Business at OECD
Business and Industry Advisory Committee to the OECD

# Simplifying for Success: How Better Regulation Can Support Simplification

*Business at OECD* (BIAC) Position Paper
for the OECD Symposium on 'Simplifying for Success'

Position Paper
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# Introduction

The OECD's Symposium on 'Simplifying for Success' comes at a crucial moment for businesses globally, and it is essential that any recommendations are implemented with urgency.

In the current global economic outlook, businesses are concerned about the competitive environment and structural conditions for growth in OECD countries. Significant administrative burdens and increasingly complex regulatory frameworks act as a barrier for businesses to invest in OECD economies and beyond. Our latest *Business at OECD* survey of national business and employers' organisations in OECD countries showed that complex regulatory and compliance requirements ranked among the most significant constraints on business activity at present. In Europe, for example, more than 60% of EU companies see regulation as an obstacle to investment, with 55% of SMEs flagging regulatory obstacles and the administrative burden as their greatest challenge.[1]

When regulation is done well, it can create a more stable and predictable environment for businesses to make long-term strategic decisions and investments. Proportionate regulation, that considers both the risks and opportunities from market evolutions, can encourage industries to innovate and promote growth, while also protecting society against unintended consequences and ensuring consumers are prioritised. It is also important that simplification and effectiveness of regulations go hand-in-hand.

Simplification should not come at the expense of the intended societal outcomes of regulation, such as protecting human rights, the environment, and fair competition. Clear, proportionate, evenly enforced, and predictable regulation underpins trust in markets and, as a result, supports responsible business conduct and improves competitiveness.

Conversely, overly complicated, precautionary or inconsistent rulemaking can cause competitiveness disadvantages, undermine efficiency and constrain innovation. Addressing the complexity of today's regulatory environment requires policymakers not only to consider whether the current regulatory environment is well-functioning, but also how to make better regulation moving forward. While simplification aims to reduce complexity, it should also create *smarter* regulation, focused on implementable outcomes and accountability rather than prescriptive compliance.

It is therefore crucial that the OECD's longstanding work on better regulation, which is aimed at ensuring that laws are effective, efficient, and evidence-based, both underpins the OECD's work on simplification and goes a step further. There is compelling evidence in the OECD's 2025 Regulatory Policy Outlook[2] that significant progress is still needed in many OECD countries to improve their regulatory practices in line with the OECD's better regulation agenda.

***As part of the OECD's initiative on 'Simplifying for Success', we therefore urge governments to redouble their efforts to improve the quality, implementation, and enforcement of regulations and administrative procedures and foster greater simplicity for businesses.***

We identify the following five priority areas for the OECD to focus on helping governments to make better, simpler regulatory environments for businesses:

[1] Reducing regulatory burden to restore the EU's competitive edge - BusinessEurope

[2] *Unless stated otherwise, figures cited in this paper come from the OECD Regulatory Policy Outlook 2025.*

# Priority Areas for OECD Focus

## **Priority 1:** Consider the full range of regulatory tools governments have at their disposal

Regulation is one of the tools available to governments for shaping how markets operate and the ways in which businesses can contribute to growth. Regulation, when appropriately designed and implemented, can enable innovation and transformation, by encouraging companies and individuals to take transformative actions that can accelerate public policy objectives. However, regulation is not always the most appropriate or efficient policy instrument for achieving public policy objectives.

Effective governance requires assessing when regulation is necessary and proportionate, and when alternative non-regulatory approaches, such as market-based instruments, voluntary measures, or education and awareness-raising campaigns, might achieve the same policy objectives at lower burden and cost.

The heightened complexity of today's regulatory environment is a testament in part to the fact that governments across the OECD are insufficiently considering the full range of regulatory policy tools they have at their disposal to govern. According to the OECD's 2025 Regulatory Policy Outlook, only 41% of OECD governments are required to consider agile and flexible design options when making regulations. It is urgent that this becomes a more routine consideration in the regulatory process.

From the earliest stages of identifying the need for a regulatory intervention, governments need to also assess the potential impacts that regulation may pose to future developments in the market. Given the fast pace of innovation, regulatory regimes can rapidly become outdated, unfit, and act as barriers to innovation for many businesses. This is especially important in the context of the digital transformation. In line with the OECD's *Recommendation on Agile Regulatory Governance to Harness Innovation*, we call on governments to remain responsive to changes in the market, especially given the fast-changing nature of digital technologies. Key elements to achieve such a responsive regulatory system are adopting a risk- and opportunity-based approach to regulation and the employment of anticipatory governance and an iterative policy cycle.

Moreover, governments should ensure that regulatory timelines are realistic and aligned with the development of relevant standards. Standards must be developed early and fast enough for companies to apply them before regulatory deadlines, with sufficient lead time to adapt products and compliance processes. When standardization is delayed, application dates should be adjusted. Aligning timelines with standards avoids unrealistic compliance expectations, costly redesigns, and duplication of effort.

