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How to Advance Regulatory Reform in Ukraine

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Over the last two decades most of the OECD countries have experienced a ground-breaking transformation of the agenda of the national regulatory policies from the focus on deregulation and reducing red tape, which were frequently episodic in nature, to a continuous, systematic and comprehensive improvement of the quality of regulatory environment.

Essentially, this shift was inspired by growing emphasis on the priority of ***good governance and effective regulatory quality management within public administration.*** Above all, modern regulatory policy was unquestionably seen as way to encourage investments and create an enabling environment for the private sector-led economic growth through gains in employment, productivity and innovations. Within this context, a fundamental objective of the regulatory reform is to promote social welfare and economic efficiency by ensuring that the capacity of the private sector to respond to global and domestic economic challenges and remain competitive is not damage by rigid, outdated, excessive and costly regulatory procedures.

Furthermore, the impact of domestic regulations on country's competitiveness became much more pronounced due to the vast expanse of the global economy. All told, effective and transparent regulatory and administrative systems emerged as a priority policy objective to maintain sustainable economic development under growing global competitive pressures.

Regulatory reform in a transition economy proved to be even a more daunting endeavor. As a rule, in these countries reform of the regulatory environment represented a convoluted combination of new regulations, deregulation, and re-regulation. Furthermore, these initiatives were simultaneously accompanied by many other legal and institutional reforms. Yet, even developed democratic market economies discovered that an effective regulatory reform was a rather formidable task, requiring sizable long-term investments into information and human resources. Thus, predictably, many developing and transition countries with weak public and corporate governance and fledgling democratic institutions frequently failed to deliver a coherent and structured vision on the regulatory reform. Hopefully, international experience of successful regulatory reforms offers many lessons, which, if properly implemented, are broadly applicable in many diverse cultural and institutional settings.

Above all, strategies to implement regulatory policy reform must take into account available evidence on problems, encountered by governments in their efforts to improve the quality of national regulations. Experience of the OECD countries reveals some of the key issues:

- Regulatory reform is a complex policy initiative that has a broad impact on many stakeholders and visibly increases uncertainty for many groups of the society. Fragmented and unstable governments frequently lacked momentum to ensure sufficient coordination and consensus on many issues of the regulatory reform. **For this reason, it is imperative to secure strong leadership of the central government to support this initiative.**

- The pervasion of vested interests, blocking crucial regulations (which, despite potential society-wide benefits, had large costs for narrow interests groups), emerged as a stumbling block for the resolution of regulatory conflicts. Essentially, the lack of transparency and accountability was a major issue, as, in such environment, specific interests factions manage to gain enormous bargaining power against disperse and wider groups of population. **Thus, the government must visibly improve transparency and accountability of its administrative system if it wishes to proceed with a meaningful reform agenda.**

- The institutional capacity of national regulatory agencies was often weak to support a dynamic and coherent approach toward the regulatory policy. These agencies, instead, pursued narrow and short-term missions and failed to adopt flexible and innovative tools for regulatory management. By and large, such failure is rooted in the inadequate and insufficient application of cost-benefit analysis of national regulations. **To solve this problem, the government must enhance the capacity of regulatory agencies to perform a comprehensive and effective assessment of regulatory policies.** This process involves the adoption of good regulatory impact assessment (RIA) and various regulatory alternatives.

- Many governments proved to be alarmingly slow to review and update and eliminate redundant or ineffective regulations. Governments must respond quickly to changing economic environment by adopting regulatory policies that do not weaken country’s competitiveness. **Thus, regulatory reform must be an uninterrupted process that seeks to support sustainable growth of the domestic private sector.**

- Policies to improve regulatory environment rely on a broad revision of the regulatory powers of various levels of the government. Yet, poorly coordinated reform initiative frequently led to various duplications and conflicts, as different regulatory authorities tended to diverge in their reform agendas. **These means, that it is crucial for the government to built a tight and consistent cooperation between all involved government agencies and levels of the government to achieve a harmonized, balanced and effective revision and improvement of national regulatory policies.**

