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## WEBINAR REPORT ON

# Regulatory Impact Assessment : International Perspective & Experience

January 13, 2023 | 03:00 PM Onwards (IST)



### Organised by:

Forum of Indian Regulators (FOIR) Centre,  
Indian Institute of Corporate Affairs (IICA)

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# Speaker



**Mr Daniel Trnka**

*Deputy Head (Regulatory Policy Division)*

*Organisation for Economic Co-operation and Development (OECD)*

Mr Daniel is the Deputy Head of the Regulatory Policy Division of the Organisation for Economic Co-operation and Development (OECD). He has been working in the area of public administration reform and regulatory reform for more than 20 years both at the national as well as the international level. Before joining the OECD, he worked as Director of the Department of Regulatory Reform and Public Administration Quality of the Ministry of Interior of the Czech Republic. His main areas of expertise are administrative simplification, regulatory impact assessment, stakeholder engagement and regulatory enforcement and inspections.

He is the author or co-author of several OECD publications, including the Recommendation of the OECD Council on Regulatory Policy and Governance, Cutting Red Tape: Why Is Administrative Simplification So Complicated?, OECD Best Practice Principles for Regulatory Enforcement and Inspections, OECD Best Practice Principles on Regulatory Impact Assessment, Administrative Simplification Reviews of Poland and Vietnam, Regulatory Policy Reviews of Mexico, Kazakhstan, Lithuania, Slovenia and Croatia, Measuring and Reducing Administrative Burdens in Greece.

# Convenor & Moderator



**Prof (Dr) Naveen Sirohi**  
Director, FOIR Centre &  
Founding Head, School of Finance,  
Indian Institute of Corporate Affairs (IICA)

Prof (Dr) Naveen Sirohi is the Director of the Forum of Indian Regulators (FOIR) Centre at the Indian Institute of Corporate Affairs (IICA) which is the knowledge, research and capacity-building hub for the Central and State Government regulators in India. Prof Sirohi is also the Founding Head of the School of Finance at IICA, a think tank of the Government of India.

A former banker-turned-academician-cum-administrator, Prof Sirohi possess a unique blend of 20+ years of experience across corporate, academia and government/regulatory space enabling him to develop holistic view on policy issues considering multi-stakeholder perspectives.

He is also providing support to various priority initiatives of the Government of India like financial reporting, financial inclusion and financial literacy working closely with concerned government bodies/departments like Investor Education and Protection Fund Authority (IEPFA), India Post Payments Bank (IPPB) and National Financial Reporting Authority (NFRA). He contributed inputs in the Economic Survey 2021-22.

In the past, he also handled the additional charge of the Chief Financial Officer (CFO) at IICA. He is a visiting faculty in various reputed institutions, universities, and central and state training academies. Academically, Dr Sirohi holds post-graduate and PhD degrees in commerce with a first-class academic record.

# Participants Profile

Officials from regulatory bodies across India, researchers, & FOIR Member Organization's representatives facilitated the session with their kind presence.

105 participants attended the webinar.





# Program Outline

The Forum of Indian Regulators (FOIR) Centre, IICA organised the webinar titled "Regulatory Impact Assessment (RIA) - International Perspective & Experience" on January 13, 2023. The advantage of RIA can be observed by its acceptability in a number of developing countries. With the intent to enhance the quality and objective of regulatory design and procedure, RIA gives emphasis on the factors that regulators should observe in process actions resulting in transparency and accuracy in its outcomes.

With this background and the transformational role of RIA in the regulatory sector, FOIR Centre (IICA) organized the webinar to explore the viability of Regulatory Impact Assessment (RIA) and analysis of its outcomes at international level.



# Introduction to the Webinar

The program began with a welcome speech by Prof (Dr) Naveen Sirohi (*Director, FOIR Centre, IICA & Founding Head, School of Finance*). He began by giving a brief introduction about the relevance of the topic highlighting that the regulatory processes allow policy-makers to balance competing interests and have been critical to the development of democracy and the modern state. To regulate better has become a crucial goal. Improving the quality of regulation has shifted in focus from identifying problem areas, advocating specific reforms and eliminating burdensome regulations, to a broader reform agenda that includes adopting a range of explicit, overarching policies, disciplines and tools.

