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MAPPING AND REVIEW OF REGULATIONS IMPACTING SENADA'S INDUSTRY VALUE CHAINS (REGMAP)

GUIDANCE FOR RESEARCH TEAMS

NOVEMBER 2007 — STTA RICHARD WADDINGTON

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GLOSSARY OF ACRONYMS

FGD	Focus Group Discussion
GDP	Gross Domestic Product
M & E	Monitoring and Evaluation
OECD	Organisation of Economic Cooperation and Development
RIA	Regulatory Impact Assessment
RIS	Regulatory Impact Statement
RIR	Regulatory Impact Report

1. BACKGROUND TO THE PROJECT

1.1 INTRODUCTION TO THIS GUIDANCE

This guidance is intended to support the work of the research teams and supervisors of the CESS consortium who have primary responsibility for completing the RegMap review. The guide is also a useful tool for SENADA's project staff to monitor the quality of the review process and provides an introduction and explanation of RegMap to interested stakeholders.

Key features of this guidance include:

- Background to the five industry value chains under review
- An explanation of the objectives and principles that inform RegMap
- An overview of the RegMap methodology and introduction to the “scope” of work
- A checklist of activities for each phase to guide the research teams
- Guidance on using the 3 filters that form the core of the RegMap methodology
- The score cards that comprise filters 1 and 2
- Guiding questions for engaging with stakeholders
- Templates for reporting on the key regulatory burdens within each value chain

1.2 THE PROBLEM OF REGULATION IN INDONESIA

Over the last five years, manufacturing activities have contributed about thirty percent to total GDP in Indonesia. In general, the competitiveness of manufacturing industries has been adversely affected by several factors including; poor productivity, inability of firms to understand end markets, inability of firms to capitalize on linkages within their value chains, the availability and capacity of supporting services, and a poor business enabling environment that has not created incentives for enterprise growth.

It is critical that the business enabling environment be responsive to needs of enterprises and creates win-win relationships between government actors and private sector players at all levels. It is noteworthy that in Indonesia, no significant policy reform or deregulation has been implemented by the central government meant to improve overall economic competitiveness. Meanwhile, with the ongoing implementation of local autonomy and decentralization in the country, regional governments often pass and implement controversial regulations that at their best are neutral to promoting economic growth and at their worst are actual disincentives to growth.

Donor programs often fail to realize that policy reform to improve the business enabling environment is not solely about changing laws. It is about improving the ways in which laws are implemented, removing regulatory burdens, and strengthening business relationships. SENADA can have an impact in this area by working with private and public stakeholders to facilitate a reinvigorated approach to improving the business enabling environment, within and driven from our target value chains, and at the local/provincial level and where appropriate, at the national level. To undertake this work it is necessary for SENADA to more fully understand the impact of existing regulations and their implementation, particularly as related to SENADA's five selected value chains; auto-parts, footwear, furniture, home accessories and garment.

1.3 SENADA'S INDUSTRY VALUE CHAINS

- **Auto Parts.** Valued at over \$1 billion USD per year, the domestic automotive component aftermarket provides ample market opportunities to a wide array of domestic auto part firms mainly producing brake shoes, gaskets, mufflers, rubber parts, and chain and gears for two-wheeled vehicles and oil filters, air filters, gaskets, fuel filters, and mufflers for four wheeled vehicles. Domestic aftermarket is the only market for the vast majority (90%) of Indonesian SME component producers, providing a market springboard to larger, more valuable markets, including export markets.

SENADA's programs aim at increasing the competitiveness of the Indonesian second and third tier non-OEM domestic automotive component industry by increasing penetration of select parts sold to OEM and mid-valued domestic aftermarket through supplier upgrading, industry standards and information exchange.

- **Footwear.** The global market for footwear has been expanding, from approximately \$USD 49 billion in 2000 to \$USD 76 billion in 2006, an increase of approximately 55%. However Indonesia, despite its advantages as a low cost and large scale producer with a relatively well-skilled labor force, has been unable to increase its penetration of expanding global markets and has experienced a decrease in international market share from 3.4% in 2000 to 2.1% in 2006.

The programs aim at increasing international buyers' perception of, and access to domestic, non-sport leather footwear manufacturers, through implementation of a consistent and targeted export promotion strategy.

