

# LAOS

## REGULATORY IMPACT ASSESSMENT (RIA)

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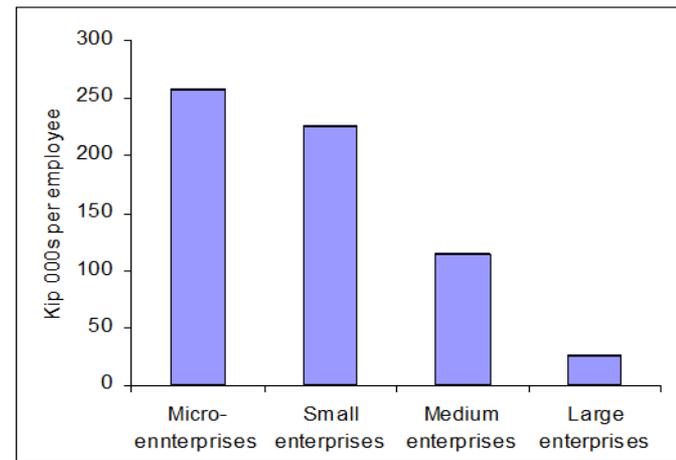
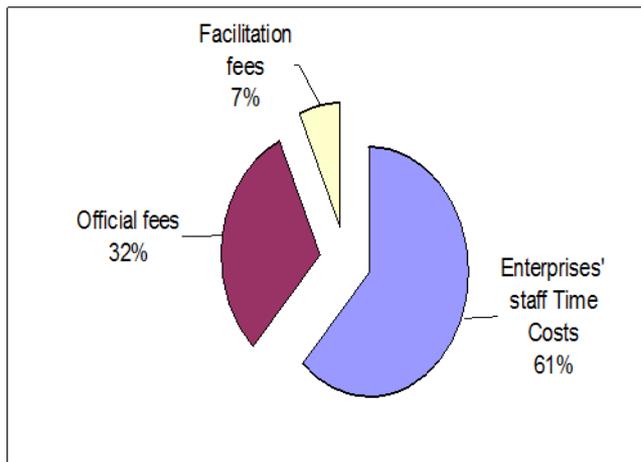
Presentation to the Trade and Private Sector Working Group  
10 October 2013

# Agenda

1. Introduction
2. Need
3. Objective
4. What is RIA
5. RIA Project
6. Implementation
7. Working together

# Introduction

- The Government's 7th NSEDP targets GDP growth of at least 8% annually and GDP per capita of at least \$1,700 by 2015
- Evidence suggests significant unnecessary/avoidable costs imposed by regulations in Laos – for example
  - An ADB study estimated that the total compliance cost for business licensing in Laos was 1.5% - 3.0% of GDP – this huge burden falls heaviest on micro- and small enterprises



- Laos PDR is ranked 163 out of 183 countries in 'ease' of doing business (2013 World Bank Global Survey)

# Introduction

The Laos Government seeks to strengthen the business climate and improve the competitiveness of the Lao economy by putting in place a business-enabling regulatory environment

ADB is supporting the Government in implementing a Regulatory Impact Assessment (RIA) System across ministries

## 1st Generation Support

2009-11 Technical Assistance: Focus on Red Tape Study and SME development including identification of issues and improvement strategies

## 2<sup>nd</sup> Generation Support

- 2011-12 Technical Assistance: Focus on RIA Task Force, RIA Guidelines and templates, and RIA Awareness Raising and Training
- 2013-14 Technical Assistance: Focus on RIA Pilots and Reviews, RIA Study Visit to Australia and commence implementation
- 2014-17 Project Loan: Establishing the central RIA office and implementation of RIA System across ministries

# What is RIA

# Value

RIA provides better information to decision-makers (Ministers, Cabinet, National Assembly) about:

- Whether the regulatory proposal was developed in accordance with regulatory best practice principles
- What options were considered
- Who was consulted (in business, community and government)
- What the impacts are (on business, community and government)
- Can Laos afford this (cost-benefit)

# System

RIA System consists of a process and documents that:

- provide instruction on how to develop regulation in accordance with these best practice principles (capacity building)
  - Establish a case for action
  - Examine alternatives to regulation
  - Adopt the option with the greatest net benefits
  - Not restrict competition unless benefits outweigh costs
  - Provide effective guidance to regulators/those regulated
  - Review regulation regularly (eg., Australian legislation must be reviewed every 10 years)
  - Consult effectively with stakeholders
  - Effective action proportionate to the issue
- records the results of the process for review by decision-makers (better information)

