THE REGULATORY GUILLOTINE™: A NATIONAL COMMITMENT TO BETTER REGULATION

Many developing countries face the challenge of speeding up and broadening "enabling environment" reforms to stimulate economic growth. Outdated and unnecessary regulations – including licenses, administrative procedures, and other government rules -- impose large efficiency costs on economic activity, and reduce government performance in protecting people and the environment, while promoting corruption. Yet reviewing, assessing, and revising hundreds or thousands of rules imposes huge administrative, legal, and political costs, is highly resisted, and takes too much time.

A rapidly spreading regulatory reform tool is the Regulatory Guillotine™, a reform strategy used by OECD countries in the 1990s, and extensively refined and systematized by Jacobs and Associates to speed up regulatory simplification. Results of the guillotine suggest that the guillotine process:

- Produces rapid results (4-18 months) in cutting hundreds or thousands regulations and reducing regulatory costs on businesses (see Table 1 below);
- Improves management of regulation by producing a comprehensive map that can be used to create an electronic registry;
- Increases reform capacities by reducing the political and administrative costs of reform and eroding the capacities of insiders to block change;
- Creates the political economy and organization for continuing "better regulation" reforms;
- Stimulates public participation and the support of active private partners for reform that are useful in sustaining momentum for "better regulation" tools such as RIA.

In 2008, the guillotine process is the basis for the largest regulatory reforms in recent history in both Vietnam and Egypt. The reform uses the innovative eGuillotine™ software that permits governments to efficiently manage broad regulatory reforms across many ministries.

Results of the Guillotine in Six Countries

	Target of Reform	Number of regulations before cleanup	% of regulations eliminated in the reform	% of regulations simplified in the reform
Korea *(11 months)*	Regulations	11,125	48.8%	21.7%
Mexico *(9 months)*	Formalities	2,038	54%	27%
Moldova *(6 months)*	Regulations	1,130	44.5%	12.5%
	Fee-based Permits	400	68%	20.3%
Ukraine *(12 weeks)*	Regulations	14,000	36 %	7,2%
Bosnia /RS *(4 months)*	Formalities	331	21.1 %	22.7 %
	Inspections Regulations	2,473	58%	-
Croatia *(9 months)*	Business Regulations	2,683	27%	30%

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international leaders in regulatory reform

What is the Regulatory Guillotine™?

The regulatory guillotine is a flexible method designed through a clear sequence to produce good results even where resistance against reform is high. Essentially, it is an orderly and transparent process of counting and then rapidly reviewing a large number of regulations against simple criteria, and eliminating those that are no longer needed, using extensive stakeholder input.

1. The government establishes the scope of the guillotine, that is, defines precisely the kinds of regulatory instruments to be included and the regulatory bodies.
2. The government adopts a legal instrument – usually a law or decree -- that sets out the entire guillotine process, schedule, and institutions. The reform should be completed in less than 18 months.
3. The government creates a central guillotine unit at the center of government that manages the whole reform and carries out the independent reviews.
4. In the guillotine process, each regulation must be justified as meeting basic criteria. The burden of proof is *on the regulator* to defend why the regulation should be kept. Three typical criteria are: *Is the regulation legal? Is the regulation necessary for future policy needs? Is the regulation business-friendly?*
5. The regulation passes through three levels of review – by ministries themselves, by business stakeholders, and by the central unit, which develops the final recommendations. In each review, unnecessary, outdated, complex, and illegal rules are identified.
6. Final recommendations are sent as a single package by the central unit to the Government or to Parliament for adoption.
7. Surviving regulations are placed into a comprehensive electronic regulatory registry that improves legal security and transparency as it is maintained in the future.

For more information on how the Regulatory Guillotine™ can be used to speed up regulatory reform and the transition to markets in your country, please contact Scott Jacobs at scottjacobs@regulatoryreform.com.

What Donors and Investors are saying about the Regulatory Guillotine™

"The Foreign Investors Council strongly supports … the initiative to launch the project of the regulatory guillotine to … help present investors in their everyday business and encourage new direct investment." ***Foreign Investors Council, Serbia, 2008***

"The guillotine is "…a fast-track approach that can deliver short-term results This combination of simplicity and speed, and the results already achieved, provide a relatively promising foundation for the reform, and for using its achievements as a stepping stone for further regulatory reforms." ***-- Business Licensing Reform: A Toolkit for Development Practitioners, World Bank, 2006***

"Evidence compiled to date suggests that guillotining can be an effective means of reducing needless bureaucracy and achieving a more carefully considered regulatory system." -- ***Best Practice Guide for a Positive Business and Investment Climate. Organization for Security and Co-operation in Europe (OSCE), 2006***

"Application of the Guillotine Law is one of the most significant events in the reform process since Moldova's departure from the USSR." ***USAID Frontlines, February 2006***

"Reduction by regulatory guillotine of business licenses in Kenya … is a key result that will contribute to reducing the cost of regulation of the private sector in Kenya , and toward improving transparency and fighting corruption." ***Demba Ba, Head, Africa Region's Private Sector Development Group in the World Bank (June 2006)***