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# **Regulatory Reform in Africa – Why it Matters**

## **...and why RIA is only part of the solution**

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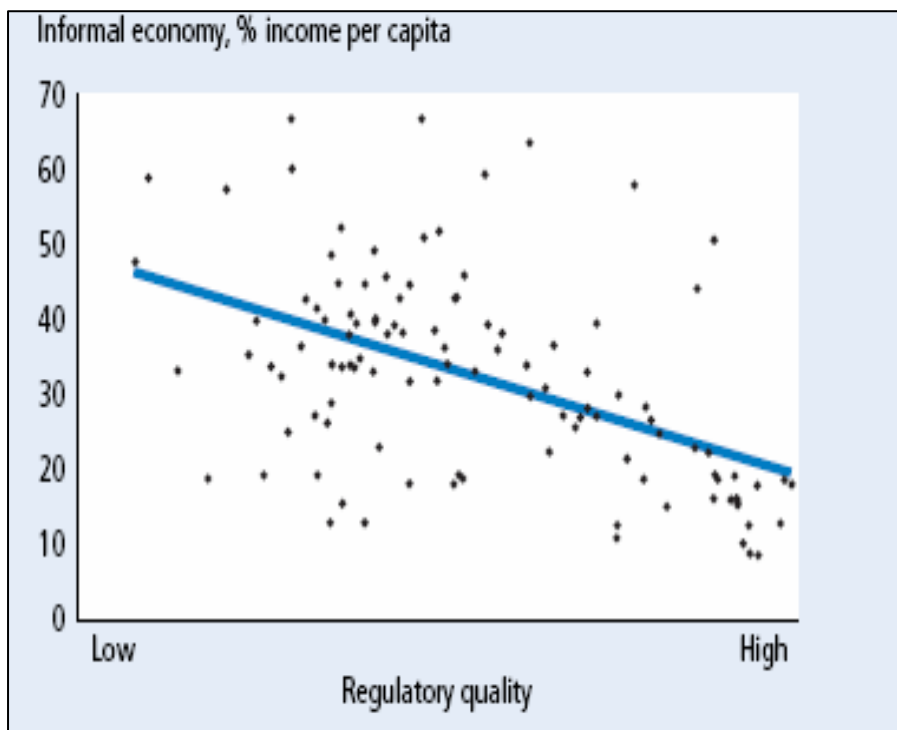
**Better Regulation for Growth Program  
A Joint DFID/Netherlands/FIAS Programme**

# Regulation matters...

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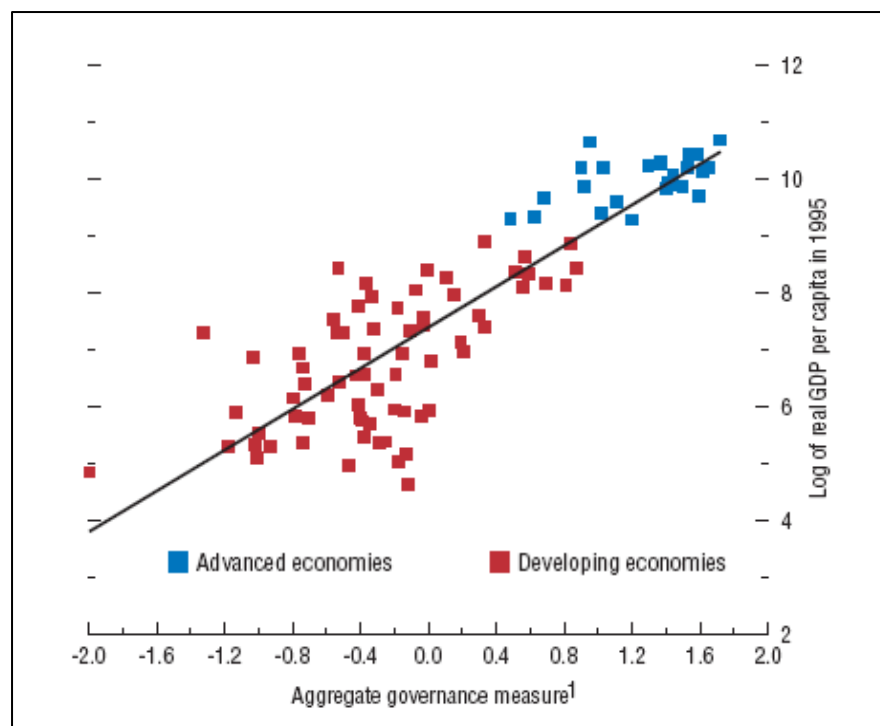
# ...and problems are systemic

The quality of regulation affects the level of informality



Source: Doing Business 2005

Real income per capita is closely correlated with institutional quality



Source: IMF (2003), using Kaufmann, Kraay, and Zoido-Lobaton (1999); World Bank, World Development Indicators (2002); and IMF staff calculations. This index measures the overall quality of governance, including the degree of corruption, political rights, public sector efficiency, and regulatory burdens

# Bad regulation is particularly damaging for Africa

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- **Legacy of outdated rules**
- **Regulatory State out of control**
- **High level of discretion**
- **Perverse regulatory incentives**

# Illustrating the challenge: The Regulatory Swimming Pool

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\*) Analogy originally coined by Cesar Cordova

## Key features:

- Clean the pool (regulatory stock)
- Ensure quality of new water (regulatory flow)
- Watch that everyone behaves (institutions)
- Make good rules and communicate them (reg.ref. strategy)

