

Institution: University of Exeter
Unit of Assessment: 21 Politics and International Studies
Title of case study: Shaping Regulatory Reform: Improving International Organisations' Policies for Regulatory Impact Assessment and Promoting Appropriate International Learning about Regulation
<p>1. Summary of the impact</p> <p>Much contemporary government activity involves regulation of the economy and society. International organisations have increasingly promoted regulatory impact assessment as a tool to appraise the likely costs and benefits of regulations. Ground-breaking research by a team at the Centre for European Governance (CEG) has exposed the limitations of narrow economic approaches to regulatory impact assessment and regulatory reform. The research shows that impact assessment and regulatory measures need to be cast in their political and administrative context to operate effectively and to ensure appropriate cross-national learning about regulation. The main impacts have been:</p> <ul style="list-style-type: none"> • Bringing in political-administrative context to change policy-makers' thinking and improve regulatory impact assessment policy in the Organisation for Economic Cooperation and Development (OECD) and World Bank as reflected in the guidance they distribute internationally to governments; • Improving the Netherlands Government's processes for learning about regulation from experiences in other countries; • Developing and applying new measures of regulatory performance in the OECD as reflected in the OECD's new framework for evaluating regulation.
<p>2. Underpinning research</p> <p>Key researchers: Professor Claudio Radaelli (University Anniversary Chair in Political Science 2004-present), Dr Claire Dunlop (Lecturer 2004-2009, Senior Lecturer 2009-present)</p> <p>Regulation is a significant determinant of economic growth and good governance. Regulatory impact assessment of proposed regulations can save lives, limit systemic risks and promote growth. These tools are now used by the large majority of Organisation for Economic Cooperation and Development (OECD) countries to inform their regulatory reforms and are promoted by international organisations including the World Bank and OECD. Using research findings to inform the regulatory reform agenda of international organisations is a key goal of the, University recognised, Centre for European Governance (CEG). CEG is an interdisciplinary hub for 25 academics led from political science but including staff in law and economics. The Centre's advisory board and honorary fellows include academics from the US and continental Europe, representatives of non-governmental organisations and an international global consultant (Lorenzo Allio, PhD) working on regulation, providing good capacity for achieving impact. Radaelli has led several projects on regulation rooted in a reflexive academic approach that involves extensive interaction with policymakers.</p> <p>One of CEG's major research themes since 2005 has been to develop perspectives sensitive to political and administrative context and to assess their implications for regulatory impact assessment, measures of regulatory quality and learning about regulatory reform. Radaelli and Dunlop's research (Radaelli 2009; Dunlop and Radaeli 2013) uses models of learning in public policy systems to analyse the ways in which policymakers develop regulatory tools and learn from their own and others' experiences. They have developed and applied this perspective in novel analysis of regulatory impact assessment in different contexts, showing that emulation and political learning often dominate over problem focused learning. International organisations and governments tend to have a narrow approach to the development and diffusion of regulatory reform which is influenced by dominant models, which in the case of regulation is often a narrow version of how economics is utilised in government. This research was developed further adding cross-national and multi-level dimensions with Economic and Social Research Council (ESRC) and European Research Council (ERC) Advanced Investigator grants (1 of only 12 Advanced Grants awarded across the whole of humanities and social sciences in the UK in 2008).</p> <p>The research found that the conventional approach to diffusion of reform pursued by the OECD and other organisations created dysfunctional learning. In a comparative analysis of regulatory</p>

impact assessment, Radaelli (2004) disputed the notion that regulatory policy instruments can be diffused and adopted like plug-and-play tools. Their performance depends on how the 'problem' of regulation is defined, how regulatory impact assessment fits in with other layers of administrative law and public management programs, and the social mechanisms determining the legitimacy of rules and legislation. One reason behind the failure of impact assessment programs is that policy transfer across countries is insensitive to the political and administrative context. Radaelli also criticized over-reliance on formal regulatory oversight institutions, noting that what makes a regulatory oversight body strong or weak is not its formal description in the law, but the social mechanisms by which it operates and generates analytical capacity. In turn, these propositions are grounded in his criticism of the received wisdom in neo-institutional approaches to public policy design (Radaelli et al 2012). Further, he argued that regulatory reform and measures of regulatory quality should be more concerned with the social legitimacy of regulation and administrative capacity rather than narrow attempts to compress compliance costs of regulation (Radaelli and De Francesco 2007). The implications for the design of instruments measuring regulatory performance are very different from those of economics, and have more leverage for implementation in the real world of public policy-making. Since 2007, the research agenda has widened to a comparative analysis on usages of regulatory impact assessment across Europe, the US and Canada, the critical appraisal of the broader regulatory reform agenda, quantitative-comparative analysis of the diffusion of regulatory impact assessment (De Francesco, Radaelli and Troeger 2012).