- **Furniture.** Growing trend/demand for certified or legally verified products in the US and EU has been driven by the change in public procurement policy of EU – US and also consumer behavior. The EU is seeking to develop Voluntary Partners Agreements (VPA) with wood exporting countries to prevent the export of wood based products manufactured from illegal sources. Indonesia is the 8th biggest exporter of wooden furniture (after China, Canada, Mexico, Italy, Vietnam, Malaysia and Taiwan) to international market with an average of 7.4 % increasing export sales every year within the last six years (Y 2001-2006/ BPS Source). Central Java; East Java, Jogjakarta provinces where SENADA works on furniture contribute about 60-80% out of total national export (BPS and MOI).

Furniture IVC program aim at assists the Indonesian wooden furniture sector to maintain and develop international market share by pursuing a number of green market certification strategies.

- **Home Accessories.** There is a strong and growing demand for sustainable home accessory products in key western markets. Repositioning Indonesia as a source for sustainable home accessories to leverage Indonesia's position as a leading exporter of home accessories with a material base important to the green consumer, to seize market currently underserved, to sidestep price competition presented by Vietnam and China by focusing on a market with more interest in handmade, and to differentiate from national competitor with similar product and processes, such as the Philippines (natural fiber based products) and Thailand (wood based products).

The Home Accessories IVC program objective is to improve the competitiveness of the Indonesian home accessories industry through a strategy of market focus, specifically a focus on the market for sustainable, eco-friendly home accessories.

- **Garment.** SENADA found that most Indonesian manufacturers are currently operating on a weak production modality, a low value-added assembly platform called Cut-Make-Trim (CMT), where the Indonesian firm has no direct involvement in the dynamic of product design and development, as well as other activities such as fabric sourcing, logistics etc. As competition become more intense, a competitive advantage will be determined to a large extent by the breadth of services suppliers can offer buyers. Hence, there is a need to upgrade the range of services provided by Indonesian firms. In addition, Indonesian firms need to look at the growing demand for ethical sourcing, and market position Indonesian factories as good socially responsible producers.

Garment IVC program objectives is to improve the ability of Indonesian producers to supply major labels and importers. This will be achieved through the development of a market-driven upgrading program that increases the breadth of services offered by local factories, as well and improves overall vendor compliance, both technical and social.

2. INTRODUCTION: REGMAP METHODOLOGY

2.1 OBJECTIVES OF THE METHODOLOGY

This regulatory mapping (RegMap) methodology and supporting guidance is intended to support SENADA and the mapping team to:

- To develop a comprehensive inventory, review and analysis of national and local regulations that significantly affect the competitiveness of SENADA's five manufacturing value chains;
- To determine facilitative actions that SENADA can take to improve the business enabling environment based on this analysis; and
- To identify and engage key public and private stakeholders that can advocate for change and that can effect change.

2.2 THE PRINCIPLES OF REGMAP

The RegMap review is based on 5 key principles which should inform the approach and activities undertaken by each of the research teams. These principles have been introduced to promote consistency between the research teams which will be working within different geographical locations and dealing with a large volume of regulation.. The principles are:

- Regulations reviewed must be specific to SENADA's industry value chains
- Regulations reviewed must include an emphasis on both national and local level regulation
- An iterative process must be used to establish the final short list of top 10 burdensome regulations for each value chain
- Researchers must question their assumptions and validate their selections through discussions with colleagues and consultation in all phases with affected stakeholders
- Researchers must justify their selections by documenting and providing supporting evidence

2.3 OVERVIEW OF THE METHODOLOGY

Useful definitions:

Regulation: Any **direct** government intervention that has an impact on the public sector, private sector, and society in general.

“Problematic regulations”: Problematic regulations are those regulations that *have the potential* to have a negative impact on enterprises within SENADA's 5 value chains.

“Burdensome regulations”: Burdensome regulations are those regulations that *have been identified* as having the highest regulatory burdens within SENADA's value chains, and are considered to be priorities for reform.

A more detailed glossary of key terms and definitions is provided in chapter 3

2.3.1 THE CHALLENGE

There are two main challenges to the assignment:

1. The amount of regulations that have an affect on the five manufacturing value chains is unknown. Therefore the challenge is to design a methodology that will systematize the gathering of regulations in a focused and manageable way.
2. Having identified the stock of regulation relevant to the five value chains, a second challenge is to identify those regulations that are the most burdensome to enterprises within the value chain.

