

Group Exercise: Preparing a Regulatory Impact Analysis

Case: Organic product regulations

Context: Consumer demand for organic products is strong, but lately there has been a lot of confusion surrounding organic labels – which products are organic and which products are not? There are risks that some organic-labelled products are not organic and that consumers are paying too high a price for them. In addition, countries that import and consume large quantities of organic products have moved towards requiring strict standards, mostly based on the new ISO / ORG 10000 standard.

Situation: You and your team are working for the government of Ruritania, a MENA country of 10 million inhabitants. Consumers in your country have complained about the lack of clarity in labelling, and producers fear being shut off from important markets. Your government wants to intervene.

Problem: To help the government make an evidence-based decision, you have been tasked with developing a regulatory impact assessment detailing the potential impacts of the use of different instruments to resolve the issue. You are to recommend an option and explain why that is the preferred option.

Data:

(All costs and benefits below are for a 10-year reference period, and are expressed in present values, in thousands of Ruris, noted "R")

- The International Organization for Standardization (ISO) has developed an Organic Product Standard, ISO / ORG 10000. Several leading countries in the consumption and importation of organic products have already adopted the standard. The standard is available for purchase for a small fee (0 R for our example).
- A government branch could produce a Ruritania standard which could be enforced through the proposed regulation at a cost of 100 R.
- A government branch could certify itself all domestic producers. The cost would be 500 R. With this option there is no need for accreditation as the government itself is the sole certifier. The costs to industry would be 0 R.
- A government branch could accredit third-party certifiers that would certify domestic producers and importers. The cost to the government would be 100 R. The costs to the industry would be 300 R.
- Not regulating would incur loss of access to important markets, and would entail a loss of 400 R to producers.
- The benefits to consumers of having a unique, trustable organic label have been estimated at 100 R.

Exercise:

Based on the problem discussed and given data, please develop a regulatory impact analysis to analyse the different options that can be pursued by your government, and recommend the best option. Please select one representative for your group to briefly present your results to all the participants at the end of the session.

1. What are the objectives?

Objective 1	
Objective 2	

2. What are the regulatory options?

Option 1	Status quo (no government intervention)
Option 2	
Option 3	
Option 4	

2. Calculate the benefits, costs and net benefits of each regulatory option:

	Stakeholder group:	Benefits	Costs	Net benefits (Benefits - Costs)
Option 1	Government			
	Consumers			
	Producers			
	Total			
Option 2	Government			
	Consumers			
	Producers			
	Total			
Option 3	Government			
	Consumers			
	Producers			
	Total			
Option 4	Government			
	Consumers			
	Producers			
	Total			

3. How would you measure performance against the objectives defined in question 1?

	Indicator
Objective 1	
Objective 2	

4. During the consultation process, you learn that the local government in one of Ruritania's five states has already developed an organic label. This label has strong brand recognition, and the local government is unwilling to abandon the label? What do you do?

5. Which option would you recommend and why?
