

TABLE OF CONTENTS

REDUCING THE RISK OF POLICY FAILURE: CHALLENGES FOR REGULATORY COMPLIANCE	1
FOREWORD.....	3
EXECUTIVE SUMMARY	7
CHAPTER 1 INTRODUCTION.....	9
1. REGULATORY COMPLIANCE PROBLEMS: A CASE FOR REGULATORY REFORM.....	9
2. REGULATORY COMPLIANCE AND POLICY EFFECTIVENESS.....	11
CHAPTER 2 COMPLIANCE FAILURES	13
1. NON-COMPLIANCE RELATED TO LACK OF REGULATORY KNOWLEDGE OR COMPREHENSION BY THE TARGET GROUP	14
2. NON-COMPLIANCE RELATED TO THE WILLINGNESS OF THE TARGET GROUP TO COMPLY WITH THE RULES	16
3. NON-COMPLIANCE RELATED TO THE ABILITY OF THE TARGET GROUP TO COMPLY WITH THE RULES	21
CHAPTER 3 INNOVATIVE STRATEGIES TO IMPROVE COMPLIANCE AND REGULATORY EFFECTIVENESS	25
1. INNOVATIONS IN THE DESIGN PHASE.....	25
1.1. Problem identification and the use of non-regulatory instruments.....	25
1.2. Government regulation that maximises voluntary compliance	31
2. INNOVATIONS IN THE IMPLEMENTATION AND ENFORCEMENT PHASE.....	34
2.1. Rewards and incentives for high/voluntary compliance.....	34
2.2. Nurture compliance capacity in business	37
2.3. Targeting for low compliance.....	38
2.4. Restorative justice when voluntary compliance fails	41
2.5. Responsive enforcement when restorative justice fails	43
CHAPTER 4 TOOLS FOR COMPLIANCE-ORIENTED REGULATION.....	44
1. TOOLS FOR <i>EX ANTE</i> EVALUATION: IMPACT ANALYSIS OF COMPLIANCE ..	45
2. TOOLS FOR <i>EX POST</i> EVALUATION: MONITORING COMPLIANCE TRENDS ..	49
3. RESULTS-ORIENTED ENFORCEMENT MANAGEMENT.....	51
CHAPTER 5 SUGGESTIONS FOR RESULTS-ORIENTED POLICY	55
1. RESULT-ORIENTED POLICY DESIGN	55
2. COMPLIANCE-ORIENTED REGULATORY DESIGN.....	56
3. EVALUATE REGULATORY EFFECTIVENESS	56

ANNEX: SUMMARY OF SCHOLARLY LITERATURE ON REGULATORY COMPLIANCE	65
1. INTRODUCTION: TWO MEANINGS OF COMPLIANCE	66
1.1. Introduction	66
1.2. Compliance 1: Description and explanation of obedience of target populations to regulation	66
1.3. Compliance 2: A co-operative, persuasive style of regulatory enforcement strategy.....	66
1.4. Outline of this review	67
2. REASONS FOR COMPLIANCE: DETERRENCE AND OTHER EXPLANATIONS .	68
2.1. The traditional deterrence approach	68
2.2. Problems with simple deterrence theory.....	68
2.3. Bounded rationality	69
2.4. The effects of negative publicity	69
2.5. Informal sanctions and shame	70
2.6. The significance of maintaining legitimacy.....	70
2.7. Co-operation and trust	71
2.8. Effective motivations for compliance vary among people and contexts	73
2.9. Summary.....	73
3. COMPLIANCE AND MIXES OF REGULATORY STRATEGIES	73
3.1. A more holistic, pragmatic and outcome-oriented approach to understanding compliance	73
3.2. Pyramids of regulatory strategies	74
3.3. Regulatory instrument mixes	75
4. CURRENT AND EMERGING THEMES	76
4.1. Introduction	76
4.2. Regulatory pluralism and regulatory space	76
4.3. Internal corporate compliance systems.....	78
4.4. Incentives for compliance systems and compliance leadership.....	81
4.5. The role of third parties, civil society and markets in regulation	82
BIBLIOGRAPHY	85