

## Conceptual Model of Implementation of Regulatory Impact Assessment at the Regional Level

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**Abstract:** One of the areas of state regulation is a regulatory impact assessment (RIA), which has been successfully used in the developed EU countries. RIA is a set of specific tools, techniques, methods and procedures that allow the public body or official to develop an adequate policy and implement it. RIA can be an effective tool for mutual understanding between the state and business. The introduction of the institute of RIA is important both at the federal and regional levels, as it allows developing a constructive dialogue between the government and small businesses. Given all the previous experience of implementing the Institute of RIA in Russia it is expedient to introduce a system of concepts for launching the mechanisms for assessing the effectiveness of the regulatory functions at the regional level. These concepts should be linked to the conditions and forecast figures contained in the documentation of executive authorities of the Russian Federation. Further activities to implement RIA in the subjects of the Russian Federation may be carried out in accordance with the proposed schemes. The usefulness of the schemes results from systematization of basic concepts applied by the institute of RIA. Regulatory Impact Assessment has an important role in the development of small businesses in the regions.

**Key words:** State regulation • Regulatory impact assessment (RIA) • A conceptual model of government regulation • The regional level of government regulation

### INTRODUCTION

Russian practice has accumulated vast experience in state regulation of business. Both in the world and in Russia there is no satisfaction with its effectiveness, since the original goals have not been achieved in many ways that restrains the development of business in Russia.

Government regulation of business is a common concern of the state and business and regulation efficiency and the quality of decision-making are important for both parties.

One of the areas of state regulation is a regulatory impact assessment (RIA) which has been successfully used in the developed EU countries.

RIA has arisen in the wake of administrative reforms in Western countries in the 80-90s and became the main tool of the business influence on the adjustment of the regulatory processes in society. Russia also needs to use this tool.

The topicality of this issue is directly related to the needs of socio-economic development of Russia in the near future. Authorities' readiness for a broad dialogue with businesses and development of public control over legislative decision-making related to RIA can be an effective tool for mutual understanding between the state and business [1].

The importance of RIA was stressed by V.V. Putin in particular. "Just last year, the business community has rejected virtually every second draft regulation in the preliminary stage of development as worsening the conditions for the development of the Russian economy... This means that we have not yet learned to prepare documents as necessary and convenient for those who use these documents and the people in general and businesses in particular. So, a powerful public "filter" must remain and its scope will be expanded."

The general agreement between the national associations of trade unions, the national associations of employers and the Government of the Russian Federation

for 2011-2013, paragraph 1.5, provides for participation of employers (entrepreneurs) and workers associations (trade unions) in all kinds of expertise in accordance with the standard order, including for the purpose of regulatory impact assessment of draft legal regulations developed by the executive authority. This public "filter" in the form of RIA must be a tool to combat corruption.

The introduction of the institute of RIA is important not only at the federal but also at the regional level, as it allows developing a constructive dialogue between the government and small businesses [2].

The valuable experience accumulated in the sphere of state regulation can be used in Russia at the federal and regional levels.

According to the Ministry of Economic Development of the Russian Federation and the Department of RIA that constantly monitors the current level of RIA implementation in RF subjects, only three regions in Russia have been realizing RIA from 2011 and 28 plan to begin implementation in 2012; at that 67 RF subjects are interested in RIA implementation. This number includes the Primorsky Territory. Executive authorities of Primorsky Territory actively introduce RIA in the lawmaking practice of the legal regulation of business.

The introduction of RIA in the practice of state-business relations first needs to clarify some of the theoretical aspects of the main categories and concepts used in the RIA. Practice needs theory to correctly identify the prospects of activities.

Regulatory impact assessment or regulatory impact analysis, RIA (Impact Assessment, Regulatory Impact Assessment, Regulatory Impact Analysis,) is "... the process of identifying problems and regulatory purposes, selecting alternatives to achieve these objectives in order to avoid excessive and ill-considered regulation and analyzing costs and benefits of selected alternatives with the use of scientific and subsequent measurable verification techniques, applied throughout the entire available information, as well as taking into account the different views received during consultations...".

In other words, the RIA is a set of specific tools, techniques, methods and procedures that allow the public body or official to develop an adequate policy and implement it.

Given all the previous experience of RIA introduction at home and abroad, it is advisable to develop a system of concepts for implementation of the mechanisms for assessing the effectiveness of the regulatory functions at the regional level. These concepts should be linked to

the conditions and forecast figures contained in the documentation of executive authorities of RF subjects [3, 4].

Further activities to implement RIA in the subjects of the Russian Federation may be carried out in accordance with the proposed schemes. The usefulness of these schemes is due to systematization of the basic concepts used by the institute of RIA.

The novelty of the presented conceptual model for RIA introduction at the regional level is the schemes (charts) used for systematization of the bases of formal object description.

A preliminary description of the studied object is presented in the form of charts reflecting the most significant variables and their interrelation. The conceptual model for RIA introduction at the regional level is the foundation for the subsequent description of RIA implementation at making decisions related to small businesses regulation at the regional level.

- The horizontal hierarchy of the purpose of RIA shows hierarchical relations of RIA goal within the regional policy of business regulation.
- The cyclic scheme of RIA concepts and problem description shows the relation to a central idea. The emphasis is not on a central idea, but on the surrounding figures.
- The scheme of the segmented process of evaluation of RIA options demonstrates the sequential steps in the process of selection of the options.
- The matrix of evaluation of RIA options displays the relations of the four quadrants to the whole. It contains four main questions, the answers to which allow an assessment of the regulatory impact on the business.
- Radial cluster is the system of measures to improve the quality of government regulation. It displays the data associated with the central idea of improving the quality of government regulation [5-7].