# We have the tools...

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## Stock

- Scrap and build
- Process reengineering
- Quantitative targets (SCM)
- Staged repeal (Guillotine)
- Review/sunset clauses



## Flow

- RIA
- Public consultation
- Forward planning
- Admin.Procedure law
- Silence is consent/denial

## Institutions

- Central unit for Reg.Ref.
- Gov'tal Reform Committee
- Business Advisory Council
- Regulatory Registry
- Central licensing authority

# ...but further testing and consolidation is needed

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- **The rationale for “better regulation” is obvious, but we have little data to support it**
- **It is critical that regulatory reform strategies are carefully adapted to the country context**
- **Wrong design can distort scarce reform resources to relatively insignificant reform areas**

**RIA –**

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## **The Christmas Tree of Good Intentions**

- **A rational, linear decision-making process**
- **Separation of “empirical” from “political” analysis**
- **Options and feed-back guide well-informed policy decisions**
- **Systematic consultation of all stakeholders**
- **Transparency and accountability throughout**
- **A depository of formal policy priorities (gender, poverty reduction, pro-poor growth, fighting aids, etc.)**

**But it ain't happening...!**

# Better Regulation for Growth Programme

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- **Addresses the knowledge gap**
- **Political context and government regulatory capacity**
- **Adaptation of regulatory tools**
- **Tools to review existing regulation**
- **Measuring regulatory governance**

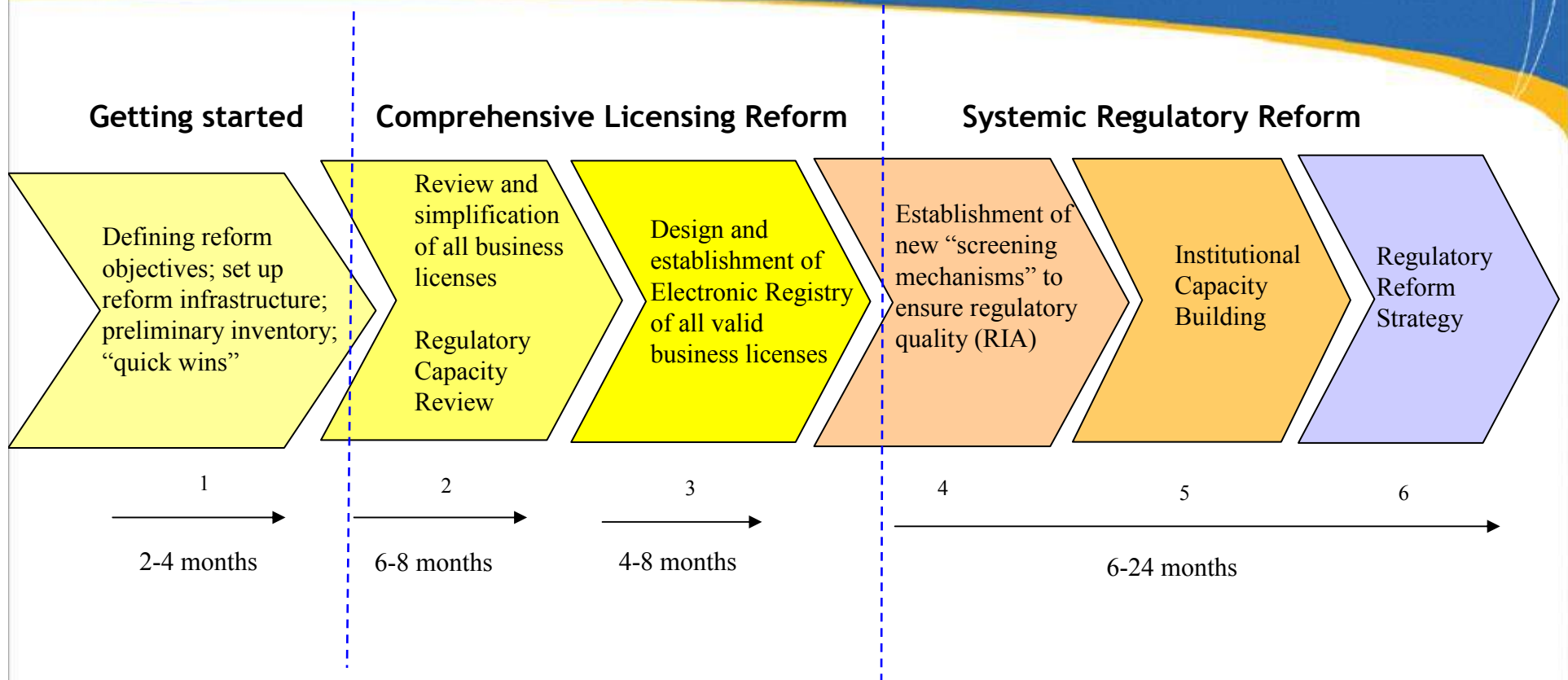
# How to do it, then? /1

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- **Focus on reviewing the stock of existing regulation first**
- **Let gains from early reforms feed the demand for systemic reforms**
- **Fundamentally rethink RIA – are there *any* fundamentals?**
- **Alternative approaches (i.e. shifting/centralizing regulatory authority)**
- **Reduce donor premiums on RIA reforms?**

# How to do it, then? /2

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Who is doing it? Kenya, Madagascar, Rwanda

# Thank you

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