



## Regulatory Impact Assessment in India *Need and Importance*



CUTS Centre for Competition, Investment & Economic Regulation (CUTS CCIER) and CUTS Institute for Regulation & Competition (CIRC) with the support from British High Commission, New Delhi organised a training programme on 'Regulatory Impact Assessment' (RIA) at New Delhi, on March 25-26, 2015. The programme was held under the project entitled, 'Facilitating the Adoption of Regulatory Impact Assessment Framework in India'.

The focus of the programme was to generate awareness and build capacity of government officials, regulatory agencies, research institutions and civil society organisations to adopt and conduct RIA.

RIA is a broad tool used to assess impacts (costs and benefits) of a regulation before it is adopted or existing laws need to be rectified. It is evolving quickly as it is mainstreamed into policy processes around the world.

Amitabh Kant, Secretary, Department of Industrial Policy and Promotion said that the workshop is very timely as India is on a reform path. He emphasised on the need for India to undertake rigorous cost-benefit assessment of laws and regulations to help remove impediments to national growth and RIA can play an important role in such analysis.

Kant said that in order for India to grow at 9-10 percent over the next three decades, the manufacturing sector will have to grow by around 14 percent over the same period. He added that India recognises this imperative need and is deeply committed to improving the regulatory environment on ease of doing business in India.



L-R: Pradeep S Mehta, Amitabh Kant and Aurodeep Nandi

Pradeep S Mehta, Secretary General, CUTS International in his opening remarks said 'the absence of RIA in policy framework in India results in formulation of bunch of avoidable regulations'. Mehta added that CUTS has contributed to the erstwhile Planning Commission's Working Group on Business Regulatory Reforms with a recommendation on impact assessment of existing and proposed regulations.

Aurodeep Nandi, Economic Adviser, British High Commission, shared UK's experience in regulatory reforms. Nandi emphasised on the need to adopt RIA as it is long overdue in India and urgent need of the hour. This tool would help policymakers undertake cost-benefit analysis before introduction of new regulation.

A National Advocacy Seminar on 'Regulatory Impact Assessment (RIA) in India: Need and Importance' was also held under the project at New Delhi, on March 27, 2015. The major aim of the seminar was to sensitise participants on the need and benefits of RIA, discuss mechanisms to institutionalise RIA in India, and disseminate the findings of the CUTS project.

Arun Maira, Former Member of the erstwhile Planning Commission of India said 'Good policymaking is about mastering the processes. It seems that the government has always jumped too quickly to solutions, before even determining what we want or how we can get it.'

Scott Jacobs, Managing Director of Jacobs, Cordova & Associates opined that RIA is an innovative tool to change the way governments operate and ensure that important regulatory quality standards are achieved and maintained, for policies to be able to stimulate economic growth and maximise total welfare.

Other speakers at the event, including representatives of various other institutions (RBI, SEBI, CCI, etc.) and the private sector, agreed on the need and importance of adopting RIA in India.

<http://www.cuts-ccier.org/BHC-RIA>

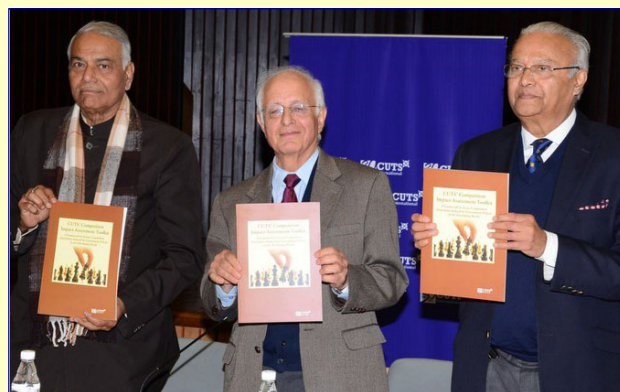
## Adoption of National Competition Policy to Achieve Double Digit Growth in India

CUTS organised a roundtable discussion on 'Adoption of National Competition Policy to Achieve Double Digit Growth in India' at New Delhi on January 29, 2015. The meeting was focussed on the broader objective of adoption and implementation of National Competition Policy (NCP), which would require other things, such as harmonisation of government policies at both levels (Centre and State) inseminating principles of competition.