3. References to the research

- [1] Radaelli, C. M. (2009) 'Measuring policy learning: Regulatory impact assessment in Europe' *Journal of European Public Policy* 16(8): 1145-1164. DOI:10.1080/13501760903332647
- [2] Dunlop, C. A. and C. M. Radaelli (2013) 'Systematising Policy Learning: From Monolith to Dimensions' *Political Studies* 61(3, October): 599-619. DOI: 10.1111/j.1467-9248.2012.00982.x
- [3] Radaelli, C. M. (2004) 'The diffusion of regulatory impact analysis: Best-practice or lesson drawing?' *European Journal of Political Research* 43(5): 723-747. DOI: 10.1111/j.0304-4130.2004.00172.x
- [4] Radaelli, C.M. Dente, B. and S. Dossi (2012) 'Recasting institutionalism: Institutional analysis and public policy', *European Political Science*, 11 537-550. DOI :10.1057/eps.2012.1
- [5] Radaelli, C. M. and F. De Francesco (2007) *Regulatory Quality in Europe: Concepts, Measures, and Policy Processes*, Manchester, Manchester University Press. ISBN: 978-0-7190-8670-0
- [6] De Francesco, F, Radaelli, CM, and Troeger, V.E. (2012) 'Implementing Regulatory Innovations in Europe: The Case of Impact Assessment', *Journal of European Public Policy*, 19(4), 491-511 DOI:10.1080/13501763.2011.607342

Grants supporting the underpinning research:

- Radaelli, C. *Regulatory Impact Assessment in Comparative Perspective*, ESRC (RES-000-23-1284) 2005-2009 - £174,000.
- Radaelli, C. (with 5 international partners) *Evaluating Impact Assessment, EVIA*, European Commission FP6, 2006-2008 £90,000.
- Radaelli, C. (with 17 international partners) *European Network for Better Regulation*, European Commission, 2006-2008 – £120,000.
- Radaelli, C. *Analysis of Learning in Regulatory Governance*, European Research Council, Advanced Grants Section, 2009-2013 – £780,000.

Quality of underpinning research:

All outputs are available on request. [1] [3] [6] are from ESRC funded research. Articles are in peer reviewed journals (for example *EJPR* 2012 5 year impact factor is 1.8 and *Political Studies* is 1.6. [2] is a major conceptual output and [4] a theoretical-methodological output of the ERC Advanced Research Grant. [6] is based on data originally gathered via a project funded by DG Enterprise, European Commission and developed as research monograph published by a University Press [5].

4. Details of the impact

Bringing in political-administrative context to improve regulatory impact analysis in the OECD and World Bank:

The research findings showing that regulatory reform produces dysfunctional learning when it is insensitive to administrative and political context shaped policy and practice in the OECD and World Bank (Radaelli 2004; 2009, Dunlop and Radaelli 2013). CEG has a long term relationship with regulatory policymakers in these organisations through which research findings have been communicated. The CEG research informed training programmes for regulators in Exeter,

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Portugal, Italy and Washington DC over the period 2009-13. Officials participated in other workshops and seminars at Exeter including the ECPR Regulatory Governance Conference in June 2012 which had more than 200 participants from academic and policy-making organisations. Researchers in CEG published their findings and the implications for policy makers in accessible diaries and *regulation tales*, for example:

<http://centres.exeter.ac.uk/ceg/research/ALREG/presentations.php>

http://www.facebook.com/note.php?note_id=197638080284796

The research findings changed OECD's policy to embody a more context-sensitive approach to regulation rather than assuming a one size fits all approach. CEG research is specifically referenced in two OECD strategic publications. The first, 2008's *Building an Institutional Framework for Regulatory Impact Assessment: Guidance for Policymakers*, cites two of Radaelli's papers and notes how 'OECD countries have gone a long way reflecting on institutional and contextual components of regulatory decision-making'.¹ Chapters 4 to 6 of the document set out ways in which different political, legal and administrative structures should be taken into account by officials undertaking regulatory impact analysis. The second, 2009's *Regulatory Impact Analysis – A Tool for Policy Coherence*,² cites Radaelli's 'better regulation tales'. The 'tales' about impact analysis contain narrative depictions of a range of potential future regulatory landscapes. The framework helps improve policy analysis by policymakers identifying existing patterns and mechanisms at work behind them, which helps them learn about the reasons for previous reform outcomes and helps them plan effective future reforms.

The research similarly influenced the World Bank to take more account of context in regulatory quality and impact assessment. Influence came through publications used by the Bank, especially through papers in the World Bank's flagship 'better regulation for growth' programme. The papers, titled *Overview of Regulatory Quality Indicators* and *Project-Level Indicators* were read by staff.