Figure 1 displays the horizontal hierarchy of the RIA purpose.

The main role of RIA is to screen thoughtless and unreasonable decisions at the stage of adoption of one or another regulatory legal act, to assess whether the regulation achieves its objectives and to evaluate the possible effects of the new regulation. Often this is done through the monetization of the potential costs and benefits of new regulations, as well as by evaluation of

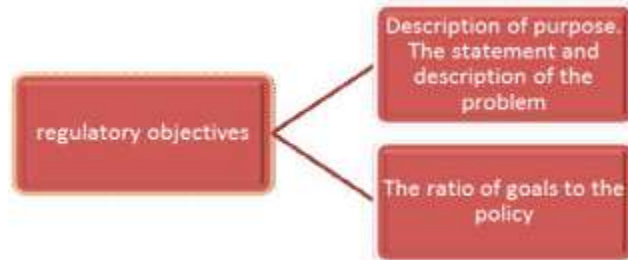


Fig. 1: The Horizontal Hierarchy of RIA Purpose.

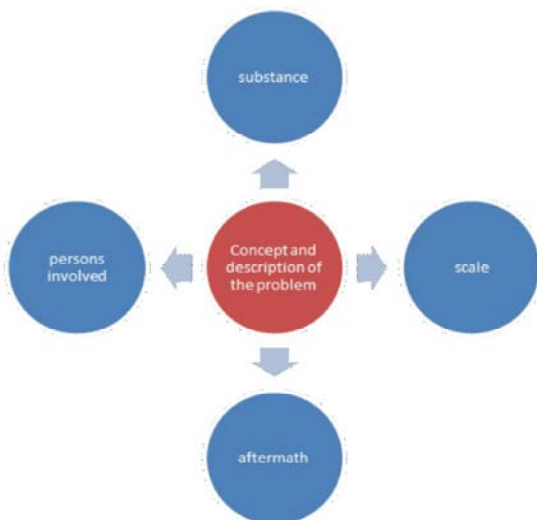


Fig. 2: Cyclic scheme of concepts and description of RIA problem.

its side effects. It is necessary to clearly define the objectives of government intervention and, if possible, to divide them into primary and secondary. It is especially important to take into account the already existing regulation in this area and to understand the reasons for its ineffectiveness. A common mistake at this point is the substitution of the objectives of regulatory impact with the methods for their achievement.

Figure 2 shows the cyclic scheme of concepts and description of RIA problem.

### The Procedure of Regulatory Impact Assessment Consists of Three Phases Including:

- Selection of options;
- Evaluation of options;
- Analysis of options.

The main steps of option selection are presented in Figure 3.

RIA has significant differences from the practice of feasibility studies of management decisions and regulations applied in Russia.

The first is the analysis of options and alternatives to the regulatory impact on the economic and legal processes, reflected in the Schemes 3 and 4.

The second difference is that RIA involves consultations with the representatives of the interested groups about the selected option; consultations ensure the legitimacy of regulation since provide an opportunity for active participation of people in policy-making before the actual intervention. The opinions on the draft regulations may be expressed by any business entity, any association and all subjects of the Russian Federation.

To reach the set goals the possible options for its achievement are determined. To develop the most effective solution to the problem it is necessary to consider all possible options, or the most feasible one.

The ultimate objective is to select the most appropriate way to solve the problem and to provide a detailed proof of the choice in favor of this alternative. The most appropriate alternative is the one, which benefits exceed the costs of its implementation and providing the largest net social gain in comparison with other alternatives. For qualitative and quantitative evaluation various methods, including the assessment of risks, are applied [8, 9 and 10].

Practice has shown that the system of measures to improve the quality of regulation is not due to technology, but through practical actions using national and international progressive experience. Figure 5 presents a diagram of improved regulation, based on the results of the study of this experience. This model of improvement of state regulation estimates the contemporary realities of the Russian society, i.e. the dominance of the bureaucracy, corruption, high business risks, etc.

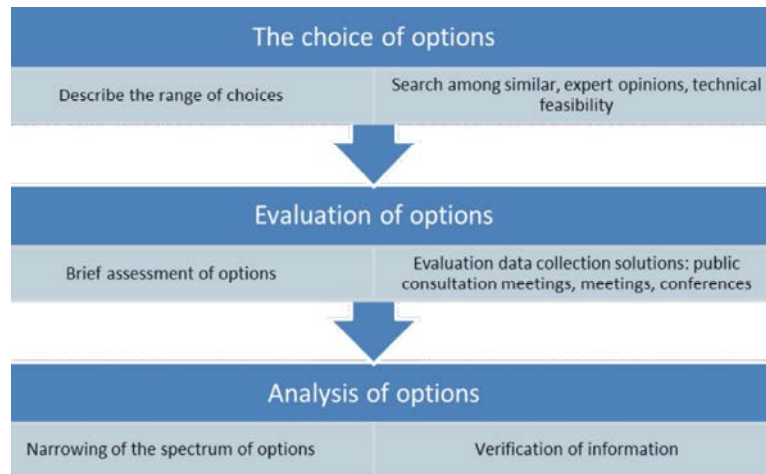


Fig. 3: Scheme of a segmented process of evaluation of RIA options.



Fig. 4: The matrix of evaluation of RIA options.



Fig. 5: System of measures to improve the quality of government regulation.

Based on the above, a crucial role in the development of small business in the regions will be played by the introduction of the institute of RIA at the regional level.

This will contribute to the efficiency and competitiveness of small businesses, generally enhance the economic potential of the region and enlarge regional funding opportunities for realization of social policy of the Russian government in a transformed economy.

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