The use of anticipatory governance approaches to proactively address emerging challenges and responsibly support evolving opportunities is a significantly underused regulatory policy tool, which can also support innovation. The use of AI and strategic intelligence tools, such as horizon scanning and strategic foresight, can help regulators to improve regulatory design by anticipating future trends and risks. As well, the use of open data, regulatory sandboxes, and iterative learning loops can also further modernize and improve regulatory toolkits. There are significant opportunities for governments to consider leveraging these types of tools, including AI, to help improve the information policymakers have at hand when making regulations.

It is also crucial that regulations are not developed in isolation of each other, as this may lead to unintended consequences, such as regulatory gaps in, or overlap with, other sectors. An enhanced use of regulatory impact assessments, with more focus on the cumulative impacts associated with new regulatory interventions, is urgently needed. This is particularly relevant for SMEs, which often lack the internal capacity to absorb new compliance requirements. We recommend that governments systematically integrate SME-specific impact assessments into regulatory design, in line with a 'Think Small First' approach.[3]

We urge the OECD to consider how the use of these *ex-ante* regulatory practices can help prevent regulatory and administrative burdens before a regulatory intervention is developed.

## **Priority 2:** Better engagement with businesses to inform regulatory decisions

Engagement of all relevant stakeholders is a key process for governments to keep abreast of developments in the market and shape regulatory interventions. However, the identification of all relevant stakeholders and stakeholder engagement often happens too late in the regulatory process, after key decisions have been taken, or is targeted in such a way that it is inappropriate for providing governments with the essential information they need from business and affected stakeholders. In particular, businesses can provide expertise on the realities of regulatory implementation and the likely ease and methods of enforcement, both of which are crucial to the effectiveness of any regulatory intervention.

Effective stakeholder engagement requires better planning and more accessible information on a potential regulatory initiative. While OECD countries have made progress towards engaging with stakeholders in the regulatory development phase, additional efforts could be made to ensure that relevant affected parties, inclusive of all sectors and industries, are included in stakeholder consultation processes and receive feedback on the input provided to regulatory proposals.

Often, only the directly affected party is consulted, without any additional assessment of the impact on upstream and downstream stakeholders. Public authorities must ensure that the entire value chain is mapped and involved. Their understanding of the value chain should not rely solely on information provided by the most directly affected stakeholder. Authorities should engage every link in the value chain throughout the entire regulatory process.

Cross-disciplinary and cross-sector dialogue with business, civil society, and academia is another valuable way to anticipate systemic impacts and co-create more resilient regulatory frameworks.

This engagement can be helpful for identifying potential practical challenges and unexpected market behaviours, reducing unnecessary compliance costs and building trust among stakeholders, which also improves the overall effectiveness of regulation once it is adopted.

We therefore encourage policymakers to proactively engage in consultation with all representative business organisations and all affected sectors at an early stage, as well as provide feedback about how input provided in the consultation process has been considered as part of regulatory proposals.

## **Priority 3:** Commit to effective and efficient enforcement of regulation

Once regulation has been adopted, ensuring proportionate compliance and ease of enforcement is key to effectively achieving the intended policy goals. Clarity and proportionality surrounding the implementation and enforcement of regulations is essential for well-functioning markets. Conversely, uncertainty and weak

[3] Empowering SMEs: Securing Competitiveness for our Economies, *Business at OECD* (BIAC), 2025.

enforcement can undermine legitimate businesses by creating black markets, erode public safety, and complicate the decisions of businesses and entrepreneurs, hindering investment decisions and innovation.

The OECD's findings highlight the need for additional support to help countries strengthen their administrative capacity, tools, and training to ensure effective regulatory implementation and enforcement. The business community has repeatedly called on governments to invest in technical, regulatory, policy, administrative, and planning skills across the public sector. It also urges modernization and digitalization of processes and systems to address delays, backlogs, and reputational risks in regulating an increasingly complex economy.

One approach to more effective enforcement is for governments to adopt proportionate and risk-based enforcement approaches. This principle of proportionality should also apply to new compliance requirements, such as ESG reporting. Governments should consider offsetting the additional costs SMEs face, such as hiring external experts, through targeted tax credits or simplified reporting frameworks.[4] Proportionate and risk-based enforcement focuses on higher risk areas where non-compliance could be the most harmful and helps maximise the impact of enforcement efforts. However, the OECD's findings show that more than half of OECD Members do not permit regulators to base their enforcement work on risk criteria.

To complement this, governments should also streamline how businesses report incidents and compliance information. Establishing consolidated digital reporting gateways—where a single submission satisfies multiple regulatory requirements—would significantly reduce administrative burden. A common reporting platform, authority and template, applied wherever possible across regulatory areas would help avoid duplicate reporting, ensure consistent information, and enable faster response by competent authorities.

We urge governments to consider how to be more effective in terms of the implementation and enforcement of regulatory frameworks, including through a more efficient use of existing assets, the allocation of additional resources, the use of smarter digital tools, and the adoption of risk-based approaches to enforcement. However, where enforcement efforts continue to fall short of expected or fair market impacts, particularly in cases where responsible industry players are being disadvantaged to non-compliant products, regulatory re-evaluation should be conducted taking into account such market realities, unintended consequences, and simpler or less prohibitionary approaches that have been proven as effective in other comparable markets.