# Other Countries

- Using (variants of) RIA eg.,
  - Australia (Prime Minister and Cabinet Office)
  - European Union (European Commission – Impact Assessment Board)
  - UK (Better Regulation Executive)

Germany, New Zealand, Korea, Mexico, Japan, USA, Canada, Denmark, Austria, France, Italy, Netherlands, Finland, Ireland, Norway, Poland, Germany, Portugal, Sweden and Czech Republic

- ADB supporting RIA in ASEAN countries

Cambodia, Philippines, Laos

# Objective of RIA Project

The RIA System is to help the Lao Government review and develop regulations in accordance with regulatory 'best practice' principles

and create a regulatory environment in Laos that supports the development of:

1. Lao businesses and the private sector – which will drive economic growth
2. A competitive Lao business environment – which will encourage local and international investment

# Objective

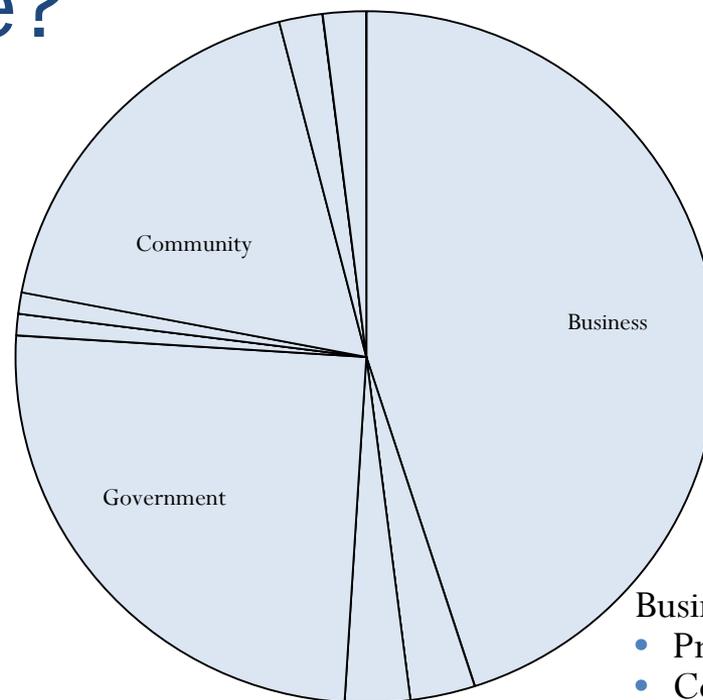
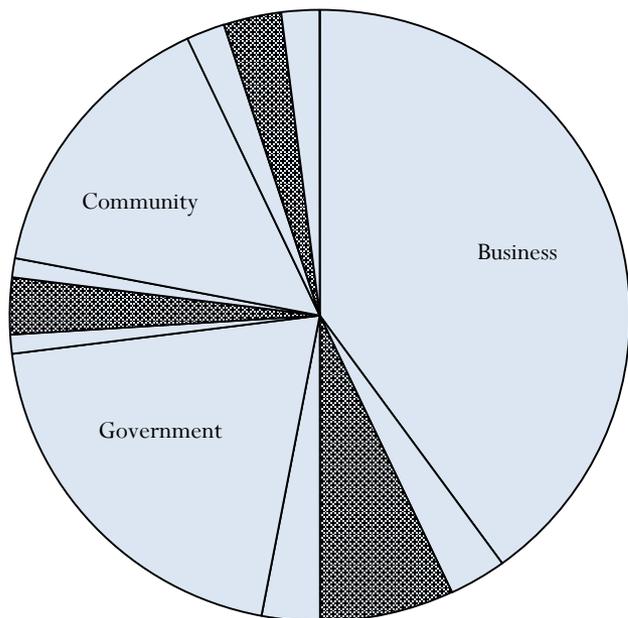
A priority is to prevent and reduce the ‘red tape’ burden from unnecessary/excessive regulation –

this adds to the cost of compliance by individuals and business, and of enforcement by government

**= increased costs, lower productivity and profitability, lower competitiveness**

To address this requires better consideration of the purpose, impacts and compliance/enforcement costs of regulations

