

Implementing  
regulatory  
reform

Darren Welch  
Bannock  
Consulting

# Establishing RIA in Developing Countries – The Practical Challenges



- A. What is Regulatory Impact Assessment (RIA)?
- B. The objectives and benefits of RIA for developing countries
- C. Modifying RIA systems for developing country contexts
- D. The challenges of implementing RIA

# A. What is RIA?

- A methodology for designing precise, targeted regulations that achieve legitimate policy aims with the minimum burden on those affected.
- A framework for high quality, evidence-based participative policy development.

# RIA is not:

- A “one-size-fits-all” methodology
- A precise science
- A substitute for judgement

# Increasing interest in RIA

- Bosnia
- Croatia
- Ghana
- India
- Malaysia
- Moldova
- Philippines
- South Africa
- Sri Lanka
- Tanzania
- Uganda
- Ukraine

## B. The Objectives of RIA for Developing Countries

- Improving the quality and efficiency of government interventions
- Enhancing competitiveness (and competition)
- Increasing transparency and accountability
- Reducing opportunities for corruption
- A tool for policy monitoring and evaluation

# Cutting through National Health Service red tape

Implementing  
regulatory  
reform

“Problems of delays, red tape and a burgeoning health service bureaucracy have characterised the last 12 years ”

BBC



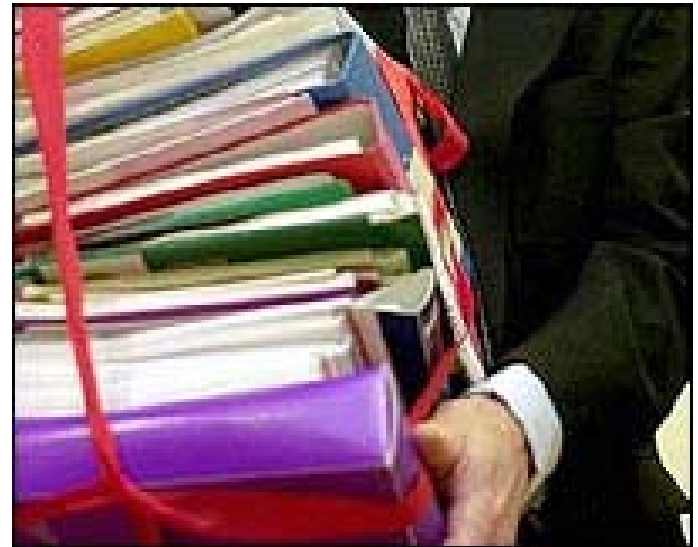
“The NHS is hampered by bureaucracy”

# Red tape 'still holds firms back'

Implementing  
regulatory  
reform

BBC

Red tape is still holding back firms across the UK and hitting job creation, according to the Institute of Directors – “businesses are being hit with excessive costs.”



“Red tape is holding back job creation”