Veerappa Moily, MP and Chairman, Parliamentary Standing Committee on Finance could not attend but his speech was distributed which supported NCP as having the potential to trigger second generation reforms in India.

Pradeep S Mehta, Secretary General, CUTS International, spoke about various studies done by CUTS to make the case for competition reforms. Having established enough basis for the need to have a policy, Arun Maira emphasised on the need to deliberate on 'How' best to implement - building the right buy-in among stakeholders. It was believed that the newly constituted *NITI Aayog* could play an important role in advancing such a policy.

The meeting concluded with CUTS recommendations to continue with the cost benefit studies, roundtables and engage with media and stakeholders. Yashwant Sinha, former Finance Minister of India suggested CUTS to prepare a brief memorandum and seek an audience with the Prime Minister.



L-R: Yashwant Sinha, Arun Maira and Pradeep S Mehta releasing a CUTS' Publication

[www.cuts-ccier.org/event-](http://www.cuts-ccier.org/event-)

[Roundtable\\_Discussion\\_on\\_Adoption\\_of\\_National\\_Competition\\_Policy\\_to\\_Achieve\\_Double\\_Digit\\_Growth\\_in\\_India.htm](http://www.cuts-ccier.org/event-Roundtable_Discussion_on_Adoption_of_National_Competition_Policy_to_Achieve_Double_Digit_Growth_in_India.htm)

## Sustainable 24X7 Power to Consumers

CUTS with the support of the World Bank organised a Roundtable 'Sustainable 24x7 Power to Consumers: Integral Role of Consumer Participation in Electricity Regulatory Process' at New Delhi, on February 11, 2015.



The purpose of the meeting was to disseminate the findings of the study conducted by CUTS. The roundtable was joined by eminent people from the Centre and state regulatory bodies, civil society organisations, think tanks, media and academia.



Dignitaries at the Roundtable on 'Sustainable 24x7 Power to Consumers' at New Delhi, on February 11, 2015

Desh Deepak Verma, Chairman, Uttar Pradesh Electricity Regulatory Commission emphasised on the importance of role of regulators in protecting and encouraging consumer participation.

Pradeep S Mehta, Secretary General, CUTS International said the Electricity Act has definitely contributed to increasing the role of consumer and consumer protection but emphasised the need for the regulator to be truly independent.

CUTS' study was presented and well received by the audience. Looking into experiences of electricity regulation in Delhi, Haryana, Karnataka, Maharashtra and Rajasthan, the study found a wide variation in institutionalisation and practice of consumer participation and protection. It concluded that the provisions for consumer participation and protection, as prescribed in the Electricity Act 2003, have been adopted by states, but more symbolically than substantively.

Drawing lessons from other sector regulators, it was also argued that moving to electricity markets would only escalate the need to strengthen mechanisms for consumer participation and grievance redress.

<http://www.cuts-ccier.org/CPSER>

## India Competition and Regulation Report (ICRR), 2015

With the liberalisation in 1991, India embraced within itself several market-oriented economic reforms. However, there is no regular review conducted to assess the functioning of markets in the country. Bearing in mind the relevance of market forces in an emerging nation like India, it is essential to do periodic assessment of competition and regulation scenario in the country.



CUTS, through its consecutive biennial project, India Competition and Regulation Report (ICRR) make an attempt to fill this void. The project is supported by the Ministry of Foreign Affairs through the Royal Norwegian Embassy in New Delhi, India. The first Report was published in 2007. Each cycle is focussed on specific economic sectors and examines the state and quality of competition and regulation. Principally, its objective is to stimulate action by governments and their agencies on regulatory reforms to improve the quality of regulation and enhance competition in selected sectors through research, networking and advocacy based on research findings.

