

IMPROVING PUBLIC SECTOR PERFORMANCE

THROUGH INNOVATION AND
INTER-AGENCY COORDINATION



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

CASE STUDY FROM THE GLOBAL REPORT

Making Regulatory Impact Assessments Work in Armenia



CASE STUDY 4

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Overview

Regulatory Impact Assessments (RIAs) are a way to improve public sector performance by ensuring only effective and efficient policies reach the implementation stage. All too often, however, complicated or inadequate processes for conducting those assessments diminish their usefulness. When the Armenian government decided to reform its inefficient RIA processes, it approached World Bank experts for advice on how to go about the reform. With a strong commitment to ensure the success of the reform, the government repurposed an existing agency, tasking it with training a cadre of RIA experts across the government and eventually overseeing the entire RIA process. As of 2018, the new RIA system had positively influenced several new regulations, but it is too early to tell if the reform will prove successful in the long term.



ARMENIA

POPULATION (July 2017 est.)¹

3.045 million

GDP PER CAPITA (current US\$)²

3,614.70

INCOME GROUP³

Lower middle income

GOVERNMENT EFFECTIVENESS⁴

49.5%

¹CIA World Factbook, ²World Bank (2016),
³World Bank (2016), ⁴World Bank (2016)

Introduction

In 2016, the Armenian government was trying to reform its regulatory processes. The country had an enormous amount of regulations on the books, creating a big burden for companies, which had to comply with them, and the government, which had to administer them. The regulations also created opportunities for corruption. Creating new license requirements, for instance, could result in officials requesting bribes from those wishing to obtain the new licenses. “Companies faced a lot of regulatory burdens, and many regulations were not being implemented correctly,” said Petter Lundkvist, regulatory reform expert at the World Bank. “And research has shown that the more regulations you have, the more corruption you have.”

Like dozens of other countries around the world, the Armenian government had a law in place that required new regulations to undergo a RIA. When implemented effectively, RIAs can improve policy coordination at the center of government by checking the quality of potential new regulations, identifying the direct and indirect costs of those regulations, and ascertaining whether there are better alternatives to achieve the same outcome that the new regulations hope to achieve. Ideally, RIAs result in higher quality regulations and policies being passed, and bad regulations being stopped before they are enacted.

Up until 2016, however, RIAs conducted in Armenia were of poor quality, given little importance, and were regarded by most within the government as being of little use. The assessments were written after regulations had already been drafted, and were usually conducted in a hasty manner, not leaving time for consultation with relevant stakeholders and the public. As a result, RIAs rarely provided a comprehensive analysis, and instead created an additional burden on the government while providing little, if any, benefit to the policy-making process.

Armenia’s law stated that a RIA should be conducted for every new regulation the government decided on or was passed by parliament. In 2016, the government made more than 800 decisions and parliament passed more than 200 new laws, amounting to more than 1,000 regulations that required RIAs. For each RIA, the government had to conduct seven impact assessments – one each on

small and medium enterprises, competitiveness, anti-corruption, social protection, budget, healthcare, and the environment. The government assigned those assessments to different ministries based on subject matter, a practice not in line with international best practice (World Bank 2017e). “It was good that there was already a system in place, but that system was putting an enormous burden on the government,” said Lundkvist.

In May 2016, the Office of Government (prime minister’s secretariat) announced a plan to make a significant reduction in the number of government decisions (Arka News Agency 2016). At the same time, the government wanted to reform the RIA process, with the goal of making policies more evidence-based. The reformed RIA process could also result in less regulation. “When you put in place a control mechanism, you may realize that a certain regulation has more costs than benefits,” said Lundkvist. “RIAs are definitely a way to reduce the number of proposals and ensure that those regulations proposed are the ones that make sense.”

If Armenia could successfully improve systems for evidence-based rule-making, the government could remove uncertainty about the impact of regulations, build public trust, and possibly attract more foreign investment, which was a major goal for the country at the time.

