Good Regulatory Practice
World Bank approach, products and program

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Outline

1. Why Good Regulatory Practices (GRP)?
2. An overview of the World Bank’s GRP Program
3. Examples of new products and approaches
4. “Business model” and country programs
Regulatory quality is critically important in investment decisions

Considerations by executives in multinational corporations about the relative importance of various country characteristics when they commit capital to a new venture

<table>
<thead>
<tr>
<th>Country Characteristic</th>
<th>Critically Important</th>
<th>Important</th>
<th>Somewhat Important</th>
<th>Not at all Important</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political stability and security</td>
<td>50</td>
<td>37</td>
<td>9</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Legal and regulatory environment</td>
<td>40</td>
<td>46</td>
<td>12</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Large domestic market size</td>
<td>42</td>
<td>38</td>
<td>14</td>
<td>4</td>
<td></td>
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<tr>
<td>Macroeconomic stability and favorable exchange rate</td>
<td>34</td>
<td>44</td>
<td>16</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Available talent and skill of labor</td>
<td>28</td>
<td>45</td>
<td>22</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Good physical infrastructure</td>
<td>25</td>
<td>46</td>
<td>24</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Low tax rates</td>
<td>19</td>
<td>39</td>
<td>31</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Low cost of labor and inputs</td>
<td>18</td>
<td>35</td>
<td>35</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Access to land or real estate</td>
<td>14</td>
<td>31</td>
<td>32</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Financing in the domestic market</td>
<td>16</td>
<td>28</td>
<td>31</td>
<td>24</td>
<td></td>
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</tbody>
</table>

Drivers of Good Regulatory Practice

Good Regulatory Practice
- Transparency
- Dialogue
- Effectiveness
- Institutions

International agreements with stronger regulatory quality
Fiscal stringency, limited opportunities through "spending"

Beyond deregulation: Increased focus on regulatory quality to guide private sector development
The World Bank’s GRP program: Seven components delivering on three objectives

Program
- Launched in October 2015
- 4-year program (phase I)

Cross-cutting expertise
- Global Indicators Group
- Governance
- Business regulation

Goal
Help governments enhance the quality of regulatory regimes and their outcomes and put in place systems and tools for effective, transparent, accountable and consultative regulatory reform processes which will assist in reform prioritization, design, and implementation

Program Components
- Create reform momentum and help identify priority reform areas
- Improve quality of regulatory design
- Reduce implementation gaps through better feedback

- Cross-country Indicators on Rule-making
- Regulatory Policy and Delivery Review
- Evidence-based Policy-making (RIA)
- Public Consultation (Notice and Comment)
- Feedback Loops on implementation gaps
- Systemic Investor Response Mechanism
- Closing Implementation Gaps in G2B Services
Integrating “up-stream” and “down-stream” regulatory reform tools and approaches

- Design and implementation of business regulation reforms
- Institutions, incentives, and processes for business regulation and private sector development
- Design and implementation of government-wide regulatory governance systems

Business Registration
Doing Business Reforms
Licensing and Inspection
Construction Permitting
Process Simplification
One-Stop-Shops and Transactional Portals
Indicators for Regulatory Governance
Regulatory Impact Assessment
Regulatory Transparency / Open Government
Grievance & Appeals Mechanisms
Public Consultation / Notice & Comment
Governance of Sector Regulators
ICT for Regulatory Service Delivery
Regulatory Oversight Institutions
Regulatory Policy
Strategic Planning
Civil Service Incentives & Reform

WORLD BANK GROUP
Governance
DATA: Indicators for Regulatory Governance

A new set of indicators providing detailed and globally comparative GRP data

- Data for 185 economies (and the European Union)
- Data collected from 1,500 experts in public and private sectors.

http://rulemaking.worldbank.org/
Global indicators measure five aspects of regulatory governance

<table>
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<tr>
<th>Indicator</th>
<th>Description</th>
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<tbody>
<tr>
<td>Notification</td>
<td>How citizens learn about new regulations being considered</td>
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<tr>
<td>Consultation</td>
<td>The extent to which they are able to engage with officials on content</td>
</tr>
<tr>
<td>Impact assessment</td>
<td>Systematic consideration of costs and benefits</td>
</tr>
<tr>
<td>Appeal</td>
<td>The ability of stakeholders to challenge regulations</td>
</tr>
<tr>
<td>Access</td>
<td>The accessibility of laws and regulations after their enactment</td>
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IN PRACTICE
Allows for more systematic country comparisons and targeting of reforms.
What gets measured gets done…
The Regulatory Policy and Delivery Review (RPDR) is a diagnostic tool to comprehensively review a country’s Good Regulatory Practices.

The RPDR documents in an integrated manner regulatory policies, institutions, delivery mechanisms and procedures (i.e. RIA, consultation, forward planning, coordination, implementation, appeal, regulatory delivery, oversight functions etc.).

The review is prepared in close cooperation with government counterparts and key stakeholders.

The review creates a benchmark and roadmap for future GRP reforms, including a prioritized action plan.
DESIGN (i): Unified portal for on-line public consultation
Global review of on-line consultation practices
A common issue for many public consultation websites...

No comments...
New approach with focus on user engagement and experimentation

Four dimension of N&C systems – usually only two are observed.

Source: World Bank
DESIGN (ii): Evidence-based policy-making (RIA)

Growing attention to GRP reflected in the proliferation of RIA systems

*) Regulatory Impact Assessment (RIA) is a systematic approach to critically assessing the positive and negative effects of proposed regulation and non-regulatory alternatives. RIA encompasses a range of methods (such as Cost-Benefit Analysis (CBA)), and different focus areas (such as impacts on competitiveness, public finances or distributive impacts).
Limited empirical evidence on what makes RIA systems work
More than 1/3 of reforms are “successful” after 2 years; strong correlation between “good practices” and success.

Design Scores for RIA Reforms which have been concluded for more than two years (N=57). Green columns illustrate reforms that led to a functioning RIA system; Red columns show reforms that did not lead to a functioning RIA system; The blue line indicates the threshold for well-designed reforms (3.5), and the yellow dotted line indicates the mean reforms’ score for the sample (mean = 3.8).
But some good practices are better than others: Formal integration in rule-making and an oversight body are the most important determinants of success.

Average design scores for RIA reforms leading to operational and non-operational RIA systems (N=57, of which 20 operational and 37 non-operational).

Source: World Bank:
Program Approach – from product development to mainstreaming

1. Develop tools and approaches
   - Test them through pilots in WBG projects
     - Refine tools and approaches based on results of pilots
     - Help improve regulatory practices in pilot countries
   - Develop knowledge products on refined approaches
2. Mainstream Good Regulatory Practice Interventions through other (broader) projects
Business model and country programs (cont’d)

- “Experimental” – new tools and approaches
- Cooperation with academia, other international organizations, regional fora
- Delivered through WB country offices with HQ support
- Decision to support usually depending on
  i. Political commitment;
  ii. Likelihood of impact/success;
  iii. Contributions from beneficiary government/other donors;
  iv. Synergies beyond the GRP reforms (i.e. to broader PSD or Governance reforms)

- 19 operational pilots have so far received support from the GRP program.
- The operational pilots cover a diverse range of countries, topics and themes.
- GRP pilots in ASEAN include Malaysia and Vietnam.
- Continuation of current GRP program under consideration.
Thank you.

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