- Regulatory reforms lacked to take full account of the compliance cost and effectiveness of changes to regulations. This problem is exacerbated by the fact that law-makers are mostly driven by short-term considerations, which frequently precludes an accurate assessment of long-term consequences of adopted regulations. It is, therefore, fundamental to create an incentive structure that enables balanced and coherent approach toward the regulatory policy. **The central government must clearly define the set of social objectives that are to be achieved through wise regulations as well as equip regulatory authorities with all necessary instruments to develop and implement such regulations.**

- Finally, the impact of good regulations will be negligible if implementation and enforcement is inefficient. This implies that regulatory reform must be simultaneously accompanied by other key institutional transformations, such as judiciary reform and the reform of public administration. However, with such complex reform menu, the government may risk to pursue diffused and conflicting missions. **Thus, the government must maintain reform momentum by building broad constituencies supporting its reform agenda.** Accountable, transparent and citizen-oriented public policies are essential to bring success to the regulatory reform.

These lessons suggest that an effective regulatory policy relies on several basic components that are mutually-reinforcing. First, it must gain support at the highest political level. Second, this reform must rely on explicit, feasible and measurable regulatory quality standards. And, finally, it should create an enabling environment (through investments into human resources, information technologies and institutional capacity building) for a sustainable regulatory quality management.

Notwithstanding visible improvements of the quality of institutions and regulations, Ukraine consistently scores alarmingly low in the major international rankings of local business environments. This observation illustrates that Ukrainian government still lacks a coherent and broad vision on the regulatory policies as well as fails to implement necessary reforms with startling regularity. **Needless to say, the regulatory reform is a complex policy issue that relies on strong backing by the stable central government, which is committed to transparency, efficiency and accountability.** Alas, Ukrainian government hitherto was unable to meet these essential prerequisites for the meaningful reform agenda. As a result, weedy regulatory environment natured numerous inefficiencies and distortions, let alone widespread and uncontrollable corruption. Indeed, excessive red tape and regulations are merely the consequence of poor regulatory policies and not their cause. For this reason, past episodic efforts to simplify regulatory procedures generated fragile and reversible improvements, while the overall regulatory process was not properly transformed. More important, this has deterred necessary investments into human resources and technology, which are vital to support sustainable improvement of regulatory quality management.

Obviously, regulatory reform must be pursued across multiple frontiers. On the positive side, Ukraine has all necessary institutions to push this reform forward, though most of them have to be further strengthened to achieve meaningful results. International experience highlights several key dimensions on which the government must focus:

- **Establish a firm deadline by which all existing regulations should be appraised based on cost-benefits analysis. P**romptly after this deadline, only those regulations appraised as having positive outcomes in the analysis would be approved. Redundant and ineffective regulatory procedures would be automatically eliminated.

- **Develop effective instruments to draft market-friendly regulatory procedures.**

- **Build institutional capacity** to implement regulatory policy and provide administrative services to businesses and population;

- **Heavily invest into regulatory quality management** to support continuous improvement of existing regulations and drafting of new regulations.

First of all, regulatory policy should focus on two key components of regulatory activities: (1) economic deregulation or the revision of the existing stock of regulatory procedures and (2) effective appraisal of new regulations. The first element requires the government to eliminate regulatory weakness that impede productivity growth and restrict country's international competitiveness. The second element assumes that the government designs new regulations with an intention to sustain and support economic growth and promote competitive advantages of the domestic private sector. Obviously, these two directions are similar in terms of knowledge and expertise requirements and technological needs. Thus, they generate various synergies that facilitate successful implementation of the overall reform effort. In addition, these two elements of the regulatory reform must be necessarily fortified with investments into the institutional framework, which enables adequate regulatory enforcement and allows sustainable maintenance and management of the regulatory quality.