# What can RIA achieve?



- Businesses/Economy
- Productive
- Competitive

Now	With RIA
Waste in cost structure – less competitive	Less waste in cost structure - more competitive
Likely to restrict productive capacity and internal consumption at risk from imports	Supports more productive capacity – and possibly increase in internal consumption
Exports could reduce	Supports increase in exports
Restricts government revenue / taxes	Supports increasing government revenue / taxes

# Targets of RIA

**FLOW** of New and Amended Regulations

**STOCK** of Existing Regulation



RIA SYSTEM

= Focus on QUALITY – PREVENTING  
UNNECESSARY / AVOIDABLE COSTS

REFORM PROGRAMS

= Focus on REDUCING  
UNNECESSARY / AVOIDABLE COSTS



# Features

## Key Feature of RIA = Screening Mechanism

- Preliminary Impact Assessment (PIA) is used to determine whether more detailed RIA (Regulatory Impact Statement) should be undertaken
- Based on 'best practice' principles, the PIA/RIS forms contain:
  1. Need for Government Action
  2. Policy Objective
  3. Options Analysis
  4. Assessing Impacts of Policy Options
    - Eg., economic, competition, international agreements, compliance and administrative, social and environmental impacts
  5. Proposal
  6. Key Stakeholders and Consultation
  7. Overall Assessment
  8. Compliance Support
  9. Review

