

A LITERATURE REVIEW OF REGULATORY IMPACT ASSESSMENT (RIA): THEORETICAL BACKGROUND AND IMPLEMENTATION



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Agenda



Technology Agency
of the Czech Republic

1. Introduction
2. Theoretical background of regulation
3. Regulatory impact assessment (RIA)
4. The Navigator of Responsible Lending
5. Conclusion



I. Introduction

Introduction to The Czech Republic



The Czech Republic



Location	Central Europe
Capital	Prague
Area	78.866 sq km
Population	10.3 million
Official language	Czech
Currency	1 Czech Crown (CZK)
Exchange rate	1 CZK = 0.05 USD
Head of state	President Milos Zeman
Form of government	Bi-cameral parliamentary democracy



I. Introduction

CV Petr Teplý



Education

2000 – Johannes Kepler University in Linz, Austria

2006 – University of Otago, New Zealand

2006 – State University of New York, New Paltz, USA

2009 – Ph.D. in Finance, Charles University, Czech Rep.

✓ **Research interests: banking, finance, risk management, financial stability, financial innovation, public finance, RIA**

✓ **(Co)author of over 100 articles and 10 books**

✓ **Guest lectures in New Zealand, Turkey, USA**

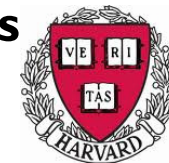
✓ **Presentations at Harvard University, China, Costa Rica, Dubai, Egypt, France, India, Indonesia, Japan, Nepal, Singapore, UK**

Job experience 2001-05 CSOB Bank, Czech Republic

2006 Spencer Clarke, New York, USA

2007+ EEIP, a.s., Czech Republic

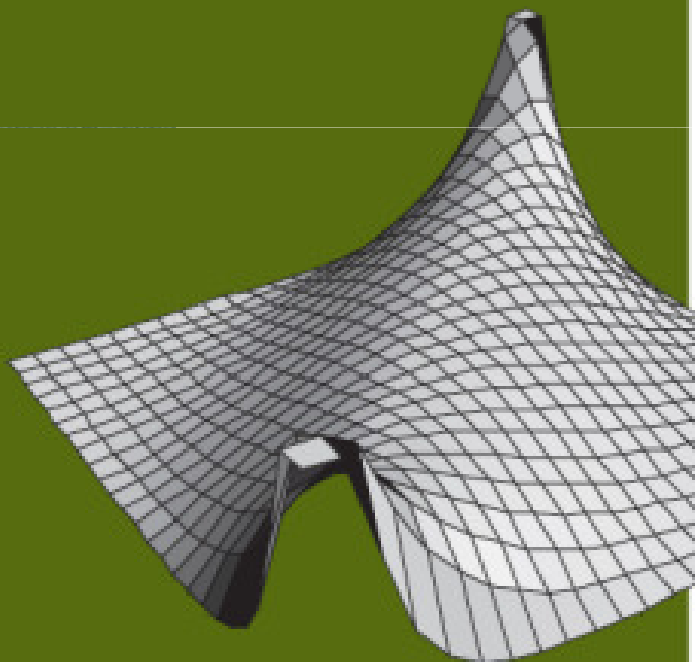
2009+ Economic advisor to members of European Parliament



Books about risk management and banking



ECONOMIC CAPITAL AND RISK MANAGEMENT

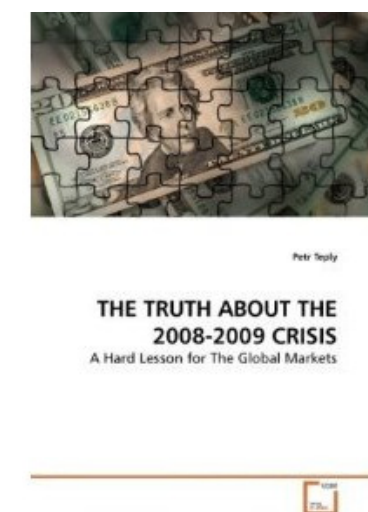


PETR TEPLÝ ET AL.