# A Worldwide Problem

Implementing  
regulatory  
reform

Japan urges "potential  
sweetheart" India to cut red  
tape to increase trade



EU business chamber aims to cut  
red tape in Europe & US



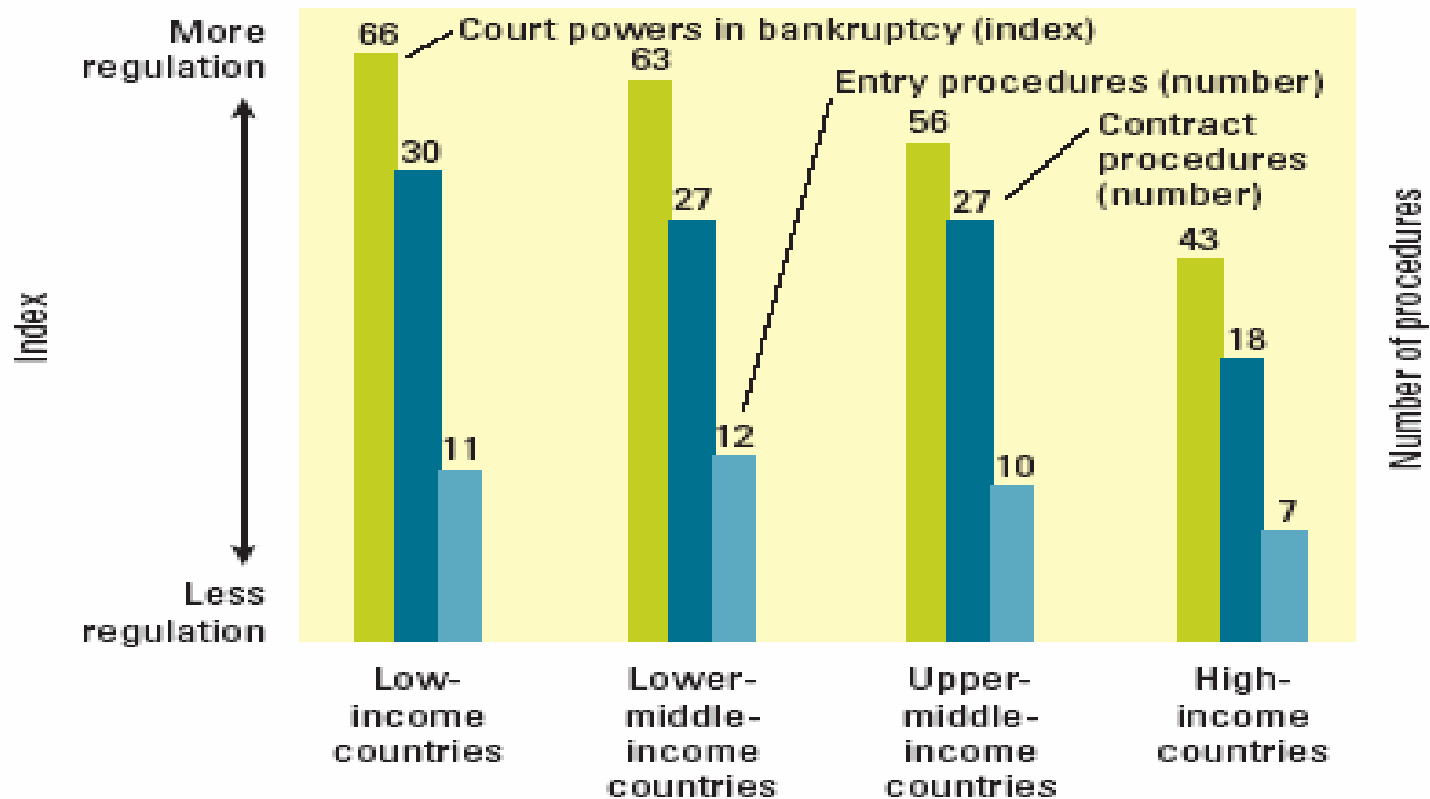
# The Benefits of RIA for Developing Countries

Implementing  
regulatory  
reform

- Benefits the same in both developed and developing countries
- Potential for RIA to contribute to economic growth and poverty reduction is greater
  - Higher level of regulatory burden
  - Importance of MSMEs
  - Greater levels of corruption
  - Groups that are especially vulnerable