2.3.2 APPROACH TO METHODOLOGY- THE 4 PHASES OF REGMAP

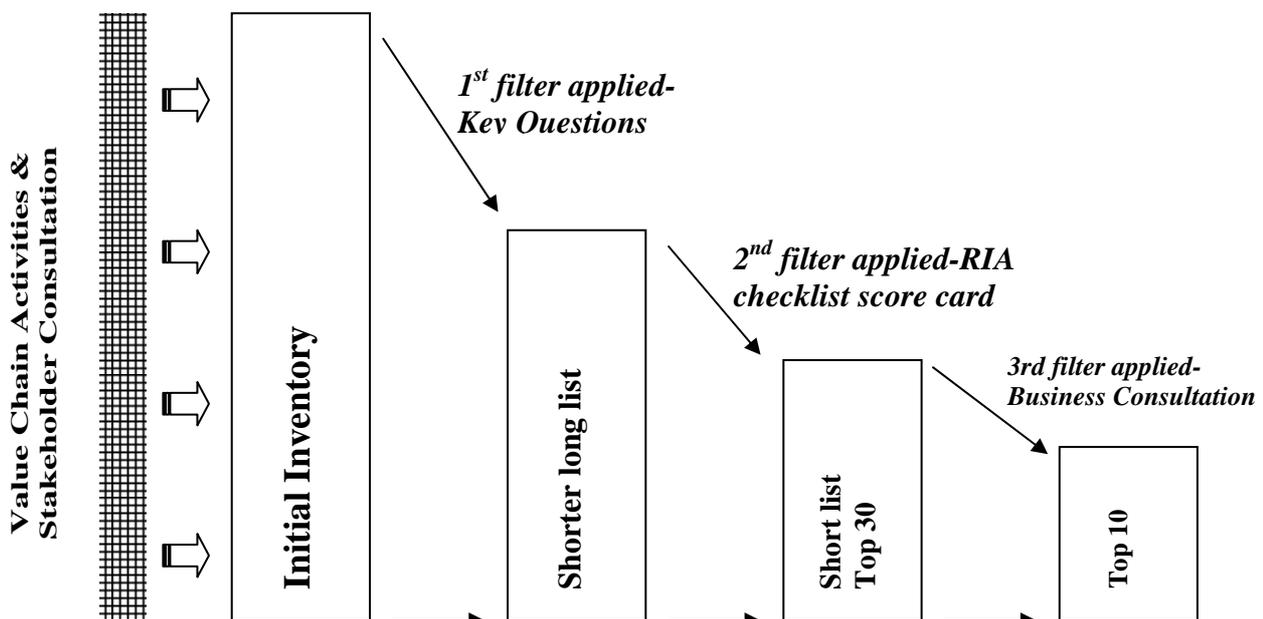
Given the unknown quantity of regulations at national and local level, the methodology will reduce down the total number of regulations through an iterative process to reach the **top 10 most burdensome regulations for each value chain**. This iterative process will be based on four Phases:

- **Phase 1 – Planning.** Finalizing the mapping methodology, testing the methodology through a pilot exercise, and training the research teams in the use of the methodology.
- **Phase 2 - Regulatory Mapping.** To identify, collect and categories regulations relevant to enterprise activity within SENADA’s five value chains and to develop a web based data base to store all regulations identified during the mapping exercise.
- **Phase 3 - Regulatory Review.** To establish the top ten most burdensome regulations within SENADA’s 5 value chains through an iterative review process using three “filters”.
- **Phase 4 - Regulatory Reporting.** To provide supporting evidence for the top ten most burdensome regulations within each value chain and suggest next steps for achieving reform.

2.3.3 USE OF FILTERS

During phase 3, a series of 3 filters will be built into the methodology to help narrow down the number of regulations to those that are the most burdensome to enterprises in the five value chains. Given the large volume of regulations that will need to be assessed, the focus in these filters will be on assessing the quality of regulations, and establishing the initial qualitative impacts of the regulations.

Figure 1- Overview of the RegMap Methodology



Detailed cost benefit analyses for the most burdensome regulations identified during the RegMap Review will be completed at a later date and will not at this stage be part of the work of the research teams.