Governments have had to adopt a consistent approach to the rule-making process and employ new policy tools, such as regulatory alternatives, consultation mechanisms and Regulatory Impact Analysis (RIA). OECD 2012 recommendations provide for *"integrating Regulatory Impact Assessment (RIA) into the early stages of the policy process for the formulation of new regulatory proposals; clearly identify policy goals, and evaluate if regulation is necessary and how it can be most effective and efficient in achieving those goals; consider means other than regulation and identify the trade-offs of the different approaches analysed to identify the best approach"*.

The experience of OECD countries has shown that there is a clear and close link between RIA and a regulatory development process that functions effectively from a "whole-of-government" perspective. RIA should be supported by a dynamic and well-conceived regulatory policy, strong regulatory institutions, and other complementary and supportive regulatory tools that ensure maximum transparency and accountability at all stages of the process. As an important tool, it is adopted by many countries for identifying and assessing the effects of a regulation. It is a process which helps in designing specific and targeted regulations to achieve the desired objectives while ensuring the minimum possible cost to society as a whole.



RIA is not a substitute for political decision making however, it informs and acts as a guide for the policymakers to reject bad options and develop high-quality regulations. It is a systematic process which helps to identify the costs (including hidden costs) and benefits to all relevant stakeholders. The contribution of RIA to better regulatory decision-making rests on the systematic assessment of the impacts of a regulatory measure, and the adherence to the principles of accountability, transparency and consistency. A properly conducted RIA systematically examines the impacts arising or likely to arise from government regulation and communicates this information to decision-makers.

RIA encourages public consultation to identify and measure benefits and costs and thereby has the potential to improve the transparency of governmental decision-making. It can promote government accountability by reporting on the information used in decision-making and by demonstrating how the regulation will impact society. The result, when used appropriately, should be an improved and more consistent regulatory environment for both producers and consumers.

Therefore, RIA attempts to clarify the factors relevant to policy decision-making. It pushes regulators towards making balanced decisions that trade off possible solutions to specific problems against wider economic and distributional goals.

Against this backdrop, this webinar aims to analyse the international perspective of Regulatory Impact Assessment and the experience of various countries through the adoption of RIA and further suggest its need in India.



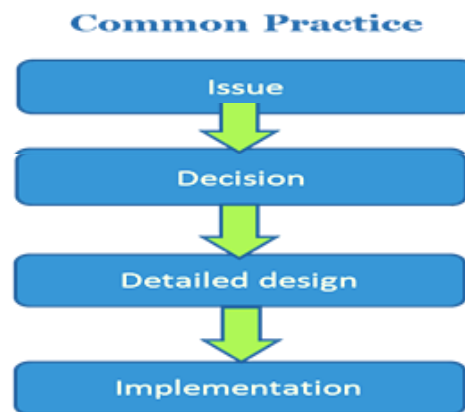
## Presentation by Speaker

Mr Daniel started his presentation with a brief introduction of the Organisation for Economic Cooperation and Development (OECD) and highlighted that presently, OECD consists of a total of 38 members, which are counted as the most economically developed countries around the world and they also work with a number of non-member countries including India who is one the key partners.

OECD deals with many issues such as taxes, economic and regulatory policies etc. In regard to the regulatory policy, Mr Daniel asserted that OECD has been working on this issue since 1995, when the 1st OECD Recommendation on Regulatory Policy and Governance was adopted, later the most important recommendation i.e. Recommendation of 2012 was adopted, giving a common strategy on Regulatory Policy, in which one of the principles lays down the use of Regulatory Impact Assessment (RIA) as a tool to achieve evidence-based decision making.