## **Priority 4:** Routinely evaluate the existing body of regulations

As regulation is considered, it is essential that there is clear and objective evidence to justify the regulatory burden proposed and there is a common standard used in the collection, assessment and weighting of this evidence to mitigate against undue bias. Such an evidence-based policy approach ensures that the aims of regulatory interventions are clear, expected outcomes can be recorded, and effectiveness can be evaluated post-implementation to enable continuous improvement. Should regulation be found to be falling short of achieving its intended purpose, or giving rise to unexpected consequences, re-evaluation should be systematic.

Likewise, often, as new rules are progressively added to the regulatory environment, they are layered on top of existing regulations, and this further increases the complexity and associated costs for businesses.

In the design of regulation, there needs to be consideration for how they will be maintained or, if necessary, removed. From the outset, this

[4] Empowering SMEs: Securing Competitiveness for our Economies, *Business at OECD* (BIAC), 2025.

requires that when regulation is being designed, policymakers set up effective monitoring and evaluation tools for assessing the effectiveness and efficiency of regulations. This will also improve public trust and accountability by showing that governments are willing to evaluate and improve their own rules, not just make new ones. In parallel, we encourage investments in digitalisation of administrative procedures and the development of centralised 'one-stop shops' to streamline access to regulatory information and support services, particularly for SMEs.

The OECD's findings show that too few governments are considering the potential value of ex-post evaluations of regulation. Systematic requirements to undertake ex-post evaluations of regulations exist in less than one-third of OECD countries. A lack of ex-post evaluations makes it difficult to determine when the costs of compliance outweigh the benefits of a regulation. Moreover, indirect negative effects can create accumulating secondary costs over time. Comprehensive ex-post impact assessments are therefore essential to understand the full, long-term costs and effects of regulations. They can also be mutually beneficial for both the public and private sector to evaluate whether intended policy objectives were effectively achieved.

Likewise, less than half of OECD countries require methodologies or indicators for measuring progress toward immediate policy goals, and only a quarter require indicators to measure the contribution toward long-term goals. Too often, this is because regulations are designed without a methodology for measuring progress, despite the OECD's recommendation that governments should conduct "systematic reviews […] to ensure that regulations remain […] cost effective and consistent, and deliver the intended policy objectives".

We call for policymakers to systematically conduct ex-post evaluations of all existing regulatory frameworks (primary and secondary legislation) to ensure that changing conditions do not lead to regulatory gaps and regulations continue to deliver the intended policy objectives.

## **Priority 5:** Increase co-operation among regulatory institutions at local, regional and international levels

With integrated value chains and the movement of goods, services and capital across borders in today's globalized world, businesses must navigate a significant number of rules in their daily operations. Navigating an increasingly fragmented and divergent international regulatory environment has considerable costs for businesses and our economies. For SMEs, these costs are particularly acute, as they often lack the legal and financial resources to navigate divergent compliance regimes. Greater regulatory coherence across jurisdictions would significantly reduce barriers to cross-border trade and improve SMEs' integration into global value chains.

Governments need to recognise these practical difficulties and strive to increase co-operation in the design and implementation of regulatory frameworks in line with the OECD *Recommendation on International Regulatory Co-operation to Tackle Global Challenges*. This can include aligning terminology or definitions, mutual recognition of audits or assessments across frameworks, and common guidance or benchmarks. However, the OECD's findings show that only 30% of OECD governments are required to systematically consider how their regulations impact other countries.

Regulatory co-operation at local and regional levels is equally important for businesses. Enhanced regulatory cooperation was a key recommendation of *Business at OECD*'s recent report *"The Risks of Divergence Between Global ESG Reporting Standards,"* and regulatory fragmentation within the ESG reporting landscape is highlighted as one of *Business at OECD's* top policy priorities. Too often, even authorities within the same country are not coordinating internally to share data and information relevant to take regulatory decisions or conduct enforcement.

This is a final, important consideration when it comes to simplifying the regulatory environment for businesses and helping to reduce complexity. When governments improve the coherence and coordination of their regulation together, this reduces the uncertainty and challenges for businesses in their interactions with regulators. It also plays a critical role in levelling the playing field for MNEs and SMEs alike.

Finally, simplification efforts should also reduce regulatory complexity and uncertainty for entrepreneurs and business owners, especially of SMEs. We encourage the OECD to explore the benefits of simplification of regulations to foster sustainable small businesses and entrepreneurs.

# Conclusion

Taken together, we believe these approaches will help promote a regulatory environment that is both less complex and more conducive to business-led growth.

The OECD has also been at the forefront of best practice in regulatory rule-making and consistent advocates for the importance of the appropriate regulatory environment in providing industries with a fair playing field to innovate and operate. We urge the OECD to continue to lead debates and highlight best practices for governments to simplify the regulatory environment for businesses.

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|---|---|
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| Austria | **Federation of Austrian Industries (IV)** |
| Belgium | **Federation of Belgian Enterprises (VBO FEB)** |
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| Chile | **Confederation of Production and Commerce of Chile (CPC)** |
| Colombia | **National Business Association of Colombia (ANDI)** |
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| Denmark | **Confederation of Danish Industry (DI)** |
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