2.4 THE SCOPE OF WORK

This section describes the physical “scope” of the RegMap exercise. There are four dimensions to the scope of work to be covered by the research teams as follows:

1. SENADA’s five industry value chains (see 1.2 above)
2. The key thematic categories within each industry value chain
3. The types of regulation to be covered in the review
4. The geographical coverage of SENADA’s value chains

2.4.1 KEY THEMATIC CATEGORIES WITHIN EACH INDUSTRY VALUE CHAIN.

There are 7 “thematic categories” within each value chain that determine the level of competitiveness of that value chain. These categories provide an important “lens” through which to view regulatory burdens within and across the 5 value chains. The categories include: start-up, establishment and operating licenses; export-import issues; transportation/domestic trade of raw and supporting materials; labor issues; taxes; access to credit; and investment.

The text box below introduces the types of regulatory instruments covered by the review.

Types of regulation included in the RegMap Review

The scope of the regulatory mapping exercise will be direct government interventions (regulations) that affect enterprise activity in SENADA’s five value chains. Based on this definition of regulation, the following regulatory instruments will be the key focus of the study:

National Regulations will include:

1. Laws (Undang Undang),
2. Government Regulation (Peraturan Pemerintah),
3. Presidential Regulation (Perpres),
4. Presidential Decree (Kepres),
5. Presidential Instruction (Inpres),
6. Ministerial Regulation (Permen),
7. Ministerial Decree (Kepmen),
8. Ministerial Instruction (Inmen),
9. Joint Ministerial Decree (SKB Menteri),
10. Directorate General Regulation (Perdirjen),
11. Directorate General Decree (Kepdirjen),
12. Directorate General Instruction (Indirjen).

Local Regulations will include:

1. Provincial Regulation (Perda Provinsi)
2. District/City Regulation (Perda Kabupaten/Kota)
3. Governor Regulation (Pergub)
4. Regent/Mayor Regulation (Perbup/Walikota)

In addition where regulation is accompanied by technical guidance or explanatory notes, then this too should form part of the analysis of any given regulation.

Each of SENADA’s value chains is concentrated within specific regions on the island of Java. For this reason it is important to maximize the resources available to the RegMap process and introduce a geographical focus to the review. Table 1 presents the regions that will be the focus for each value chain reviewed using the RegMap methodology.

Table 1- The Geographical Coverage of RegMap

Regions and Senada's Industry Value Chains Concentration (for CESS Guidance)						
	Value Chains	Jabodetabek Region	West Java Region	Central Java & Yogya Region	East Java Region	List of Areas
1	Footwear (3 regions 8 areas)	Bekasi Bogor Tangerang	Bandung a.s. Tasik Malaya		Sidoarjo Surabaya a.s. Mojokerto a.s.	1 Bandung*** 2 Bekasi*** 3 Tangerang*** 4 Cimahi**
2	Auto part (2 regions 5 areas)	Jakarta Bekasi Tangerang	Bandung a.s. Cimahi			5 Jakarta** 6 Jepara** 7 Klaten** 8 Malang*
3	Garment (3 regions 8 areas)	Jakarta Bekasi Tangerang	Bandung a.s. Cimahi	Pekalongan a.s. Semarang a.s. Yogya a.s.		9 Mojokerto* 10 Yogya** 11 Bantul* 12 Bogor*
4	Furniture (2 regions 6 areas)			Jepara Klaten Yogya a.s.	Pasuruan a.s. Surabaya a.s. Gresik a.s.	13 Bojonegoro* 14 Pasuruan* 15 Pekalongan* 16 Semarang*
5	Home Accessories (2 regions 5 areas)			Klaten Jepara Bantul	Malang a.s. Bojonegoro	17 Sidoarjo* 18 Surabaya** 19 Tasik Malaya* 20 Gresik*
		Total 4 areas 3 IVCs	Total 3 areas 3 IVCs	Total 6 areas 3 IVCs	Total 7 areas 3 IVCs	
						* Area with 1 IVC ** Area with 2 IVCs *** Area with 3 IVCs a.s. and surroundings

3. THE FOUR PHASES OF REGMAP

This chapter provides supporting information and guidance on completing the 4 phases of the RegMap methodology, including an explanation of how to complete the 3 filters that will be used during phase 3.