KAROLINUM

CREDIT RISK AND FINANCIAL CRISES

MAGDA PEČENÁ – PETR TEPLÝ | KAROLINUM





I. Introduction

New theoretical models and concepts

- 1) The JT index of financial stability
- 2) The VT index as a new liquidity risk measure
- 3) 5Gs of effective regulations
- 4) The MAC questions regulatory concept
- 5) The Lamser-Teply bailout-out model
- 6) **The Navigator of Responsible Lending**

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2. Theoretical background of regulation

UROBOROS for indebtedness, regulation, climate change and crises = short-term distorted thinking result in long-term catastrophic consequences



Greenhouse-gas emissions

2007, billion tonnes CO₂ equivalent

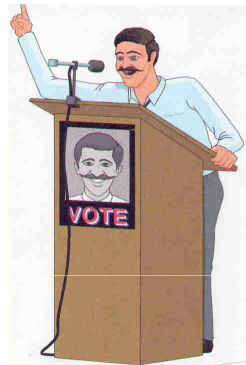


Source: Petr Teplý (2011)

2. Theoretical background of regulation

Who will pay this game? The importance of **RIA**

Politicians



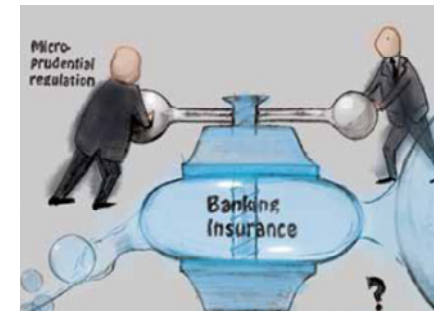
Focus on voters/short-term targets

Financial firms



Focus on profit maximization

Regulators



Lack of personal responsibility



The taxpayer will pay as usual!

RIA!!!

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3. Regulatory impact assessment (RIA)

Few definitions...

- OECD (2007) defines **RIA** as a **systematic decision tool used to examine and measure the likely benefits, costs and effects of new or existing regulation**
- Very often used in the public sector to evaluate different situations, regulatory acts and policies
- Well developed in the European Union (EU)
- Environmental impact assessment (EIA), Social impact assessment (SIA), Health impact assessment (HIA) or Corruption impact assessment (CIA)

3. Regulatory impact assessment (RIA)

Milestones of RIA in the Czech Republic



- 2004 – Government project on Regulatory Reform approved
- 2005 – RIA approved as a part of legislative process
- 2007 – RIA officially anchored into the legislative process
- 2008 – Evaluation of the RIA process (feedback and lessons)
- 2011 – RIA reformed and became integral part of Government Competitiveness Strategy of the CR
- ✓ RIA shifted from the Ministry of Interior to the Office of the Government under the Government Legislative Council Section
- ✓ Process of RIA reformed and improved:
 - RIAB established composed of independent experts
 - Evaluation of elaborated RIA reports
 - Part of the Government Legislative Council
 - Chairman of the RIA committee: Prof. Michal Mejstrik

3. Regulatory impact assessment (RIA)

4 main streams of literature

- **Stream 1 - Prof. Robert W. Hahn:** cost-benefit analysis in regulation and quantitative analysis of RIA quality through a scorecard approach; **Law and Economics**; in the US+EU.
- **Stream 2 – Dr. Claudio M. Radaelli** both the RIA and impact assessment (IA) processes and discusses the role of stakeholders involved and related **political aspects**.
- **Stream 3 – Prof. Colin Kirkpatrick** case studies of implementation of RIA in various countries, comparative analyses and specific impact assessments on sectors such as **the financial or energy sector regulation**.
- **Stream 4 – Prof. Andrea Renda:** RIA quality when applying quantitative scoreboards and case studies on regulation in specific industries such as **energy and telecommunications sectors**

3. Regulatory impact assessment (RIA)

Other 3 main streams of literature

- **Stream 5- Dr. Jacopo Torriti:** case studies, **environmental and energy economics**, evolutionary analysis of RIA process
- **Stream 6 – Dr. John Turnpenny:** environmental and resource policy evaluation, **comparative analyses of policy tools**
- **Stream 7 – Dr. Katarina Staronova:** the RIA implementation in **Central and Eastern European countries (CEE)**

WHAT IS MISSING IN RIA LITERATURE?