1. How to Revise Existing Regulations:

To launch the regulatory reform, **the government must create an independent state agency on regulatory reform** with a broad mandate to manage regulatory policies, issue guidelines for drafting effective regulations and monitor regulatory impact on business environment. Although, the State Committee of Ukraine for Regulatory Policy and Entrepreneurship may be used as a platform to set up this regulatory authority it is much more preferable to have a completely autonomous and highly competent agency, established by Law, which mandate spans across all sectors and jurisdictions. The creation of such agency does not rule out the presence of other regulatory bodies within the government. Instead, it will establish a pivotal axis of the national regulatory policies free of entrenched sector-specific interests. The primary objective of this agency is to maintain a national registry of regulatory procedures and check whether existing and new regulations contribute to high quality and simple regulatory environment.

Available international evidence highlights several key prerequisites for effective functioning of such an agency. First, **investments into human and information resources are vital**. Lack of adequate infrastructure and competence will make the process of regulatory reform slow and inefficient. Second, this **agency must have a strong and complete institutional framework**. This includes clearly defined mandate and authority, meaningful procedures to enforce compliance with its requirements and effective cooperation with all other regulatory agencies. Erratic, irregular and unreliable coordination risks creating many duplications and conflicts and may even block the entire reform effort. On top of that, transparency and accountability should be key elements of the institutional design of this agency. And finally, the government, by Law, must **define transparent and market-oriented missions of the national regulatory policy**. In essence, this legislation is central to establish the legitimacy of the state agency on regulatory reform.

Next, the government must implement prompt and radical revision and simplification of the existing stock of regulatory procedures. The purpose of this economic deregulation is to **create an electronic, free and publicly accessible national registry of regulations**. Above all, this registry must contain regulations that promote market competition, while obsolete and ineffective regulatory acts must be eliminated.

To assemble such registry the government must screen all current regulatory procedures against a set of quality criteria within a tight time deadline. The benefits versus costs to business of these regulations should be explicit. Regulations that neither pass efficiency tests nor are submitted for this revision will be automatically abolished.

<u>How to create a national registry of regulatory procedures:</u>

- The government establishes a set of quality criteria and a time deadline for the revision of regulations. Quality criteria, among others, must include:

    1. **Is government action justified?** The costs of government's involvement must be compensated by the benefits of its actions.
    2. **Is there is a possible alternative for regulations?** Where possible, market competition must be an alternative for state intervention. This issue highlights the importance of supporting competitive market environment rather than attempting to excessively regulate businesses.
    3. **Is regulation legal?** All regulations must derive their legitimacy from the existing legislation. If regulation is inconsistent with laws of Ukraine or violate international agreements – it must be abolished.
    4. **Is the regulation clear, consistent, comprehensible and accessible to users?** Regulations are enforced through administrative procedures. Needless to say, frequently even good and necessary regulatory procedures may impose a significant burden on businesses due to excessive and rigid formalities attached to its implementation.
    5. **Does regulation pass cost-benefit analysis?** This test involves a broad assessment of the distribution of costs and benefits of regulatory procedures as well as a selection of an appropriate magnitude of action by the government.
    6. **Have all interested parties had the opportunity to present their views?** This test ensures that a regulation under review is not detached from the interests of all affected stakeholders.
    7. **How will compliance be achieved?** Compliance is costly for both the government, which has to enforce regulations, and the business community, which has to comply with regulatory requirement. It is, therefore, key to check whether the design of regulations minimizes these costs within the existing institutional and incentive structures of the economy.

- The regulatory review must be conducted in several phases with strict and feasible deadlines.