3.1 PHASE 1 - PLANNING

Phase 1 will involve finalizing the RegMap methodology, testing the methodology through a pilot exercise, and training the research teams in the use of the methodology. This phase will be organized between SENADA and the team leader and supervisors from the CESS consortium. The main input of the research teams at this stage will be to participate in training in applying the RegMap methodology.

3.1.1 REGMAP PILOT

In order to test the application of the RegMap methodology, the team leader and supervisors will conduct a pilot exercise involving 5 regulations for each of the 5 value chains- 25 regulations in total. Through application of the 3 filters, the pilot process should lead to a shortlist of 2 regulations for each value chain, each one supported by a completed Regulatory Impact Statement (see 3.3.7 below). The objective of the pilot will be to:

- Test the validity of the statements and supporting criteria included in filters 1 and 2
- Test the scoring system (including weighting) and threshold scores for filters 1 and 2
- Test the guiding questions for engaging with stakeholders during initial consultation and application of filter 3

3.1.2 TRAINING THE RESEARCH TEAMS

The results of the pilot process will be used to adjust the final RegMap methodology and to train the research teams in applying the methodology. The training will be delivered by the team leader and supervisors.

Phase 1- Planning: Activities Checklist

Phase 1 - Activity	Responsibility	Completed (Y/N)
1. Finalize draft RegMap methodology.	SENADA	
2. Test RegMap methodology through pilot exercise.	Team Leader and Supervisors	
3. Adjust RegMap methodology based on results of pilot.	SENADA and Team Leader	
4. Training of research teams in use of methodology.	Team Leader and Supervisors	

3.2 PHASE 2- REGULATORY MAPPING

The objective of phase 2 is to identify, collect and categorize regulations relevant to enterprise activity within SENADA's five value chains. Categorizing the regulations will involve a process of coding and entering each regulation into a web based data base. This regulatory mapping and data entry will be the responsibility of the research teams and will be overseen by the supervisors of each team.

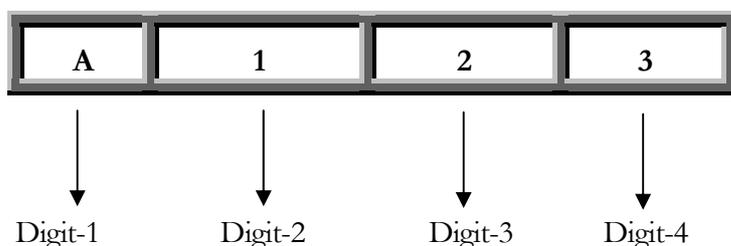
3.2.1 IDENTIFYING AND COLLECTING REGULATIONS

Before beginning the task of identifying and collecting regulations, research teams should engage in a process of initial consultation with key stakeholders. This is to ensure that the “burning issues” for each value chain are captured at the start of the process and help to inform the RegMap Review. Collection of regulations should include, but not be limited to:

- Visits to the legal departments of government institutions (national, provincial and local level).
- Discussions with business associations and industry experts in each value chain.
- Review of government and donor publications where known.
- Web searches.

3.2.2 CATEGORIZING REGULATIONS

To allow a searchable database, a set of codes will be developed and applied to each regulation. The codes will also function as a guide for data entry. A code will consist of four (4) digits. Each digit will reflect certain details of each relevant regulation. This coding system will be developed jointly and as the initial guide, it can be illustrated as follow:



- Digit 1 will consist of a Romanized-alphabet character and will reflect the type of regulation.

A= Law (UU)	J= Directorate General Regulation (Perdirjen)
B= Government Regulation (PP)	K= Directorate General Decree (Kepdirjen)
C= Presidential Regulation (Perpres)	L= Directorate General Instruction (Indirjen)
D= Presidential Decree (Keppres)	M= Provincial Regulation (Perda Prop)
E= President Instruction (Inpres)	N= District/City Regulation (Perda Kab/Kota)
F= Ministerial Regulation (Permen)	O= Governor Regulation (Pergub)
G= Ministerial Decree (Kepmen)	P= Governor Decree (Kepgub)
H= Ministerial Instruction (Inmen)	Q= Governor Instruction (Ingub)
I= Joint Ministerial Decree (SKB Menti)	R= Regent/Mayor Regulation (Perbup/Walikota)
- Digit 2 will consist of a numerical character and will reflect geographical jurisdiction.

