

## Facilitating the adoption of regulatory impact assessment framework in India

### Background and rationale

Indian regulatory governance processes have become outdated. As a result of uncertain, unpredictable and frequently changing policies, adopted without any objective assessment criteria, the costs of doing business have soared. Stakeholders are not regularly consulted while policy making, and there is no formal policy review mechanism. There are instances galore of sub-optimal policy making, such as retrospective amendments to taxation policies, unpredictable foreign investment norms, etc. This has resulted in a loss of investor confidence and barriers to economic growth.

Regulatory impact assessment (RIA) is an appropriate remedy for this situation. It involves a participatory approach to assess impact of regulations, determination of costs and benefits, and selection the most appropriate policy alternative. As the policies have stakeholder buy-in, they prove easier to implement. As a result, there is greater clarity and predictability in regulatory process. RIA has resulted in considerable economic benefits in countries like UK, Australia and US. The new government in India has already stressed upon open, transparent and accountable governance.

In this backdrop, CUTS Centre for Competition, Investment and Economic Regulation is implementing a two year project to undertake RIA in select primary laws in financial sector, followed by advocacy and capacity building activities. The project will demonstrate process and benefits of RIA by designing and implementing RIA on select existing laws, generating awareness and building institutional capacity, thereby advocating adoption of RIA framework by central government and certain regulatory authorities, in India.

### Brief Methodology

The project comprises of two cycles, one per financial year. Each cycle involves undertaking RIA in a financial sector primary law, followed by a dissemination/advocacy seminar and two training and capacity building sessions. Banking and insurance sectors will be covered for conduct of RIA.

#### Conducting RIA

RIA will involve literature review and stakeholder interactions. Stakeholder interactions will take place through stakeholder surveys, two focused group discussions for government/regulators and industry, respectively, and a common stakeholder

forum for government/regulators and industry. From government and regulatory institutions, members and senior-level officers will be invited, and from industry, directors and senior managers will be invited, to share their views on policies, discuss alternatives, understand rationale, process, and benefits of adoption of RIA.

#### Advocacy and capacity building

A national level advocacy seminar will be organised under each cycle to disseminate findings of the RIA study. In addition, dissemination of benefits

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of RIA and the findings of RIA research will be undertaken through various media outlets. This would help generating demand for RIA and work towards adoption of the policy recommendations.

In addition, under each cycle, two training and capacity building programmes will be organised with government and regulatory institutions, to develop a cadre of individuals capable of adopting and implementing RIA. Mid (director) level officers from institutions likely to adopt RIA, such as ministries of finance, law, infrastructure and energy, regulators like IRDA, RBI, and bodies like PC, IEO, having responsibility of framing laws/regulations will be invited. First training programme in each year will be an introductory/broad-based refresher course on RIA, and second will be in-depth training session involving case studies and group exercises.

### ***National Reference Group***

National Reference Group would be constituted, comprises of policy makers, academicians, sector experts and government representatives. Apart from providing guidance and support to the process of project implementation, the NRG members would be involved in review of progress of the project.

## **Outputs**

Outputs of the project will be two research reports; a briefing paper on rationale, benefits, and process of RIA; a policy brief summarising recommendations of each cycle of RIA; and a customised toolkit for undertaking RIA in developing countries like India.

## **Outcomes**

Currently, understanding of process/methodology and institutional capacities to undertake and implement RIA are absent, in India. The project will address these gaps by building capacity of government and regulatory institutions and facilitating seamless transition towards adopting RIA framework.

## **Objective**

Objective of the project is to advocate adoption of RIA framework by central government and certain regulatory authorities to strengthen transparency leading to improvement in economic governance in India.

## **Development Partner**

The project is supported by the British High Commission in New Delhi under the Prosperity Fund Programme.