Response

The Armenian government had long realized that its existing RIA practices were not helping to implement high-quality public policies, so in 2016 the office of government formally requested support from the World Bank to improve its RIA system. Lundkvist and others from the World Bank met with government officials and talked about examples of countries around the world that used RIAs to improve the quality of regulation. The meetings brought together the six ministries directly responsible for carrying out impact assessments (Ministries of Economy, Environment, Finance, Health, Justice, and Labor and Social Affairs) as well as the National Center for Legislative Regulation (NCLR). The NCLR, which was affiliated to the office of government, had been managing a “guillotine

reform” to remove the regulatory burden. By 2016, that reform was nearly complete, so the center had the capacity to take on a new initiative. Next, the office of government brought key decision-makers together to draft a roadmap of how to implement a new and improved RIA process.

Strategizing

By reforming the process, the government wanted to have RIAs that were conducted in a much more comprehensive way. A systematic process could identify likely impacts, compare policy options, and consider unintended consequences, which would reduce the risk of regulatory failures. A reformed process could also properly integrate public consultation, which could involve citizens in the regulatory process. Better understanding of the reasons for, and impacts of, regulatory choices could help minimize regulatory capture and improve public trust in policy-makers.

Following advice from the World Bank on best practices, the office of government and ministries decided on a new process to conduct RIAs. Typically, a fully-fledged RIA analysis would follow this structure:

- Definition of the problem
- Identification of the desired objective
- Elaboration of the different regulatory and non-regulatory options (including “no action”)
- Open and public consultation with external stakeholders and experts
- Assessment of the likely costs, benefits, and other effects
- Recommendation of the preferred option
- Indications on the monitoring, evaluation, and reporting requirements (World Bank 2017e)

In November 2016, the government announced that the NCLR would be tasked with piloting the new RIA process the following year. Specifically, the NCLR would carry out 20 RIAs, and train officials seconded from other ministries on the new RIA methodology. The six key RIA ministries would each second two staff members to the NCLR for a period of four

months each, while all other ministries would second one staff member for two months, throughout 2017.

The plan was that, after the secondment, those civil servants would become responsible for conducting RIAs within their ministries, while the NCLR would focus on quality assurance and capacity building as an oversight body for the entire RIA process.

Training civil servants and reforming procedures

Instead of conducting RIAs on all regulations, as had been the practice in the past, the NCLR began focusing on the most important regulatory reforms. One of the first RIAs developed within the Government of Armenia’s new system addressed the problem of food safety related to meat in Armenia. The RIA analyzed the entire meat production chain, from the farm to the table. In particular, it looked into the risks of animal butchering outside of slaughterhouses, a common practice in Armenia. The team that developed the RIA was invited to the prime minister’s office to present the outcomes. “The RIA had an immediate impact,” said Lundkvist. “The RIA helped them drastically change the food security law that had first been proposed by the Ministry of Agriculture.”

All of the staff seconded to the NCLR received extensive training on the RIA process and how to create RIAs using the new methodology. There was at least one civil servant from each ministry, so if a policy proposal came from the Ministry of Education, for example, the NCLR could have the seconded staff member from that ministry work on the RIA.

In addition to the plan for the seconded officials to conduct the RIAs upon returning to their ministry, another goal was for the NCLR to eventually become an oversight body to ensure the RIAs conducted by the ministries were of sufficient quality. “RIAs will be carried out in the ministries that are producing the regulation,” said Lundkvist. “Instead of [the RIA] being sent to five different ministries, the person that came up with the proposed regulation will be doing the RIA on it.”

Reflections

After committing to revamping its RIA system, the Armenian government quickly improved its processes and began producing higher quality assessments, helping the central government improve policy formulation. “There was a very strong will to roll this out across government,” said Lundkvist. “It takes a long time in most countries and we have not seen other countries do this with so many civil servants from different ministries being trained and then going to the ministries to start producing high quality RIAs.”