The current edition, due to be released in December 2015, covers four areas – Highways, Broadcasting, Higher Education and Banking. It will include few cross cutting chapters as well and focus on quality and design of regulation with emphasis on accountability issues and emphasis on various competition distortions as well as regulatory hurdles in these sectors. It would be guided by a group of experts (specialised in respective sectors) – the Project Advisory Committee that would meet regularly to assess the implementation of project and provide further contribution and guidance.

## 3G/2G Internet Measurements in India

CCIER has recently launched a three-month project with the Indian Institute of Technology (IIT) New Delhi. IIT has conducted a study which evaluates the mobile internet (2G and 3G) services provided by four companies – Airtel, IDEA, MTNL and Reliance across three states – New Delhi, Madhya Pradesh and Jharkhand. The states were selected in order to cover urban, semi urban and rural areas.

The objective of the study was to conduct an audit of the quality of services provided and understand the potential problems in the network or application design. CCIER is acting as an advocacy partner to disseminate the findings of the study. The idea is prepare Policy Briefs/Briefing Papers on the study and undertake strategic meetings with relevant members of the government, regulators, civil society organisations and industry to push for the need of third party evaluation in the sector.

### Advocacy

## Report of RBI Internal Working Group to Revisit Existing Priority Sector Lending Guidelines

CUTS provided its comments on the report of the Internal Working Group (IWG) of the Reserve Bank of India (RBI) to revisit the existing priority sector lending (PSL) guidelines, and suggest revised guidelines in alignment with the national priorities as well as financial inclusion goals of the country.

The governments rather than providing clear guidance on the PSL norms, often acts contrary to interests of PSL lenders by announcing loan waivers. This discourages banks from meeting PSL targets. Therefore, better guidance and direction on PSL targets from government, and timely coordination with RBI would aid in selection of optimal approach to achieve the targets.

Further, CUTS suggested that there is a need to develop, evaluate and compare costs and benefits of current approach to PSL and its compliance, which could provide maximum net benefits to stakeholders.

As regards applicability, the report recommended that PSL targets be applicable to all commercial banks, without any distinction between foreign and domestic banks. While this requirement is expected to impose additional burden on foreign banks with limited Indian presence, the parity of treatment seems to be a step in the right direction. At the same time, there is a need to ensure competitive neutrality amongst foreign and Indian banks in all matters, thereby enabling foreign banks to compete efficiently with domestic counterparts.

The report further provides that no bank can issue PSL certificates of more than 50 percent of 2014's PSL achievement or excess over the 2014's PSL achievement, whichever is higher. This alternate criterion to limit overall amount of PSL seems confusing as there might not be a situation where the former is higher than the latter.

<http://www.cuts-ccier.org/pdf/>

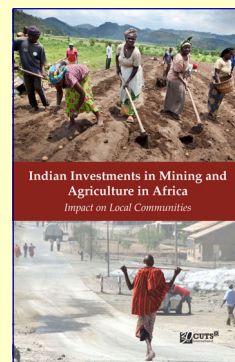
*CUTS\_comments\_on\_the\_report\_of\_RBI\_IWG\_to\_revisit\_the\_existing\_priority\_sector\_lending\_guidelines.pdf*



## Indian Investments in Mining and Agriculture in Africa Impact on Local Communities

The study analysed one Indian company in select countries, namely, Kenya, Uganda, Zambia and Ethiopia. While mining was looked at in Kenya and Zambia, agriculture was looked at in Ethiopia and Uganda. The countries and sectors were selected on the basis of high Indian investment in them. India is the largest investor in Ethiopia, and one of the top five foreign investors in Ghana and Kenya. Zambia was selected as an example of a least developing country with which India has a burgeoning investment relationship that is likely to lead to further bilateral engagements. This research aimed to provide insight into the contribution of specific Indian companies *vis-a-vis* positive impact on communities in the relevant project countries.