1= National,	4= Provincial,
2= More than one province,	5= District/city
3= Specific areas (i.e. Free Trade Zones)	6= More than one district/city.
- Digit 3 will consist of a numerical character and will indicate the SENADA IVC.

1= Furniture	5= Home Accessories
2= Footwear	6= More than one value chain
3= Garments	7= All value chains
4= Auto parts	

- Digit 4 will consist of a numerical character and will indicate the activities of SENADA’s industry value chain.

- | | |
|--|---------------------|
| 1= Start-up, establishment and operating licenses | 5= Taxes |
| 2= Export-import issues, | 6= Access to credit |
| 3= Transportation/domestic trade of raw and supporting materials | 7= Investment. |
| 4= Labor issues | 8 = TBD |
| | 9 = Other |

For example Code A-1-2-3 would represent a national law that regulates transportation of raw and supporting materials for the footwear industry. Note that this coding system is only suggested. Final coding will be determined after the pilot. For the next step the researchers will need to enter all regulations identified during the mapping into the database using the above coding system. The database will be in CD format and designed to be hosted in the existing SENADA website, thus, the design of the database will need prior approval from SENADA.

Phase 2- Regulatory Mapping: Activities Checklist

Phase 2 - Activity	Responsibility	Completed (Y/N)
Initial consultation with key stakeholders to identify burning issues	Supervisors and Researchers	
Panel of Experts Interviews completed (total 12 Experts)		
Panel of experts reports prepared		
FGD participants prepared for participation		
FGDs completed across 4 regions (2 FGDs for each value chain, total 10 FGDs)		
FGD reports prepared		
Regulations identified and collected	Supervisors and Researchers	
Web based database designed	CESS Consortium data base programmer	
Regulations for each value chain entered into data base	Supervisors and Researchers	

3.3 PHASE 3 - REGULATORY REVIEW

The objective of Phase 3 is to establish the top ten most burdensome regulations within SENADA’s 5 value chains through an iterative review process using 3 “filters”. This section of the guide provides supporting guidance on how to use each filter.

- Filter 1 is presented in Annex 1
- Filter 2 is presented in Annex 2
- The guiding questions for Filter 3 are presented below

In addition to “filtering” the large body of regulation into the most burdensome regulations within each value chain, the filters also perform a quality control function. The statements and supporting criteria within filters 1 and 2 provide a “framework” for researchers to identify supporting evidence to justify their selections. This framework helps to minimize the subjectivity that is invariably going to be associated with an exercise of this size. The emphasis in filter 3 on stakeholder consultation helps to validate the initial selections made in filters 1 and 2 and to question any assumptions made by the research teams.

3.3.1 GLOSSARY OF USEFUL TERMS FOR FILTERS 1 AND 2

This section of the guidance explains key terms and definitions that are used in the first 2 filters of the RegMap methodology.

- **Necessary related laws.** In this methodology, “necessary related laws” refers to (a) to those higher level government laws and regulations which provide the legal authority or basis for the introduction of a regulation; and (b) those laws and regulation that have a relevant thematic or sectoral basis and which may reasonably be expected to be taken into account when evaluating each regulation. The term “necessary” in this context is important because it requires researchers to consider whether the authors of the regulation have (a) adopted a wider sectoral and thematic perspective in drafting the regulation- has the wider context been taking into account, or (b) made reference to the most up to date related laws and regulations when establishing the legal justification for their regulation
- **Policy objective.** The Policy Objective describes what government wants to accomplish by issuing the regulation. According to international good practice, the policy objective should be realistic and be based on a good understanding of the policy problem that the regulation is intended to address. The policy objective should also be supported by a justification for government intervention.
- **Public interest.** The public interest is the only usual basis for justifying regulation as a form of government intervention. In this methodology, the public interest is based on the following criteria:
 - The promotion of public health and/or safety
 - Protection of the environment
 - Consumer protection
 - Restriction of monopolies and anti-competitive behavior

In general it should be argued that a regulation is in the public interest if it generates a net benefit (as measured in cost-benefit terms) for society. See below for a brief discussion on cost-benefit determinations.