    (I) Each ministry and regulatory agency prepares an inventory of in-house regulatory acts and performs a preliminary evaluation in terms of their legality, necessity and market-friendliness.
    (II) Regulations, submitted to the second stage, are reviewed by business and consumer groups, who decide whether these regulations are justified in terms of the distribution of costs and benefits and compliance efforts.
    (III) Finally, regulations, that survived the first two phases of the review, are passed to the central agency on regulatory reform, which performs a comprehensive cost-benefit analysis taking into account compliance costs of each regulatory procedure. **At this stage, it is also necessary to test whether these regulations contribute to transparent and simple regulatory environment.** Essentially, criteria for regulatory simplification are straightforward. Above all, effective regulations must reduce paper load and time costs incurred by economic agents. This process requires simplification of

various administrative services and formalities. Where possible and feasible, paperwork must be reduced to a minimum, electronic licensing and registration should be introduced, while the renewal of licenses and procedures (or any other formalities that involve periodic and repeated submissions) must be made automatic. On top of that, all state centers for registration and licensing must be easily accessible to public and provide an exhaustive list of facilities (e.g. banks to pay fees, copy and printing centers, legal and advisory services etc.) to reduce compliance costs.

- Registrations that passed all three phases of the review are included into the national registry of regulations. All other regulations automatically become illegal, which implies that government agencies are not allowed to require the private sector to comply with these procedures. Equally important, this registry should not represent a static collection of regulations. It must be a dynamic list which is continuously augmented with a flow of new regulations, while old entries are amended and revised as a response to regulatory quality management and evolving economic structure. The government timely informs the public about all changes in this registry through a specialized internet portal, which also contains an electronic database of all effective regulations. The maintenance of this resource as well as the monitoring of the quality of existing and new regulations becomes the responsibility of the central agency on regulatory reform.

To conclude, deregulation is essential to improve regulatory environment as old regulations are frequently rather ineffective to address new global and domestic economic challenges. Furthermore, in a country with a weak tradition of systematic revisions of regulatory procedures, which is certainly true for Ukraine, the stock of accumulated regulations may contain many archaic provision, which are not only redundant but also put an onerous burden on the private sector. For this reason, complete and immediate regulatory revision and subsequent deregulation must be the first item on the agenda of the regulatory reform in Ukraine.

Sunsetting and *automatic review clauses* are two other instruments to control the quality of adopted regulations. *Sunsetting* is a process in which regulations are assigned with an automatic expiry dates upon adoption. An *automatic review process* assumes a systematic evaluation of the quality of existing regulations against current quality criteria. For example, a regulatory procedure may be required by the law to be reviewed within a certain period. The purpose of this review is to ensure that regulations comply with established quality standards. In essence, *sunsetting* and *automatic review clauses* are feasible tools to ensure continuous regulatory quality management, especially in the environment when cost-benefit analysis can not yield convincing results or the magnitude of the regulatory impact is uncertain or hard to estimate. Furthermore, these procedures may help to reduce regulatory uncertainty and, through this channel, ease compliance costs for the private sector.

2. How to Create Market-Friendly Regulations:

The ability to draft market-friendly and effective regulations is indispensable to improve and maintain good quality of the national regulatory policies. One of the key instruments to achieve this goal is to strengthen regulatory impact analysis (RIA) and broaden its application across the government. RIA is a systematic approach to regulatory policy, which relies on accurate considerations of regulatory alternatives, public consultations and enhanced transparency and accountability of regulatory decisions. Although, the RIA concept is not new in Ukraine, the scale and quality of its application is still suboptimal. Authorities have to put a lot of efforts to improve this process across virtually all dimensions: skills and personnel, public consultations, analytical tools, technical infrastructure and institutional framework. Since, RIA is a policy decision tool that relies on systematic and comprehensive assessment of regulations and the channels through which this evaluation is communicated to decision-makers and general public, both analytical and communication capacities must be visibly strengthened.

More important, RIA involves the participation and cooperation of a diverse group of stakeholders who frequently have diverging interest (e.g. experts, politicians, civil servants, various industrial groups and consumer panels). For this reason, RIA is particularly sensitive to various political conflicts that may prevent an effective and shared solution. Thus, RIA may be frequently perceived as just an auxiliary advisory tool which has limited binding power for policy-makers. As a result, its role may be narrowed to a mere ex post formality that has no significant implication for regulatory decisions. To avoid such outcome the government must broadly enforce the compliance with the best RIA practices for all new laws and regulations. Above all, RIA must serve as an indispensable tool for decision-making by helping to weight all relevant factors and present policy-makers with a balanced and feasible solution, including the decision not to intervene. For this purpose, RIA should represent a competent judgment by experts based on the relevant economic data and strike to achieve a balanced and common position on the distribution of costs and benefits among all affected economic agents. Furthermore, this analysis must benchmark domestic regulations against the best international practices that have already passed efficiency tests. Luckily, international experience offers a wide array of best practices to get maximum benefit from RIA:

- **Political commitment to RIA must be maximized.** The government must make RIA a formal requirement for any regulatory decision.
- **RIA must represent a consistent and flexible method that properly allocates responsibilities for all parties involved in the process.** Essentially, RIA must rely on a coherent and structured methodology. Detailed guidelines should be issued to streamline this process. In particular, many regulations may require the involvement of specialists, lawyers and representatives of the private sector with narrow sector-specific expertise. RIA of various regulations may also differ in terms of time and data requirements. Although, the development of good methodology does require specific knowledge and skills, many market economies have already released good RIA guidelines for market-friendly regulatory policies. These guidelines can be easily adapted in the context of the Ukrainian economy and its sectors.
- **Continuous training of regulators** is essential to build a strong in-house analytical capacity.
- **The government must visibly improve the quality and scale of data collection** (again many good methodologies are readily available) to perform informative RIA.
- **RIA must be seamlessly integrated into the policy-making process as early as possible.** RIA should be a key tool to design wise policy solutions. This entails both the formal requirement, established by the law, as well as the existence of effective enforcement procedure to ensure compliance by all jurisdictions.
- **All decision-makers must be promptly and correctly informed about the conclusions of RIA.**
- **Extensive consultations with public must be a key component of RIA.** Transparency of the regulatory decisions is central to engage business community and consumers in the regulatory process. The government must timely inform the private

sector about new regulations and encourage active participation in their evaluations. RIA that did not receive sufficient public feedback must be resubmitted for an additional review round.

- **RIA should be applied to both existing and new regulations.** This ensures uninterrupted improvement of the quality of regulatory environment. New data and public feedback to adopted regulations will undeniably enable the government to make a more informed judgment on the cost, benefits and performance of its regulatory actions. This judgment may eventually justify the full elimination of the regulations, which, initially, were considered necessary (potentially due to the limited data, strict time deadlines or insufficient depth of RIA).
- **RIA should rely on a comprehensive cost-benefit analysis**. This analysis must accurately estimate the distribution of cost and benefits across the society as well as give a thorough consideration to the compliance costs and various feasibility studies. Even if a specific regulation is the best solution to existing economic problems, its implementation may not be feasible due to corruption, weak institutions, lack of skilled personnel or poor infrastructure. Thus, it may frequently be necessary to accelerate many other institutional transformations to achieve low compliance and implementation costs.
- **A passed-in implementation of regulations should be considered as way to get more accurate judgment from RIA.** Whenever feasible, the government may choose to implement regulatory decisions in several phases. Public feedback and subsequent RIA of initial phases will help regulators to get the necessary data to adjust regulations for the most optimal regulatory outcome.
- And finally, **RIA must be applied by all regulatory entities without exceptions**. Regulatory environment is complex cultural fabric of numerous regulations, administrative practices and formalities. If RIA is applied to selected areas only, efficiency gains will almost certainly be negligible since other regulatory procedures did not pass rigorous cost-benefit analysis.

One of the powerful implications of RIA is that it helps to establish expert decision-making methods. Integration of through regulatory impact analysis into the policy-making has a significant long-term consequence for the overall quality of public governance. This helps the government to shield against interests of narrow political groups, reduce corruption and visibly improve stability and predictability of the legal environment. Stable governments, in turn, are much better equipped to serve public interests by designing and implementing effective public policies, which are based on feasible and informed solutions to economic challenges rather on endless balancing of diverging and conflicting political interests.