Post elucidating, the establishment and working of OECD, Mr Daniel highlighted the meaning of “Smart Regulation” as a regulation which consists of sound, rationale and clear objectives, with an ability to describe the main source of the problem and can be effectively enforced. Regulation should be proportionate to the scale of the problem and it should complement other regulations, but in many countries, the issue arises in case of 2 or more contradicting regulations.



After that, Mr Daniel put forth the above chart exhibiting the issues in the regulation-making process of the non - OECD countries, and identified the process as “Policy-Based Decision Making”. The speaker further explained that in such countries, the issue is identified by the Government, Politicians or the Parliament, thereafter the administration which is led by those politicians directly jumps into the decision of regulation-making, without proper analysis of other alternative solutions.

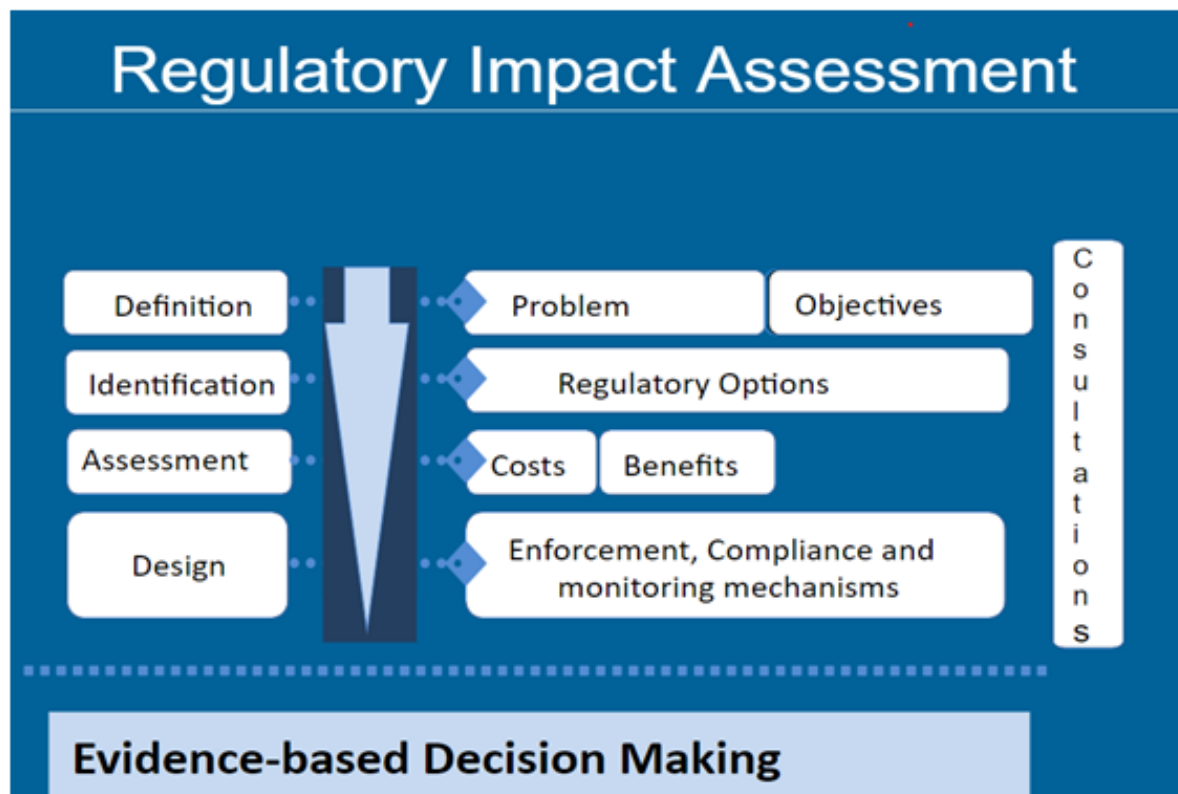
After that, Mr Daniel presented another chart and mentioned that the OECD practice of regulation-making is evidence-based, and it is called “Evidence-Based Decision Making”, where the issue is identified, then its assessment is done by analysing the size of the problem and potential risk related to it. Thereafter, the potential solutions are identified, and at the later stage the decision is taken based on the analysis of those options and lastly, the administration designs the regulation, which is reviewed regularly in order to observe its effectiveness.