- **Alternatives to regulation.** Consideration of alternatives to regulation is an important mechanism to ensure government only regulates when necessary. When developing regulation, government should first consider whether it is appropriate to intervene at all. It is possible that government intervention through regulation or other means may not achieve the desired behavior change it is intended to achieve and may come at a high cost to the state and private sector. Once government has decided *whether* to intervene, it should then evaluate *how* best to intervene. Regulation is only one of many policy options available. When reviewing the regulations, you should consider whether government could have addressed the policy problem through other non regulatory means. Also consider whether government intervention has made the problem worse. (Section 3.3.4 below includes a guide to different alternatives to regulation.)
- **Costs and benefits.** When assessing the overall impact of the regulation it is important to assess whether the net benefit of the regulation outweighs the net costs. Both the *direct* and *indirect* costs and benefits associated with a regulation will need to be identified in order to assess the impact of a regulation. These costs and benefits can be grouped into three categories: (a) economic costs (in this case both at the firm level, but also within the value chain and to the Indonesian economy over all); (b) social costs; and (c) environmental costs.

Other factors you will need to take into account when assessing costs and benefits of a regulation include the distribution of impacts across different groups in society and the economy. You should also consider factor in the likely implementation, compliance and enforcements costs to government of introducing and implementing the regulation. Static versus dynamic impacts may also need to be examined. For example the static impact of a trade-restricting regulation might be small, but over time the dynamic impacts may be significantly larger as on-going trade restrictions may constrain industry development, particularly if the regulation in question constrains market access.

- **Implementation.** Implementation in this methodology predominantly refers to promoting compliance with regulations and the enforcement of regulation. Researchers should also consider implementation from the perspective of “implementing regulations.” If government has passed a law or introduced a decree, but one year later there are no implementing regulations in place to give it effect then it can be said to be an unacceptable delay that has the potential to negatively impact on businesses.
- **Unintended negative consequences.** Often government can introduce a regulation with the best of intentions, but the actual effect of the regulation leads to unforeseen (or unintended) consequences, many of which have a negative impact on business and government itself. Unintended consequences can include: market distortion, a restriction on competition and market entry, higher compliance costs to business and increased opportunities for rent seeking.
- **Proportionate.** Proportionate is a term used to assess whether the use of regulation is appropriate given the size (or risk) of the policy problem that is to be addressed. A proportionate response by government would demonstrate that government has considered the nature of the policy problem and evaluated the different policy options available. A proportionate response demonstrates that government is using the minimum necessary regulation to achieve its stated objectives. In this way government should not over-regulate, and instead adopt whichever regulation (or alternative to regulation) is the least burdensome to the public, business and to government itself.
- **Targeted.** A targeted approach means achieving the intended policy objective(s) with the minimum burden on those affected. This involves assessing the policy problem to be addressed and taking steps to minimize unintended consequences.

3.3.2 GUIDE TO USING FILTER 1

- **Objective.** The objective of filter is to reduce the initial inventory of regulations down to a “shorter long list” of “problematic regulations”. Problematic regulations refer to those regulations that have the potential to negatively impact on enterprises within SENADA’s value chains. Negative impact itself is defined in terms of (a) economic impacts including market distortion, restriction on market entry, competition, trade and job creation; (b) high compliance costs to business in terms of time and money with regard to complying with the information obligations of regulation; and (c) the potential of the regulation to give rise to rent seeking.

Problematic regulations will then be subjected to an investigative process using filter 2 to assess the quality of each regulation. This will enable us to (a) better understand why those regulations have the potential to negatively impact on enterprises within SENADA’s value chains; and (b) begin to priorities those regulations that have the highest burden on enterprises within SENADA’s value chains.

Table 2 - The purpose of the questions in filter 1.

QUESTION	PURPOSE
Overlap and Duplication	
1. The regulation does not refer to necessary related laws	If the regulation in question does not take into consideration existing laws that may relate to the policy problem it is intended to address, then there is a greater chance of overlap, duplication and possibly conflict with other regulations. This increases the risk of high regulatory burdens.
Regulation Activity	
2. There is evidence that the regulation exists in law, but is not being implemented.	It is important that the RegMap exercise is able to recommend some “quick wins” to help establish an initial interest in reform among government decision-makers. Identification of redundant regulations is one way to achieve this.
Significance	
3. The regulation does not clearly explain the objective it is intended to achieve.	If the regulation does not have a well defined and articulated objective statement then it is highly unlikely that the regulation will be targeted towards the problem it is intended to address, or achieve its purpose in an efficient manner. A regulation that is not supported by a well defined objective also has greater potential to create unintended consequences.
4. There is evidence that the regulation could have a negative impact to enterprises in SENADA’s value chain.	At this stage we are not looking for detailed analysis, only an indication of the potential of the regulation to cause harm to business activities within SENADA’s value chains. This serves as a signal that we should investigate this regulation further through application of the 2 nd and 3 rd filters and stakeholder consultation.
5. There is evidence that stakeholders see this as a priority for reform	The first filter serves as a “net” to catch those regulations that have the most potential to cause harm to business activities within SENADA’s value chains. For this reason we must ensure the regulations that business, industry experts or government see as particularly important make it through to the next stage so we can interrogate <i>why</i> these priority regulations are perceived to be problematic.