# Lower Income Countries Tend to Regulate More

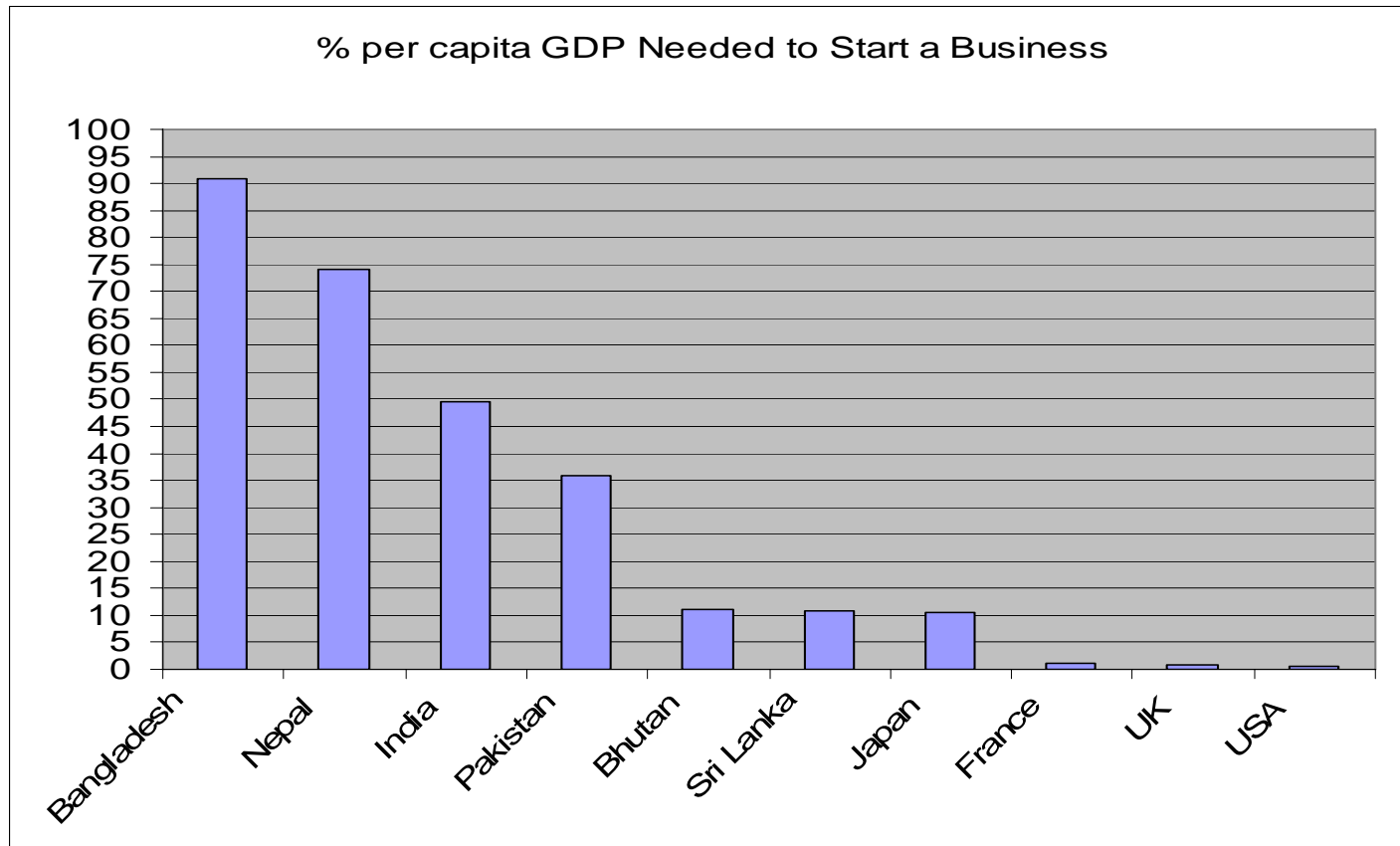
Implementing  
regulatory  
reform



Source: *World Development Report 2005*, World Bank, Washington, 2005.

# Comparative Costs of Setting Up a New Business

Implementing  
regulatory  
reform



Source: *Doing Business in 2005*, World Bank, Washington, 2005.

Country rank	Country	CPI 2004 score
1	Finland	9.7
2	New Zealand	9.6
3	Denmark Iceland	9.5
5	Singapore	9.3
11	UK	8.6
15	Germany	8.2
23	France	6.9
67	Sri Lanka	2.1
90	Gambia	2.8
	India	2.8
	Malawi	2.8
	Mozambique	2.8
	Nepal	2.8
	Russia	2.8
	Tanzania	2.8
129	Cameroon	2.1
	Iraq	2.1
	Kenya	2.1
	Pakistan	2.1
145	Bangladesh	1.5
	Haiti	1.5

Source: Transparency International  
Corruption Perceptions Index 2004

# C. Modifying RIA Systems for Developing Country Contexts

- Generic RIA framework flexible
- Common components, different implementation
- Impacts will vary
- Capacity an issue
- Different emphases (“filters”)
- Must not be a burden itself
- Collaboration not confrontation

- 1. Title of Proposal**
- 2. Purpose and Intended Effect**
- 3. The Policy Problem**
- 4. Options**
- 5. Impacts**
- 6. Distribution of Impacts**
- 7. (Results of) Consultation**
- 8. Enforcement and Sanctions**
- 9. Monitoring and Evaluation**

# D. The Challenges of Implementing RIA

- Lack of awareness and acceptance of RIA
  - Threatens established systems
  - Awareness-raising vital
  - Differentiate between RIA and deregulation
  - Phased approach to implementation

- Securing and maintaining political leadership
  - Political commitment required from the top
  - Support needs to be sustained
  - Build pressure for change from outside government as well
  - Build capacity for monitoring mechanisms

- Structures to support system
  - Clarification of how RIAs will be produced and used
  - Utilisation of emerging best practice
  - System should meet a country's individual needs
  - Impartial arm of government to coordinate process
  - Ministerial approval of RIAs

- Weak institutional capacity
  - RIA systems should be simple and useful
  - Guidance should be clear
  - Effort put in should be commensurate with expected impact of policy
  - Formal training

- **Problems of data availability**
  - Lack of reliable survey data
  - Policy makers need to be creative
  - Not always necessary to assign economic value to non-economic costs/benefits
  - RIA Units can compile resource libraries