Taking forward the discussion, Mr Daniel elaborated the meaning of Regulatory Impact Assessment (RIA) as a formal and systematic “policy tool” and “decision process” to examine and measure the likely benefits, costs and effects of new or existing regulation”. In the OECD countries such as the US, Canada, UK, Germany, EU, Australia etc. RIA is mostly used to manage the flow of regulation.

Focusing on the importance of RIA, the speaker highlighted the following points:

- It controls the quality of regulation
- It helps in improving the effectiveness of the regulation
- It provides for an evidence-based policy-making approach
- It answers the question, of whether the given regulation is the best available means to address the policy objective
- It improves transparency, both within Government and Civil Society



The above graph provides a complete overview of the process of implementing the Regulatory Impact Assessment. The speaker mentioned that the given steps are required to be followed before designing a regulation:

1. Defining the problem and objectives
2. Identification of the regulatory options
3. Assessment of the cost and benefits of such regulation
4. Designing such regulation with effective enforcement, compliance and monitoring mechanisms.

All stages should be carried out along with the affected stakeholders ensuring their engagement. This whole process leads to evidence-based regulation which helps to build the regulations and laws on the available evidence, data and scientific expertise. Mr Daniel called the above chart the basis of his presentation and discussed the stages of implementation of RIA in detail.

Firstly, Mr Daniel called the identification of the problem the most crucial and overlooked part of the RIA and asserted that governments must define the problem to solve, before jumping to solutions because if the problem is not defined correctly it can lead to inefficient and ineffective policy, which give rise to the possibility for serious unintended side effects. Therefore, the following question should be used to identify the problem:

1. When did the problem begin?
2. What is the scale of the problem?
3. Who is impacted by the problem?
4. What are the existing regulations?
5. Why is government intervention required?

Thereafter, the speaker emphasised setting the policy objective, which reflects the intended outcome or effect of the proposed regulation. He argues that the objective should be “SMART” i.e. Specific, Measurable, Accountable, Realistic and Time-bound. For example, reducing the number of fatalities and illnesses caused by obesity by 20% by the year 2015 is a good objective as it fulfils all the above-mentioned criteria.

Secondly, the Speaker opined that the following aspects should be taken into consideration to identify the alternatives available, in order to understand the ways to tackle the problem:

1. Do nothing option/ maintaining status quo - No new regulation or law is to be formulated, and it works as a counter facto, which means analysing the consequences of not taking any action or effect of non - interventions by the government.
2. Government can intervene directly by enforcing existing regulations in a different way, co-regulating with other professional bodies or by formulating new regulations or amending the existing ones.

The government may try to create a climate for change without introducing a new regulation by setting some standards, awareness programmes or education campaigns etc.

Then, in the next stage, there is an evaluation of the potential impacts of the above options, by identifying who will be impacted by the options and identifying the scale of such impact.

Based on the identification of these impacts, the next step is to conduct an analysis by adopting the following techniques:

1. Cost-benefit analysis on businesses, public sector, competition, trade, innovation, poverty, environment etc.
2. Cost-effectiveness analysis
3. Least-cost analysis
4. Multi-criteria analysis.

After that, on the identification of data sources and strategies for conducting RIA, the speaker highlighted the following sources:

1. Internal data (information from government departments, licensing records, statistical agencies, etc.)
2. External data (academic sources, external reports, comparable countries, regulators, Google, informal/formal business surveys)
3. By organising surveys or consultations of affected parties.

Mr Daniel asserted that the compliance and enforcement of the regulation could be ensured by the following factors:

1. Before making a new law, the first aspect is to understand the method of enforcement and which institution is responsible for such enforcement
2. Application of OECD Best Practice Principles on Regulatory Enforcement and Inspections
3. The inspection agencies should set better targets and try to do more with fewer options available.

