

## Reducing Regulatory Compliances in Rajasthan

### Background and Context

As per the Organisation for Economic Co-operation and Development (OECD), the business environment can be improved only with a determined, coordinated and precise medium-term map for regulatory reforms.<sup>1</sup> In India, the Union Ministries, States and Union Territories have already reduced more than 22,000 compliances by simplifying, decriminalising and removing redundant laws and reducing compliance burden to promote ease of doing business.<sup>2</sup>

To increase investment and employment opportunities, the Government of Rajasthan (GoR) has also created an online Single Window Clearance Portal (SWCP)<sup>3</sup> as a one-stop and time-bound clearance system to ensure the smooth running of business and ease of seeking clearances. Similarly, Rajasthan has also enacted the Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act, 2019, which exempts MSMEs from any approvals or licensing requirements for three years from the beginning of their operations. These reforms are aimed at facilitating ease of doing business (EoDB) in Rajasthan.

Despite such progressive actions of reducing compliance burden, including temporary exemption, digitisation, fixing timelines, etc., these measures do not address the root problem, i.e., examining the rationale for compliances. As a result, the State has not been able to realise its fullest potential. Moreover, once the three-year exemption period ends for the MSMEs, they would be suddenly expected to deal with the complexities of unreasonable laws, regulations, and clearances affecting their EoDB.

### Objective

Given this background and context, CUTS intends to identify and analyse the rationale and relevance of compliances using the regulatory guillotine framework and recommend amending or abolishing sub-optimal clearances to replace them with alternatives like self and/or third-party certifications under the Rajasthan state laws to reduce the compliance burden on stakeholders and foster ease of doing business within the State.

### Methodology

**1. Desk Research:** A secondary research will be undertaken to build an inventory of applicable clearances in the pre- and post-establishment period within Rajasthan. This would be leveraged by assistance from the GoR to map the relevant clearances needed by the industries. Additionally, a literature review will be conducted on global and national best practices to identify a consistent framework for reviewing, simplifying and streamlining clearances in the State.

**2. Primary Data Collection and Stakeholder Outreach/Consultation:** A semi-structured questionnaire would be prepared for various departments of the GoR and industry stakeholders from sectors like agriculture, mining, tourism, etc., to fill in informational gaps identified from secondary research. Facilitated by the Chief Minister's Rajasthan Economic Transformation Advisory Council (CM RETAC), Key Informant Interviews and Focus Group Discussions would be conducted with key stakeholders, including various state government departments, industry experts, intermediaries and regulatory agencies. This will help obtain a holistic perspective on the current regulatory and compliance ecosystem, identify the legal basis, objective and rationale, cost-benefit analysis of clearances.



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| The three-step test     | Explanation   | Result        | Result       | Result         | Result         |
|-------------------------|---|---------------|--------------|----------------|----------------|
| 1. Is it legal?         | Does it originate from primary law and fall within its scope?               | Yes           | Yes          | Yes            | No             |
| 2. Is it necessary?     | Does it achieve the intended objective within a reasonable time frame?      | Yes           | Yes          | No             | Not Required   |
| 3. Is it proportionate? | Do the benefits realised by the stakeholders outweigh the costs it imposes? | Yes           | No           | Not Required   | Not Required   |
| <b>Action needed</b>    |   | <b>Retain</b> | <b>Amend</b> | <b>Abolish</b> | <b>Abolish</b> |

**3. Data Analysis:** The findings of secondary and primary research will be tabulated and analysed using the regulatory guillotine framework (the three-step test) to make appropriate recommendations regarding retaining, amending or abolishing clearances, from the batch of clearances, under review.

**4. Research Report:** The findings, including actionable recommendations, will be summarised in a report. An attempt will be made to quantify the possible gains for stakeholders, in terms of indicators like costs saved and percentage reduction in compliance burden, by adopting the recommendations.

**5. Advocacy and Dissemination:** The findings from the analysis will be presented in the form of a report, slide decks or infographics, and will be disseminated on the CUTS website, e-forums, social media, etc. An op-ed will also be published highlighting the findings and recommendations of the report to obtain broader stakeholder inputs and build a narrative in favour of recommendations. Support from CM RETAC will also be leveraged to optimise dissemination and

outreach to the government agencies and stakeholders.

## Expected Outputs

1. A summary of stakeholder interactions and expert consultations
2. An action-oriented report with recommendations to substantially reduce compliance burden in Rajasthan State laws
3. A slide-deck presentation for the CM RETAC summarising recommendations of the report
4. An op-ed highlighting findings and recommendations of the report to obtain broader stakeholder buy-in and build a narrative in favour of recommendations will be published

## Expected Outcome

1. Improved understanding of clearances that are required to be retained, amended, or abolished, along with their rationale, for reducing compliance burden within State laws and including potential benefits of such reduction
2. Improved understanding of the role of government departments and agencies in reducing the compliance burden in the State.

## Endnotes

<sup>1</sup> [http://regulatoryreform.com/wp-content/uploads/2014/11/Evaluation\\_of\\_the\\_regulatory\\_guillotine\\_in\\_7\\_countries\\_2006.pdf](http://regulatoryreform.com/wp-content/uploads/2014/11/Evaluation_of_the_regulatory_guillotine_in_7_countries_2006.pdf)

<sup>2</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1758949>

<sup>3</sup> <https://swcs.rajasthan.gov.in/>

SWCP facilitates a one-stop shop for information/ registration/ approval/ tracking for regulatory clearances and provides for 101 clearances, of which 69 are general in nature and the remaining are sector specific. Sectors for which clearances have been listed are: agriculture and food processing; hotel/entertainment/recreation/tourism; medical/healthcare/hospitals; mining/petroleum; and technical/ medical education. These clearances are required during the pre-establishment/ pre-operation phase for setting up and starting a business in the state.