# The Challenges of Implementing RIA

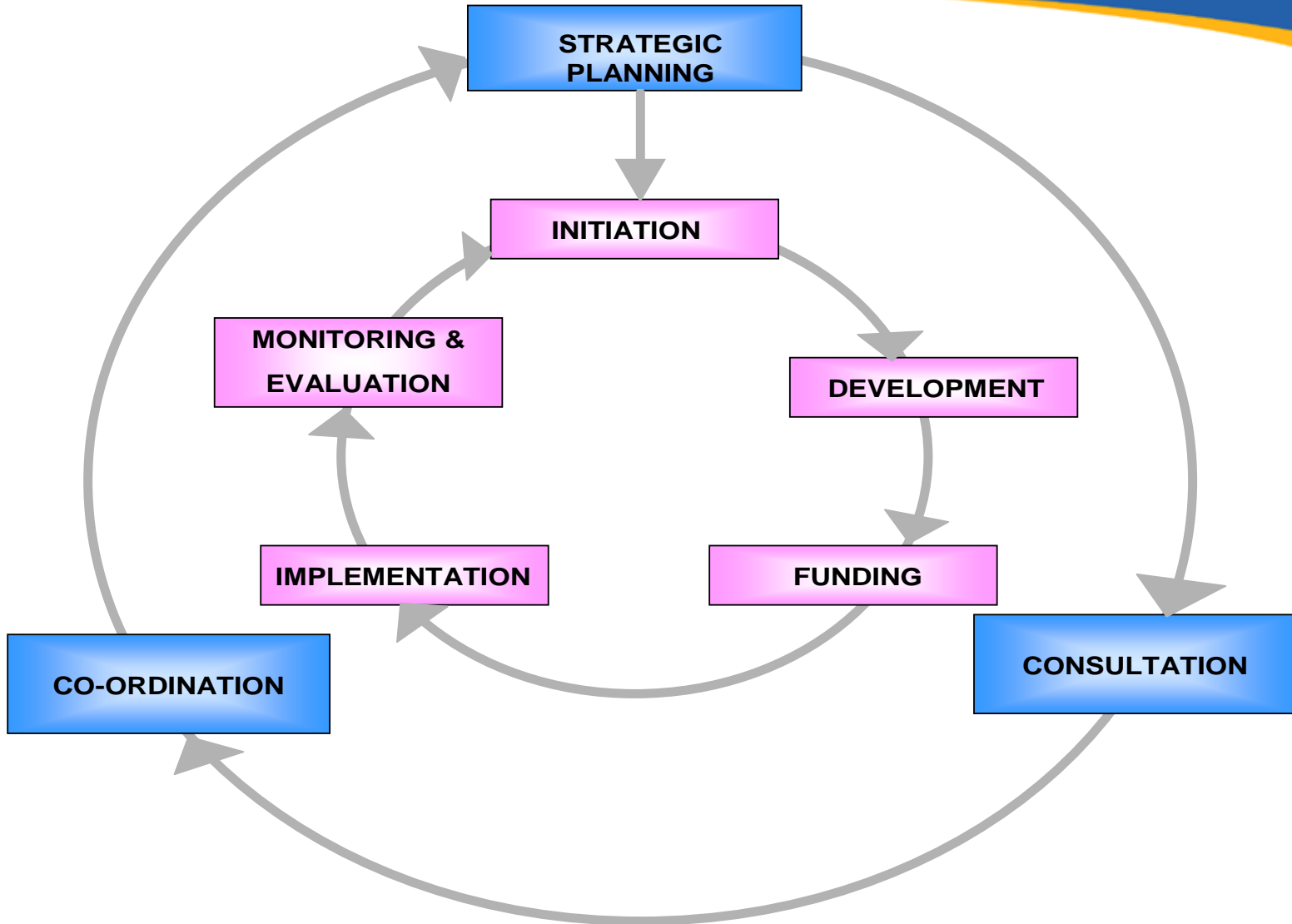
Implementing  
regulatory  
reform

- **Managing changing responsibilities**
  - Institutional change considerations
  - New balances of power between:
    - Institutions at the centre
    - Centre and line Ministries
    - Ministers and officials

- Quality of wider policy process
  - RIA requires participative policy process
  - Policy coordination and quality assurance
  - Policy monitoring and evaluation
  - Part of a wider programme of policy reform and capacity building

# The Policy Cycle

Implementing  
regulatory  
reform



- RIA brings benefits to developed and developing countries alike
- Developing countries stand to gain much
- Challenges should not deter adoption
- Emerging good practice can point the way
- Wider policy process needs attention too