

Workshop on Regulatory Impact Assessment organised by the Institute of Policy Studies (IPS), Sri Lanka in collaboration with the Centre on Regulation and Competition (CRC), Manchester, UK: 22nd-23rd June, 2004.

The IPS together with the CRC organised a two-day workshop on Regulatory Impact Assessment (RIA) in Colombo, Sri Lanka from the 22nd-23rd June, 2004. The principal objectives of the workshop were three fold – understanding the current regulatory environment in Sri Lanka; explaining the key concepts and components of RIA as it is practiced in OECD and developing countries; and, initiating the process of developing a RIA ‘template’ suited to Sri Lanka’s political economy context. The sessions were constructed with these three themes in mind, with the first two sessions focusing on utility and financial sector regulation in Sri Lanka, respectively, and the final sessions taking the format of a round table discussion to inform participants on the structure of a “generic” RIA and to get their feedback and views on developing a “template” for Sri Lanka.

The workshop attracted around 110 participants from a cross section of stakeholders that make up Sri Lanka’s regulatory space – such as, government ministerial officials from both the central and devolved government sectors, regulators, private sector operators, chambers of commerce, consumer entities, the academia and the media. A preliminary indication of the success of the workshop as well the potential for political buy-in for RIA was reflected in what policy and media circles widely hailed as a “landmark” keynote address delivered by the Finance Minister of the newly elected government, where he provided evidence and support for the imminent need for a more efficient public sector and for better regulatory governance and argued vehemently against the tendency to over-regulate the economy.

The seminar proceedings provided the participants with a very impressive volume and depth of information on regulation and regulatory governance in Sri Lanka, as was also confirmed by the feedback forms and communications that IPS received after the event. Some of the broader messages from the workshop are as follows:

- Although Sri Lanka liberalised its economy as early as in 1977 and was considered way ahead of its South Asian neighbours in this regard, the country’s growth has failed to meet up to expectations.
- Whilst Sri Lanka did recognize that private sector driven growth needs to be complemented by well-targeted regulatory reforms, regulation has often either been excessive at one extreme or absent at another, with little or no ex-ante or ex-post analysis of such reforms.
- Similarly, regulation and competition have failed to be recognised as complementary instruments in the quest for better economic performance; instead, regulation has more often than not been used to curb rather than facilitate competition even in sectors where competition is seen as the most optimal solution to a particular socio-economic problem.
- The impacts of such policy inefficiency includes, insufficient private sector investment (or investment below potential), and poor quality and access of

services. Such issues also lead to questions of regulator legitimacy and credibility and undermine regulatory governance and policy making in general.

- The discussions on utility regulation, on the transport sector, on telecommunications, on the gas industry, and on the banking and capital market sectors highlighted the fact that several of these regulatory problems were common to each of these segments of the economy.
- As such, the overview of Sri Lanka's regulatory environment emphasised the fact that some form of impact assessment was of immediate importance.
- Debates on RIA therefore focused not on whether/not RIA was necessary but on what form it ought to take. Some of the key issues/questions that came out of this discussion were:
 - What development objective/s should a RIA "template" for Sri Lanka include? Efficiency, investment, poverty alleviation, regulatory governance???
 - How to get political buy-in to build the profile of RIA at the highest levels of government? Should there be a RIA "Unit" attached to the President's Office or will this compromise "independence"? Should an Act of Parliament be passed to introduce RIA? How can RIA realistically attract political buy-in given the frequent changes in government over the last three years in particular?
 - How would a central RIA Unit liaise with the Ministries and other structures to achieve its objectives? Would not the creation of yet another institutional layer lead to more bureaucratisation in a political economy setting that tends towards administrative inefficiency?
 - Where would RIA fit in the context of the ongoing Constitutional and public sector reform process?
 - How to get stakeholder acceptance of a RIA exercise given the lack of confidence that the regulatory community and the general public has in the policy process?
 - Given the scarcity of regulatory skills in Sri Lanka, and the fact that RIA is inherently a dynamic and not a static exercise, how to build RIA capacity? Do we outsource these skills from other countries?
 - Which pilot cases should Sri Lanka select to spearhead the process of introducing RIA in a systematic manner in the country?
 - Is the introduction of donor (World Bank) "conditionality" for implementing RIA in Sri Lanka a positive or a negative given the nature of policy making in Sri Lanka where *ad hocism* prevails over soundly thought out recommendations?

Given the interest expressed by several participants to continue work on RIA in Sri Lanka, IPS is currently in the process of formulating a draft action plan towards this end. Some of the elements that would possibly be included in this would be, the publication of papers from the workshop, a webpage on RIA in Sri Lanka with provision for an online discussion forum, the formation of an informal working group on RIA, linking up with either the Telecommunications Regulatory Commission of Sri Lanka or the Public

Utilities Commission of Sri Lanka to structure a pilot RIA “template”, and expanding on the RIA “template” using the work already done on Environmental Impact Assessment and on Sustainable Impact Assessment in Sri Lanka.