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## REGULATORY IMPACT ASSESSMENT

# Good assessments ensure success of regulations

THE Regulatory Impact Assessment (RIA) is the most popular "smart regulation" tool to help governments make difficult decisions when few resources are available.

Jacobs, Cordova & Associates managing director Scott Jacobs said RIA estimates the impact of proposed regulatory policies before they are adopted, and compares different proposals to determine the best.

"In Malaysia, conducting a RIA needs strong support from ministers, parliamentarians and political leaders, who are focused on making the country a high-income nation by 2020.

"All countries have limited resources. Conducting RIAs can determine the benefits, including improvements in quality of life or environment, and the cost for governments to get those benefits."

Jacobs said regulators needed to have better information on how government policies can affect people and economic markets.

"These value-for-money or prudent outcomes can be achieved only if the regulators collect data in a structured manner to understand the consequences of what they do."

He said Malaysia has made a marvelous start at the country level and a lot of work has been put in to build infrastructure and capacity for better analysis.

"Challenges are important. The RIA has not been adopted by many ministries. There are many cases where ministries took action in a hurry without preparation and analysis, which increases the risk of failure.

"Failure to implement regulatory policies properly may cause lives to be lost, damage opportunities for the young and destroy the environment,"

Bad policies also create loopholes for parties to take advantage of.

Jacobs said politicians should take an active interest in the quality of

policies and regulations that they are responsible for creating.

RIA is used in many countries when proposing new laws to understand the consequences on competitiveness and the impact on future generations, such as opportunities for the young, investments and creation of new jobs, and innovation.

He said the Malaysian government may take a year or two to fully adopt the use of RIAs.

"The United States and the United Kingdom have adopted RIA for about 30 years. The process of refining and improving is ongoing," he said, adding that only a strong political will can ensure that regulators conduct RIA consistently.

"There is always the temptation to cut corners by reducing the amount of evidence and consultation with stakeholders to speed up action."

This is a big mistake because the moment the government acts too quickly, it is also the moment that a proposed policy is likely to fail as it did not consider important consequences or understand how to achieve good results.

"RIA is compulsory in countries that have adopted it as a sustainable system. It can't be a voluntary decision by a minister based on its convenience.

"RIA is like budgeting, which is always mandatory when you spend the country's resources."

Jacobs said the Annual Report on Modernisation of Regulations 2016, published by the Malaysia Productivity Corporation (MPC), is a good report as it outlines the importance of having good regulations for the future in Malaysia. He said the report is also useful to sustain the wealth of reform. MPC provides guidance to regulators in conducting RIA.

"Countries that have implemented RIA can produce a whole range of

public reports.

"In the United States, there are reports of good regulations from the White House to Congress."

Jacobs said there are also governments that report the performance of each ministry to identify which one is committed in following regulations.

Comparison among states can also be done. For example, the Mexican government has published a performance standard that compares all 36 states on the ability to produce good regulations, such as on having RIA.

### REGULATORY IMPACT ASSESSMENT (RIA)

#### What is it?

The process of examining the impact of proposed regulations and a range of alternative options that can meet the government's policy objectives.

#### Why do it?

RIAs can help produce better regulations by supporting:

- sound analysis;
- informed and evidence-based decisions; and,
- ensuring transparency

#### When to conduct one?

When formulating policies that have significant impact on business, trade and investment (unless the impact is minor and does not alter existing regulatory arrangements; and except those implemented for reasons of national security, sovereignty, urgent matters and internal administrative circulars).

INFOGRAPHIC NST

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