agreement is needed to ensure that finalised EU laws continue to be based on the best possible evidence.

Indicators of Regulatory Policy and Governance (iREG): European Union



Note: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (100% of all primary laws in the European Union). Transparency is one of the four dimensions that underpin each of the composite indicators on stakeholder engagement, RIA and *ex post* evaluation. The transparency score presents the aggregate of that dimension across the three indicators. More information can be found in the Reader's Guide.
Source: Indicators of Regulatory Policy and Governance Surveys 2021 and 2024.

European Union: Regulating for…

People	Identify likely distributional effects when designing rules	
	Assess impacts on different age groups when designing rules	
	Assess impacts on social groups when designing rules	
	Provide mechanisms for the public to give feedback on existing rules ▲	
Planet	Assess impacts on the environment when designing rules	
	Assess the social costs of carbon emissions when designing rules	
	Assess the social costs of carbon emissions when reviewing rules	
	Focus on environmental sustainability when reviewing rules ▲	
Future	Address innovation-related challenges when designing rules, e.g. with increased agility or flexibility ▲	
	Co-ordinate cross-government to identify regulatory issues related to innovation ▲	
	Use data-driven approaches to monitor the impacts of rules ▲	
	Address innovation-related challenges when reviewing rules ▲	
Effectiveness	Identify a process for assessing progress in achieving regulatory goals	
	Base inspection and enforcement activities on risk criteria ■	Not applicable
	Have regulation or policy on risk-based inspections ●	Not applicable
	Identify unintended consequences of rules	

All primary laws/ ▲ Yes ■ Required ● Yes, there is a regulation and a policy
Major primary laws/ ● Yes, there is a regulation
Some primary laws/ ■ Not required but allowed ● Yes, there is a policy
Never/ ▲ No ■ Not allowed

Note: The data reflects European Union's practices regarding primary laws initiated by the executive.
Source: Indicators of Regulatory Policy and Governance Survey 2024.

OECD Regulatory Policy Outlook 2025

Current global challenges require governments to improve the way they design and deliver rules, to ensure they remain smart, simple and streamlined, reflecting rapidly changing conditions. The fourth edition of the *Regulatory Policy Outlook* critically examines regulatory quality across the OECD with a specific focus on how governments can better regulate for people, the planet, and the future. It tracks OECD Members' efforts over the past decade to fully embed the 2012 *OECD Recommendation on Regulatory Policy and Governance*, and provides good regulatory practices to help close identified gaps. The Outlook provides a pragmatic pathway for governments to better engage citizens and businesses in the laws and regulations that affect their daily lives.

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