3. Regulatory impact assessment (RIA)

Regulatory capture is missing!

- However, we found out that these authors did not properly analyze within the RIA process an issue of **regulatory capture** developed by Prof. George Stigler (1971).
- We argue that regulatory capture forms an inherent part of some RIAs since **interest groups and other political participants use RIA to shape laws and regulatory rules in their interest rather** to public interest.
- To conclude, we believe that regulatory capture should be analyzed more carefully in the RIA context since **some RIAs are biased and serve as ex-post justification of regulatory actions rather than their proper ex-ante assessment.**

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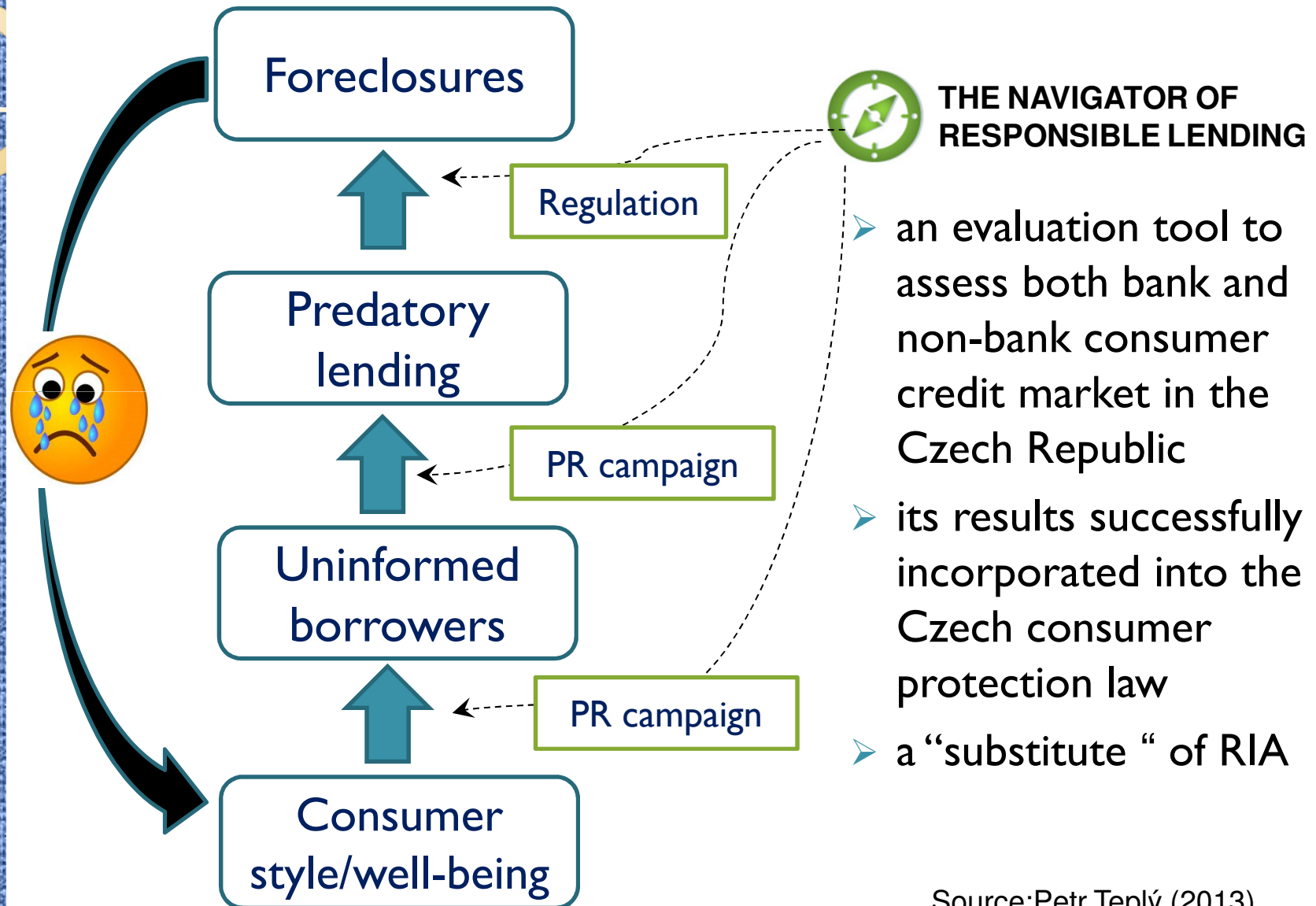
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4. The Navigator of Responsible Lending

