# 1. Introduction

Regulation may broadly be defined as “any obligation endorsed by the government, where there is an expectation of compliance”. Governments make rules in various contexts in order to address identified issues, but these can sometimes impose unwelcome burdens on businesses, community organisations and individuals. Poorly thought out regulations can also stifle competition and innovation, reducing the ability of markets and industries to dynamically create value for society and generate employment.

## 1.1. Intended Audience and Beneficiaries

Regulatory actions are taken by governments or authorized regulatory bodies to influence, direct, or control the behaviour of individuals, businesses, and organizations to address identified problems or achieve specific public policy goals.

This web book is intended to be a guide for such policy makers, regulators, decision makers, and their advisors in government to make better policy decisions by preparing high quality **Regulatory Impact Assessments (RIA)**.

It can also support public policy practitioners and researchers in enhancing the quality of evaluation of government decisions.

## 1.2. Scope

This web book focuses on the use of regulatory instruments to improve the functioning of markets. The central premise of Regulatory Impact Assessment is that regulatory intervention should be considered where markets fail to deliver economically *‘efficient’* outcomes. Economic efficiency may be allocative, productive or dynamic. When resources are allocated to their highest and best uses and goods and services to those who value them the most, allocative efficiency is achieved. Productive efficiency is achieved when goods and services are produced at the lowest possible costs. Dynamic efficiency refers to a state of the market where barriers to new entrants and to innovation are minimal.

The analytical framework developed in this book is therefore concerned with assessing whether regulatory interventions are likely to improve outcomes relative to a baseline scenario and whether the benefits of intervention outweigh its costs. It primarily treats RIA as a tool for assessing potential regulatory responses to identified policy problems.

The book does not seek to address the broader design of fiscal policy instruments such as taxation, public expenditure, social security systems, or income-transfer programmes. Fiscal measures may

pursue objectives such as revenue generation, macroeconomic stabilisation, poverty reduction, redistribution, or social justice across the economy as a whole. While such objectives are unquestionably important and may form part of the wider mandate of government, they are generally analysed through public finance, tax policy, welfare economics, and budgetary processes rather than through regulatory impact assessment.

Accordingly, while this book is concerned with the distributional consequences of regulatory interventions, such as how regulatory costs and benefits are allocated across consumers, firms, investors, workers, or vulnerable groups, it does not attempt to evaluate broader questions of income redistribution through tax-and-transfer systems. The objective is not to determine how wealth should be redistributed within society, but rather to assess whether particular regulatory interventions constitute proportionate, effective, and evidence-based responses to identified market failures i.e. when markets fail to achieve economically efficient outcomes.