Finally, low positions of Ukraine in various international rankings of business environment send a very disturbing message. Even if the government is capable to design good regulations, corruption, weak institutions and enforcement entirely dissolve the impact of these policies on social welfare and business environment. **All told, robust RIA will be of little use if the overall rule of law is not radically strengthened.**

3. How to Build Institutional Capacity to Implement Regulatory Policy Reform

Regulatory policy reform can not be launched in isolation from other key transformations of the public governance. For this reason, regulatory reform is frequently a formidable task even in the developed market economies. Above all, the government must ensure that country’s legal environment is favorable to implement required regulatory changes. This process entails the evolution of the entire culture of public administration and calls for fundamental reforms of the judiciary, public governance, civil service, local governance etc. Yet however gigantic this effort may seem, it can still be advanced by incremental efforts, which, upon reaching a critical mass, will trigger a broader reform initiative.

<u>Simplify administrative procedures by establishing one-stop shops and electronic case handling:</u>

First of all, it is necessary to develop institutional framework that promotes simplification of administrative services delivered by the government. Many countries have visibly reduced compliance costs for businesses by simply consolidating all registration and licensing procedures within *one-stop shops*. This initiative may be further advanced by equipping such offices with all auxiliary facilities (banks, consultancies, terminals for electronic submissions) that reduce registration time and costs.

Recent advancement of the information technology allows the government to move one step further by establishing *electronic one-stop shops or web portals*. This setting provides opportunity for *full electronic case handling* when all transactions and interactions between the government and citizens are paperless. Such approach offers enormous efficiency gains, which, among others, include better information flows between the government and the public, faster, cheaper and reliable transactions, standardization of submission procedures, accumulation and quick access to electronic databases, visibly reduced opportunities for corruption and discrimination, neutral and objective case handling. Equally important, enhanced access to massive data on registration and licensing (in addition to the possibility to receive an immediate public feedback on the quality of these procedures) allows the government to conduct process re-engineering. Basically, the government may easily detect weaknesses in registration and licensing procedures and visibly simplify them. Furthermore, better data facilitate more accurate measurement of administrative and compliance costs and regulatory performance, which opens many opportunities to simulate various optimization solutions.

<u>Improve regulatory policy management:</u>

Enforcement and implementation of regulatory policies are costly as the government has to spent funds to administer regulations and ensure compliance, while citizens incur costs to meet established formalities. A more flexible management of regulatory procedures may help to create incentive structures that support optimal distribution of these costs among all stakeholders. Indeed, good regulatory policy management implies a shift toward good regulatory governance. First, instead of diverting budget funds to *ex post enforcement*, regulators should put more emphasis on *ex ante consultations and advisory services*. Better informed businesses and consumers face significantly lower compliance costs helping the government to save resources on enforcement and administration. Second, administrative processes that effectively differentiate between various attributes of regulated businesses may visibly simplify regulatory and supervisory procedures. For example, *risk-based approaches* support better quality of regulatory decisions by reducing compliance costs incurred by low-risk businesses as unnecessary inspections or data inquiries on less risky businesses are terminated. The major advantage of a risk-based approach is that it guarantees that regulators have sufficient time and resources to inspect riskier businesses and focus on those areas where these risks to society are greatest. On top of that, this approach helps to replace large-scale random inspections with more targeted interventions, which, needless to say, will considerably improve the quality of regulatory outcomes. The government should also adjust its regulatory procedures to the *compliance capacity of various types of businesses*. In particular, strong small and medium-size enterprises (SME) are vital for the growth of the private sector. However, SMEs typically face higher marginal compliance costs than large businesses. Furthermore, complex and convoluted regulations may put SMEs at a considerable disadvantage as these companies frequently lack expertise, time and resources to find out quickly what regulations apply to them. A solution is to simplify administrative procedures (for example, by lifting thresholds for simplified regulatory regimes) for SMEs and provide free and comprehensive consulting and advisory services.