Mr Daniel lastly mentioned that the final stage of RIA is presenting the analysis or the results of the assessment. He opined that it should be described and explained in clear text without any ambiguity and the significance of the impacts should also be clearly shown in tabular form. Where the positive impacts (benefits) and negative impacts (costs) should be shown separately and quantified, wherever possible. He also mentioned that consultation is central to RIA which gives the affected parties an opportunity to identify and correct faulty assumptions and reasoning.

In his concluding remark, Mr Daniel opined that after successfully implementing RIA, a Regulatory Oversight Body is needed to be set up, which will analyse the individual RIA's, and their quality and identify the areas where regulation can be improved.

Therefore, the following are the Minimum requirements for RIA:

1. Always be conducted at the inception of the regulation-making process
2. Clearly identify the problem and desired goals of the proposal
3. Identify and evaluate all potential alternative solutions
4. Always attempt to assess all potential costs and benefits, both direct and indirect
5. Be based on all available evidence and scientific expertise
6. Be elaborated in consultations with stakeholders and well communicated.



## Question/Answer Round

Post the presentation, Prof Naveen Sirohi thanked the speaker and the house was left open to the participants for raising queries, if any.

One of the participants asked “**How the Regulatory Impact Assessment (RIA) is different from Competition Impact Assessment?**” Mr Daniel responded that RIA has many facets as it includes the economic impact assessment, environment assessment and social impact assessment as well. Whereas, the competitive impact assessment is part of the economic analysis only. Therefore, the competitive impact assessment should be one of the facets of RIA.

Another query raised by one of the participant that “**Whether OECD developed any specific template for RIA?**” The speaker responded that there is no specific template for RIA because different governments need to set their own model according to their requirements. But the OECD Best Practice Principles gives a common model, as to how RIA should look and be implemented.

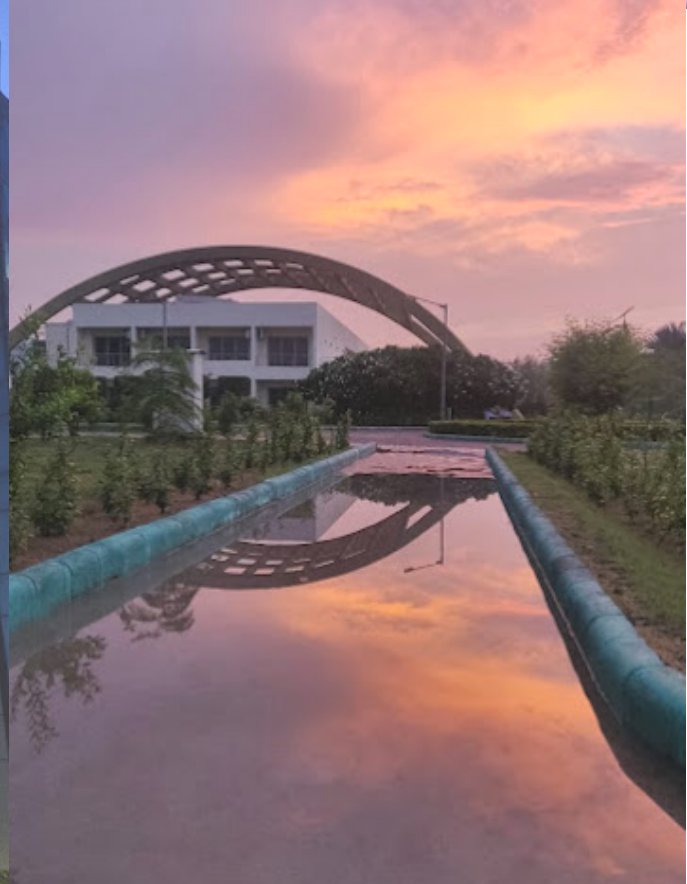
## Vote of Thanks

The webinar ended with a vote of thanks by Prof Naveen Sirohi. He thanked the esteemed speaker and participants for sharing their knowledge and their experiences.

The efforts of FOIR and IICA for the conference were much appreciated by the speaker and the participants.

### For Queries and Feedback:

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