# Features

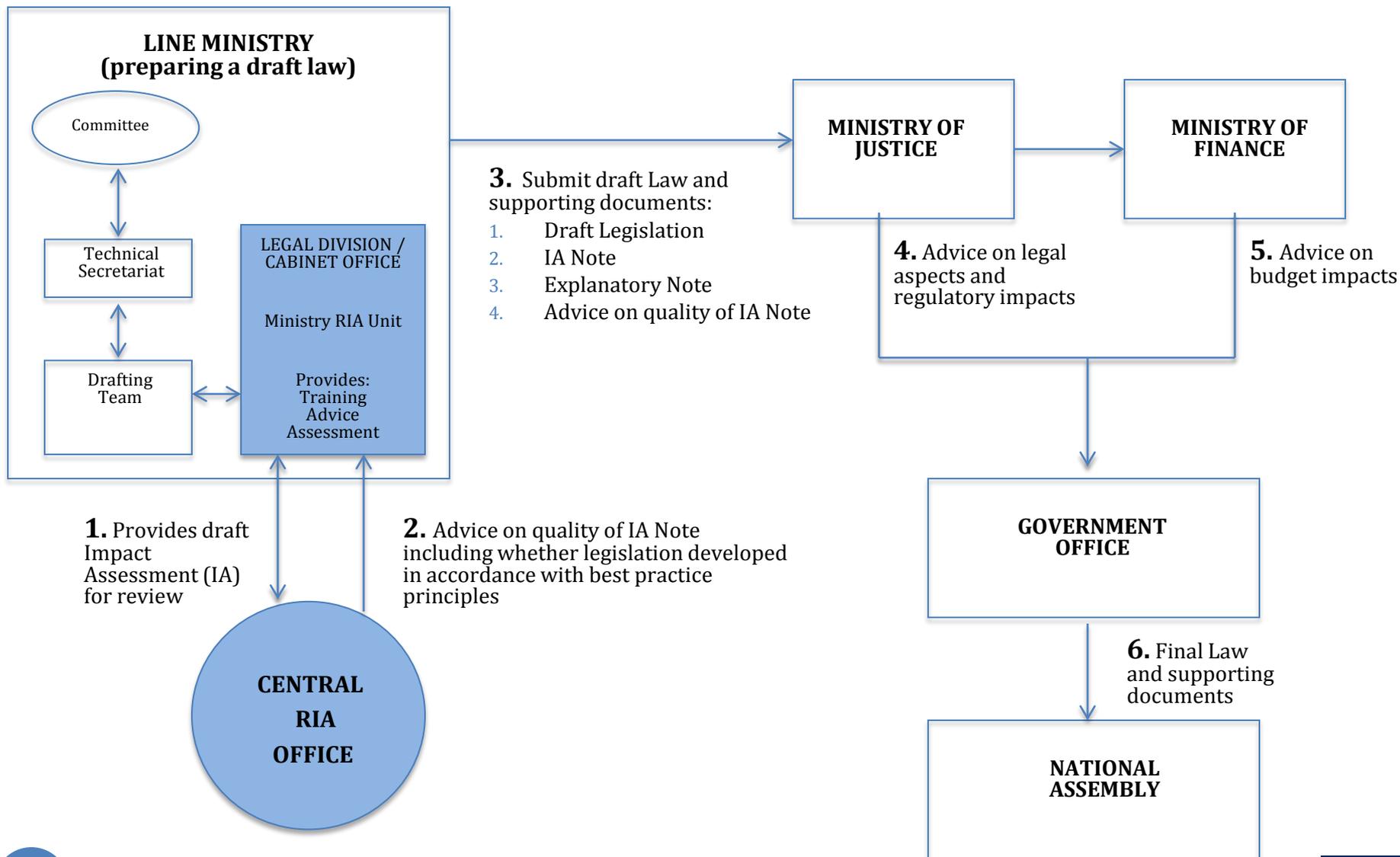
## Central RIA Office

- Provides support to line ministries – possible roles include:
  - Train ministries in RIA
  - Advise ministries in completing PIA/RIS
  - Assess ministries on quality of PIA/RIS - opinion provided to decision-makers
  - Publish ministry PIA/RIS – central RIA website
  - Report annually on compliance of ministries with RIA System
- Location - should be placed where it is independent from the line ministries that are the major proposers of regulation

## RIA Unit in each Line Ministry (e.g. in Legal Division/ Cabinet Office)

- Supports the drafting teams undertake RIA on the Ministry's regulatory proposals
- Helps Central Office with RIA training and review of PIA/RISs

# Possible RIA System in Laos



# RIA Project

# Government Progress

Government achievements to date:

- Establishment of an Inter-Ministry RIA Taskforce
- Establishment of RIA Pilots in: MOIC, MPI, MOF, MOJ, and Economic Secretariat at the National Assembly
  - PIAs completed and published by MOIC
- Draft RIA Guidelines including templates
- Various RIA training sessions across ministries
- Various RIA awareness raising activities across government and business (including seminars, retreats, briefings)
- Law on Making Legislation – RIA Requirements
- 2013 RIA Study Visit to Australia

# Government Progress

## Inter-Ministry RIA Task Force

- Chair - Vice Minister of Industry and Commerce (H.E. Mr Siasavath Savengsuksa)
- Members - senior representatives from:
  - Ministry of Industry and Commerce (MOIC) (Secretariat)
  - National Assembly (NA)
  - Government Office (GO)
  - Ministry of Finance (MOF)
  - Ministry of Justice (MOJ)
  - Ministry of Planning and Investment (MPI)
  - Lao National Chamber of Commerce and Industry

# Progress

## RIA Pilots

- Doing PIAs
  - MOIC – reviewing export licensing procedures (rice, plantation timber)  
– PIAs completed and published for consultation  
<http://www.laoftpd.com/index.php?limitstart=8&lang=en>
  - MOIC – reviewing enterprise registration
  - MPI – reviewing the One-Stop-Service arrangement for investment promotion
  - MOF – reviewing lump-sum tax
  - NA – reviewing enterprise registration/draft amended Enterprise Law
- Reviewing PIAs
  - MOJ – reviewing the PIAs of other pilot ministries

# Progress

- **Draft RIA Guidelines** including templates prepared – developed with MOIC and pilot Ministries to suit Laos circumstances
- **Various RIA training and awareness raising activities** across government and business (including seminars, retreats, briefings)
  - Since April 2011: 26 RIA workshops and training and awareness sessions  
= over 500 attendees

# Law on Making Legislation

## **RIA requirements:**

- For each draft law, an impact assessment (budgetary and regulatory) must be prepared (article 29)
- The impact assessment is part of the 60 day public consultation (article 36) – workshops and post online
- Ministry of Justice will only consider a draft law when relevant documents including an impact assessment is attached (article 41)
- Cabinet and National Assembly are provided relevant documents including the impact assessment with the draft law for consideration (article 43, 50)

## **Focus of RIA Project**

- Legislation produced at the National (central) level only
- Regulatory Impact Assessment only – but link with Ministry of Finance for budgetary assessment