4. How to Develop Regulatory Quality Management:

Good regulatory quality management is a process that requires large investments into personnel training, technology, infrastructure and institutional capacity building. Above all, the success of the regulatory policy reform relies on strong institutional framework that enables both top-down and bottom-up improvement of the quality of regulations and supports effective multi-level coordination across all jurisdictions. For this reason, meaningful regulatory reform requires both the presence of functioning institutional components as well as maintenance of effective cooperation channels between all regulatory entities.

Typically, this institutional framework consists of several layers, which allows the government to pursue quick and frictionless simplification of administrative services, economic deregulation and elimination of excessive red tape. First, a *central regulatory reform agency* with a broad mandate to promote good regulatory quality management is vital to streamline the reform process. This agency should coordinate the review of old regulations and scrutinize new regulatory provisions. On top of that, the agency issues guidelines on best practices of regulatory policies (including tools for regulatory impact assessment, simplification of administration and formalities, regulatory quality management) and enforce broad compliance with these rules. It also maintains electronic registry of national regulatory procedures and ensures timely and proper upgrading of this registry. Finally, the agency must prioritize the transparency of all regulatory decisions by encouraging public consultations and effective communication of regulatory practices to public and policy-makers. Equality important, the agency must actively promote the integration of expert decision-making methods into public governance. In essence, the primary objective of this agency is to guarantee that regulatory reform is a dynamic, consistent and comprehensive process that aims to support country's economic and social goals with good and up-to-date regulations.

Second, *administrative simplification agency* must be created to rationalize and simplify administrative services delivered by the government. This agency should develop and enforce standards of administrative simplification that must be adopted across all jurisdictions. In addition, the agency should support a prompt shift toward electronic administration of government services. For this purpose, it is necessary to develop common standards of e-government and ensure strict compliance with them. This task is not as daunting as it may seem since recent advancement of information technologies and many successful examples of e-government offer a wide selection of option to choose from. Finally, this agency should also promote the provision of auxiliary consulting and advisory services to citizens and continuously seek to simplify regulatory environment through process re-engineering and new tools for regulatory management. As a result, if the regulatory reform agency focuses on the development of good and market-friendly regulations, the administrative simplification agency ensures that implementation and enforcement of these regulations imposes minimal compliance and administrative costs on businesses and the government respectively.

Third, a network of *special purpose regulatory entities* is necessary to promote a particular aspect of administrative simplification or focus on the problems faced by specific sectors, such as SME, environmental protection or food safety. The existence of such agencies allows narrowing the focus of administrative simplification on areas, where reform progress is particularly slow and difficult. This means that the reform momentum will be supported by more active deregulation efforts as well as closer attention of the central government and general public.

And finally, good cooperation between all these agencies is crucial to proceed with productive and balanced improvement of the regulatory environment. The government must establish clear boundaries of authority and responsibilities between all these institutions as well as maintain all necessary channels and instruments for effective communication and collaboration. Clear, feasible and measurable targets for deregulation and simplification efforts will put time and performance pressures and outline the scope and depth of intra-agency cooperation as the performance of individual agencies is conditional on the performance of all other entities (e.g. reduce regulations by a certain number, strict time deadlines, cut registration and licensing duration and procedures, introduce electronic case handling etc.).

Summary

In order to achieve meaningful deregulation and administrative simplification the government must:

- Adopt a comprehensive regulatory reform agenda with meaningful, feasible and measurable targets;
- Create independent and competent regulatory reform agency and agency on administrative simplification;
- Undertake a regulatory review of the stock of existing regulations and establish an electronic registry of national regulations;
- Develop and enforce flexible and effective tools for balanced and comprehensive cost-benefits analysis and regulatory impact assessment of new and old regulations;
- Visibly expand the scope of public consultations in policy-making;
- Promote transparency, responsiveness and accountability of the regulatory policy;
- Promptly integrate expert decision making into public governance;
- Push forward administrative simplification initiative by streamlining administrative services and e-government tools with a shift toward full electronic case handling as earlier as possible;
- Heavily and wisely invest into human resources and information technology;
- Vigorously support the rule of law and fight against corruption.