In early 2017, the World Bank launched “the Global RIA Awards” to identify and recognize the innovative and impactful use of RIA in developing countries. Armenia’s meat regulation RIA won the award for the “most influential RIA” – the RIA that was most successful in influencing the way policy-makers think of a policy problem and impacting the regulatory outcome (World Bank 2017f).

While it is too early to declare the RIA reforms a success, the initiative could potentially result in broad benefits for Armenian citizens and the government. As of 2018, there were already several examples of better-formulated policies resulting in better outcomes for citizens. For example, the Armenian government suspended a proposed regulation on vehicle fuel tanks after the NCLR’s RIA concluded the costs of the proposed regulation outweighed the benefits. The meat safety reform, heavily influenced by the NCLR’s RIA, was expected to have great health benefits by reducing food product poisoning cases across the country.

Greater transparency and participation in the policy-making process could also build trust in the government, which is especially important given the country’s history of social unrest.

On the government side, the new RIA process has resulted in better use of resources. Instead of carrying out piece meal RIAs on every single regulatory document, the new approach has involved the targeting of important policies for a more thorough analysis. Instead of completing over 1,000 RIAs of little use, the new process aims to produce less than 100 RIAs that are of far greater value. Further, the new RIAs are formed earlier in the regulatory process,

allowing for more consideration of policy options available to achieve specified objectives.

Still, there is a long journey ahead to realize the envisioned benefits. As of 2018, the Armenian government was in the process of revising the legal framework that regulated the preparation of RIAs and its role in decision-making. “In most countries with well-developed RIA systems in place, there is a center of government institution that checks that only high-quality RIAs are being made,” said Lundkvist. “Otherwise it can easily become like it was before, where the ministries just consider RIA as a formality.” The NCLR, which played a leading role in the reform throughout 2016 and 2017, is anticipated to assume an oversight role. It is also expected that the increased rigor and data quality required for policy proposals will eventually result in regulators self-disciplining, leading to fewer and better proposals.

The Armenian example shows how RIA reform can be done quickly and have an immediate impact, but only if the center of government is committed to seeing it through. “It can definitely be replicated, but it requires a lot of appetite from the government to do it at such a quick pace,” said Lundkvist. “It is an excellent case of how the World Bank can give advice without providing too much of an investment. In other countries, donors have run huge RIA projects, trained hundreds of civil servants, and then nothing has really happened on the ground. In this case it was totally different. They really wanted to run this themselves, and just wanted us to provide quality control.”

Success Drivers

Armenia's reform of its Regulatory Impact Assessment (RIA) process reflects **three** of the five key dimensions for successful public sector innovation.

Political leadership instigated the reform of Armenia's RIA system. When high-level officials from Armenia's Office of Government (prime minister's secretariat) recognized the inefficiency of the existing RIA system, they took the important step of bringing in outside expertise for advice and provided consistent support. In other countries, weak political commitment has often made efforts to achieve RIA reforms a slow and difficult process, even in cases when there have been extensive resources from governments and donors to train civil servants in new RIA processes.

Transparency in the policy-making process is not only a goal in itself, but also helps drive key reform outcomes. In particular, the new RIA process includes greater public participation through consultations and clear communication. Better public understanding of different policy options, combined with increased transparency as to why certain policy decisions are made, helps minimize regulatory capture and improve public trust in policy-makers.

Institutional capacity was critical to drive the reform. Strengthened capacity to conduct RIAs across government was a key outcome. The government decided to repurpose the National Center for Legislative Regulation (NCLR), an office with pre-existing capacity to take on the new initiative and drive the RIA reform process. All staff seconded to the NCLR undertook extensive training on the new RIA methodology. There was also potential for further capacity building, as seconded staff could spread knowledge and train colleagues on how to conduct RIAs after they returned to their original ministries and agencies. Over the period of the reform, the NCLR gained significant capacity in conducting RIAs and became well positioned to take on an oversight role of the RIA process in the future.