# Progress

## 2013 RIA Study Visit to Australia

- Objective – learn from various organisations in government and business about the value and requirements for effective implementation of a RIA system across a government – eg.,
  - How to institutionalise a RIA system across government
  - Necessity and value of a central RIA office – and possible locations
  - Linking RIA system to the Government’s Cabinet decision-making process
  - Best practice in engagement/consultation between government and business
- 14 representatives from Laos Government, including 5 Vice-Ministers and 7 DG/DDGs (inc GO)
- 15 organisations visited – at national (Canberra) and state (Adelaide, Sydney) levels - central RIA offices, government decision-makers, regulators, government advisory bodies, industry-related bodies

# Challenges

- Level of skills and knowledge in law/regulation making across ministries
- Understanding of analysis of impacts from regulations in both government and business
- Coordination across ministries in the development and assessment of laws and regulations
- Interface between government and business in regulatory development and implementation (e.g. consultation practices and access to regulatory information)

## Strategy

- Adapt RIA System including Guidelines and templates to Laos circumstances – build into existing systems, roles and responsibilities
- Start simple, with increasing sophistication over a number of years as principles and practices become increasingly institutionalised

# Next Steps

- Continue the RIA implementation in ministries, building a critical mass of staff with knowledge of RIA and tools
- Update the RIA Guidelines and templates
- Establish the central RIA office
- Build the demand for good regulations through outreach activities with ministries, business community and public
- Develop implementing decree for RIA
- Rollout across other ministries

# Implementation

## Now

- Preparation for set up of central RIA office
- Update RIA Guidelines and templates
- RIA pilot ministries use RIA for **all** legislation with business impacts

## Later

- Finalise Implementing Decree
- Set up central RIA office
- Start RIA training/pilots in ‘Other’ Ministries
- Other Ministries use RIA for all legislation with business impacts –
- Review RIA System to see if extend RIA to laws with only Government/Community impacts

# Working Together

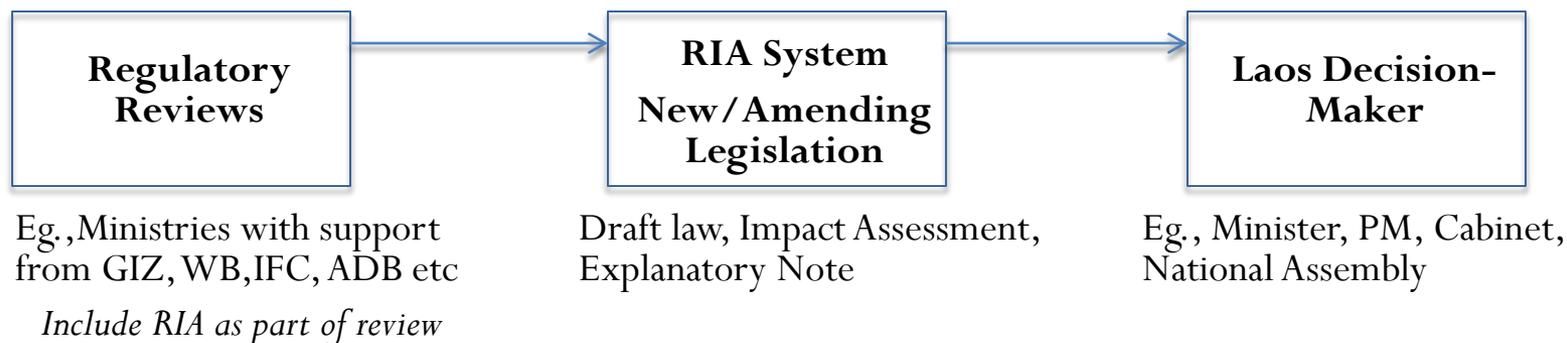
Examples of related regulatory reform activities:

- GIZ RIA Training – Thailand – October 2103
- IFC – Tax Law – Implementing Decree
- World Bank – Trade Development Facility 2 – streamlining trade regulatory requirements
- GIZ – Competition Law
- LUNA – Industrial Processing
- World Bank – Customs and Trade Facilitation Project – Customs Law implementing regulations

*Duplication of Review/RIA activities – may create confusion and extra burden on ministries (limited time and staff resources)*

# Working Together

## RIA Process



## Opportunities to work together

- Begin to use RIA Guidelines and templates early in review process
- Provide training eg., impact assessment, cost-benefit analysis

Thank You