What is The Navigator of Responsible Lending?



Source:Petr Teplý (2013)

4. The Navigator of Responsible Lending

Definition of responsible lending

- Our definition of responsible lending from the point of view of the loan applicant:
 - 1) Know the quality of the lender (the supply side of the credit);
 - 2) Understand the parameters of the loan (product design),
 - 3) Understand the consequences of proper repayment and of default (the demand side of the credit).
- The NRL value is calculated as the weighted average for 3 criteria ($<0, 10>$)
 - 1) The potential lender (supply side) - 40% weight
 - 2) The ex-ante credit parameters (product design) - 30%
 - 3) The ex-post credit parameters (consequences of default) - 30%
- NRL $<5.0, 10.0>$ Responsible lender
- NRL $<0.0, 4.9>$ Loan shark
- **Result: 23 loan sharks out of 43 analyze lenders**



4. The Navigator of Responsible Lending

Do loan sharks hunt in South Africa? YES



Wanted: I am in URGENT need of a loan shark or private money lender

I am URGENT need of R200k, I am full time employed and can pay back R2000 per month. I am willing to give 10% of loan to anyone who is able to assist me with this. I am not prepared to pay upfront fees. Please contact me via email

Johannesburg & Gauteng

10/07/2013

Wanted: 10 000 wanted from private loaner or loan shark asap

I need R10 000 asap from a private lender or loan shark plz! I am willing to pay 20 000 back over a term of a few months please help

Eastern Cape

07/07/2013

Sponsored Links



Blacklisted? Need a Loan?

www.loanfindersa.co.za/Apply **Loans** From R500 To R150 000. No Upfront Fees - Instant Decision!
Instant Approval Online - Free Credit Snapshot

Source: <http://www.gumtree.co.za/fp-loan+sharks>



SOUTH AFRICA

Author: Sapa | 04 March 2013 00:29

Loan sharks must be stopped: SACP

SACP to ensure govt deals with reckless lending.

Source: <http://www.moneyweb.co.za/moneyweb-south-africa/loan-sharks-must-be-stopped-sacp>

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5. Conclusion



- 1) **RIA** = theoretically a useful tool
- 2) **Regulatory capture** when analyzing the RIA process is missing!
- 3) **The Navigator of Responsible Lending** = a helpful tool for debtors & a whip on loan sharks in the CR



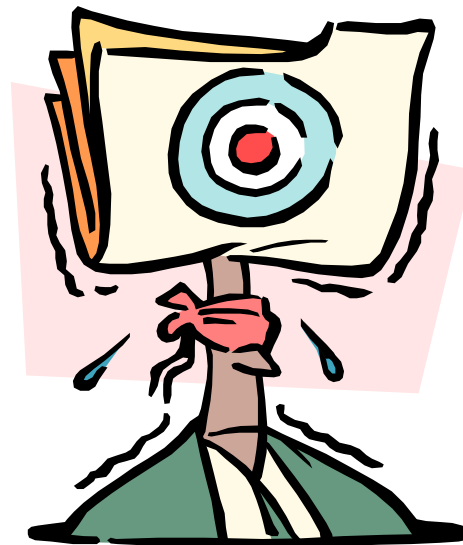
**THE NAVIGATOR OF
RESPONSIBLE LENDING**

Discussion



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Thanks for your attention.
Let's discuss it now!



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