[http://www.cuts-ccier.org/iia/pdf/Indian\\_Investments\\_in\\_Mining\\_and\\_Agriculture\\_in\\_Africa\\_Impact\\_on\\_Local\\_Communities.pdf](http://www.cuts-ccier.org/iia/pdf/Indian_Investments_in_Mining_and_Agriculture_in_Africa_Impact_on_Local_Communities.pdf)



## CREW Progresses

The Diagnostic Country Reports (DCRs) of India, Ghana, Kenya and Zambia are the output of Phase I, i.e. Diagnostic Phase, of the CREW project. The reports underscore the implications of competition reforms in the project sectors (staple food and bus transport) on consumer and producer welfare.

The preparation of the DCRs involved primary and secondary research in the project countries, the key findings from which has been documented in the DCRs. The finalisation of the reports entailed a process of periodic consultations with the Project Advisory Committee members (on the international level) and National Reference Group members (from the specific countries).

<http://www.cuts-ccier.org/CREW>

## Advocacy through Media

### Budget strives for a competitive and growth oriented Rajasthan

*DNA, March 11, 2015*

**Pradeep S Mehta**

The budget has emphasised on construction of roads for connection between villages, and making land banks available for industries. To adequately focus on labour issues, the government has proposed establishment of a non-resident labour cell, and dedicated skill and employment department. In addition, commercial training of artisans has also been proposed. The government must be appreciated for the efforts it has made to capitalise factor conditions.

[http://www.cuts-ccier.org/Article-](http://www.cuts-ccier.org/Article-Budget_strives_for_a_competitive_and_growth_oriented_Rajasthan.htm)

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### Network congestion

*The Indian Express, January 20, 2015*

**Pradeep S Mehta**

All of us suffer because of the frequent call drops and lousy services of mobile phone service providers. Last year, the Telecom Regulatory Authority of India (TRAI) had imposed fines amounting to ₹5 crore on telcos for poor services. But what is the reason for bad service? Fines have not been deterrents and too much competition has resulted in poor quality services. It presents huge opportunities for telecom operators. However, there are concerns that too many operators are competing in the Indian market.

[http://www.cuts-ccier.org/Article-](http://www.cuts-ccier.org/Article-Network_congestion.htm)

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### A bitter pill for doctors, pharma companies

*Asian Age, January 06, 2015*

**Pradeep S Mehta**

The 'symbiotic' relationship between the pharma industry and medical professionals has greater implications for developing countries such as India, with high private participation in healthcare sector. Many doctors often prescribe a particular brand of medicine for personal gains. To curb this unethical practice, the long awaited Uniform Code of Pharmaceutical Marketing Practices (UCPMP) is finally seeing the light at the end of the tunnel. Alas, it does not cover unnecessary diagnostic tests and surgeries. Yet, it covers a large area in our healthcare system's distortions.

[http://www.cuts-ccier.org/Article-](http://www.cuts-ccier.org/Article-A_bitter_pill_for_doctors_pharma_companies.htm)

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### When the regulatory apparatus falls flat

*The Hindu Business Line, January 02, 2015*

**Pradeep S Mehta**

During a recent star-studded seminar in Mumbai on the Indian Financial Code, Finance Minister Arun Jaitley said the government wished to implement a large number of recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), including a cost-benefit analysis of regulations. He said the government had set up four task forces to study the IFC. These recommendations are in tune with the government's agenda to ease doing business in India... Compliance with costly, multiple and antiquated directives of regulatory or government agencies is a burden on enterprises; it eventually smothers economic growth.

[http://www.cuts-ccier.org/BHC-RIA/article-](http://www.cuts-ccier.org/BHC-RIA/article-When_the_regulatory_apparatus_falls_flat.html)  
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