<https://www.wbginvestmentclimate.org/uploads/OverviewRegulatoryQualityIndicators.pdf>. As well as influence through publication, Radaelli gave advice in a panel to the Bank's Foreign Investment Advisory Service. He helped produce a full-length guide to impact assessment for the World Bank Institute in June 2008 which was used in the first WBI global core course on regulation in Washington D.C.³ Radaelli led on the course to 40 policymakers from Africa, Asia and Europe. The Lead Private Sector Development Specialist, IFC-World Bank, said that he learned in 'subtle yet decisive ways' (Communication to Exeter, Oct 2013) about the limitations of conventional impact tools through CEG's events, training programmes, informal discussions and the two Bank working papers. He cited Radaelli as 'the political scientist with the highest impact on my own thinking and activities' and confirmed that the research changed the way they measured and communicated regulatory performance, as reflected in World Bank country project evaluations of regulation.⁴

Improving the Netherlands Government's processes for learning about regulation from other countries:

Radaelli and team used their research on the role of social mechanisms in learning about regulation (Radaelli 2009, Dunlop and Radaelli 2013) in a study, commissioned by the Netherlands Government, in 2010. Research findings about the most appropriate ways to learn from cross-national transfer of instruments informed the recommendations. The study, *How to Learn from the International Experience: Impact Assessment in the Netherlands – final report for the Dutch Parliament* (2010) <http://ikregeer.nl/documenten/blg-69895> developed the implications of the findings for the Netherlands. The study was accepted by the Dutch government and discussed by the Dutch Parliament before its principal recommendations were put into practice. The key guidance implemented was that regulatory policymakers they should identify and understand the mechanisms that make institutions work rather than attempting to import policy instruments and institutions as plug and play tools in isolation from their context. The head of the Dutch Regulatory Reform Group, Ministry of Finance, said 'We used the report to develop a new Impact Assessment system as part of the new regulatory reform policy which was described in a White Paper.'⁵

Developing and applying new measures of regulatory performance in the OECD:

The Centre's research findings have changed the way regulatory performance is measured and communicated (Radaelli and De Francesco 2007; Radaelli et al 2012). This is an especially

important consideration at times when governments try to cut both the direct and compliance costs of regulation which can risk failing to fully consider the benefits as well as the costs of regulation. CEG researchers worked on a project jointly sponsored by the European Commission and the OECD on regulatory measures to assess the quality of regulations. This research was presented to the Commission Directorate-General Enterprise and developed into a major research output (Radaelli and De Francesco 2007). A senior official of the European Commission (Secretariat General) commented 'The effects in terms of how research evidence is utilised today in my team are tangible. His research helped us to change prevalent beliefs about the production and usage of impact assessment in the European Commission and more broadly the EU.'⁶

Following the interest amongst policy-makers at the European level, the OECD Regulatory Policy Committee approached Radaelli to produce a report developing the implications of their research on measuring regulatory performance for the OECD's practice. The report was the result of an extensive exchange of communication between the OECD delegates on the Committee and the researchers. Radaelli and the OECD secretariat worked for two days (in Madrid, Sept 2011) to forge consensus on the principles and contents of regulatory indicators for measuring the quality of regulation. Delegates requested further work on specific indicators and how they should be used. Radaelli's importance in this process was noted by the OECD Programme Coordinator for Measuring Regulatory Performance who said 'Prof. Radaelli was involved throughout the workshop to help shape agreement among delegates on best practices in regulatory policy evaluation.', continuing that 'The suggestions informed the development of a framework for regulatory policy evaluation and a survey of OECD countries on their indicator practices, paired with recommendations to member countries on how to improve their evaluation practices.'⁷ The final paper underpinning the OECD document is available at http://www.oecd.org/gov/regulatory-policy/2_Radaelli%20web.pdf. The OECD secretariat then presented the, separate, formal OECD document that came from the process, *A Framework for Regulatory Policy Evaluation*, to member states in April 2012. The Framework was circulated as recommended guidance to OECD delegates and contains several references to Radaelli and Fritsch's work and officially endorses their list of indicators.⁸

5. Sources to corroborate the impact (numbers below refer to superscript notes in Section 4)

1. OECD (2008) *Building an Institutional Framework for Regulatory Impact Assessment: Guidance for Policymakers*, OECD Publications, Paris.

http://www.oecd.org/document/12/0,3746,en_2649_34141_42247372_1_1_1_1,00.html

2. OECD (2009) *Regulatory Impact Analysis – A Tool for Policy Coherence*, OECD Publications, Paris http://www.oecd.org/document/47/0,3746,en_2649_34141_43705007_1_1_1_1,00.html

3. World Bank Institute (2008) *Handbook on Impact Assessment*, World Bank Institute, Washington. – on file at WBI (desk officer contact at WBI: Une Lee).

4. Lead Private Sector Development Specialist, IFC-World Bank, Washington D.C. (Communication to Exeter Oct. 2013 and corroboration of impact on World Bank's work on regulatory impact assessment).

5. Head of the Dutch Regulatory Reform Group, Ministry of Finance. (Communication to Exeter Oct. 2013 and corroboration of influence on regulatory learning in the Netherlands Government).

6. Senior Official, European Commission (Secretariat General). (Communication to Exeter Oct. 2013 and corroboration of influence on European Commission policy which informed OECD).

7. OECD Programme Coordinator for Measuring Regulatory Performance, Regulatory Policy Division, OECD, Paris. (Communication to Exeter Oct 2013 and available for broader corroboration of impact on OECD work on measures of regulatory performance and evaluating regulation).

8. OECD Regulatory Policy Committee (2012) *A Framework for Regulatory Policy Evaluation*, GOV/RPC/MRP(2012), April 3rd 2012. Restricted to OECD delegates, but available via the OECD Corroborator and on file at the University of Exeter.