The objective of Filter 1 is to identify the incomplete information available to researchers at this early stage of the analysis while researchers analyze regulations in filter 1 based on the *potential* of the regulation to have a negative impact on enterprises in the SENADA value chain. We cannot say with certainty whether the regulation is harmful to doing business, however we can make an initial assessment based on the information available at the time. There are two primary sources of information to assist the researchers in the application of filter 1 as follows (a) the actual content of the regulation; and (b) feedback from initial consultations with stakeholders

- **How to use.** In addition researchers should exercise their judgment in completing filter 1 based on their own knowledge and experience of the regulatory environment in Indonesia. Personal judgment should only be used in support of, not in place of, analysis of the content of the regulation and early feedback from stakeholders. There will naturally be a degree of subjectivity involved in answering the questions in filter 1. In recognition of this, application of filter 1 for each regulation should be completed by a minimum of 2 researchers and overseen by a supervisor. A team based approach to completing this filter is intended to promote consistency and consensus in the analytical process and to allow team members to question each other’s assumptions.

- **Steps for completing Filter 1.** The three steps for completing filter 1 are:
 1. Each researcher to individually review regulation and complete filter 1 score card.
 2. Two researchers to justify their selections to each other in team discussion with supervisor.
 3. Final score card for each regulation to be prepared based on the consensus view of the 2 researchers and their supervisor.

Researchers must provide justification for their selections in filter 1. This means briefly summarizing the evidence they are using to support their selection in the supporting remarks column of the filter. This will facilitate deeper analysis during filters 2 and 3, and will enable supervisors to understand the rationale for the selections made. Table 3 introduces a set of criteria to support the application of each question in filter 1. Also included is some guidance on how to complete the supporting remarks column of the filter, without having to provide lengthy and detailed information in this column. The emphasis on presenting your supporting justification must be on brief summaries, rather than overly detailed information.

Table 3- Supporting criteria to answer the questions in filter 1

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
Overlap and Duplication/Legal Basis		
<p>1. The regulation does not refer to necessary related laws.</p>	<p>In the consideration does the regulation:</p> <ul style="list-style-type: none"> a. Take account of the legal hierarchy? Does it refer to higher laws? b. Describe other laws and regulations that have a relevant thematic or sectoral basis and which may reasonably be expected to be taken into account when evaluating each regulation c. Base its legal justification on outdated or cancelled laws? 	<p>Make sure you note down where there is an obvious failure to take account of the legal basis/justification for the regulation. i.e those laws that give legal authority to the regulation.</p> <p>You should think logically about what other laws may be relevant to this regulation from the perspective of the business activity and the value chain. On this basis do you think there are gaps in the legal consideration?</p> <p>If you suspect that the regulation refers to out of date laws or regulations in its consideration, then record those laws here.</p>
Regulation Activity		
<p>2. There is evidence that the regulation exists in law, but is not being implemented.</p>	<ul style="list-style-type: none"> a. Has government delayed enforcing the regulation due to opposition from affected stakeholders? b. Has there been a delay of longer than 12 months to introduce the supporting implementing regulations? 	<p>Provide a brief summary of the evidence (max 7- 8 sentences). i.e: describe any recent protests or opposition to the regulation that you may be aware of, including reference to any media coverage.</p> <p>And/or describe the time lag between a regulation coming into law and becoming effective.</p>

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
Significance		
<p>3. The regulation does not clearly explain the objective it is intended to achieve.</p>	<p>Is it difficult to understand from the regulation:</p> <ul style="list-style-type: none"> a. What it is intended to achieve? b. The policy problem (what information is provided in the background?) c. Stakeholders give feedback that they do not understand the objective of the regulation 	<p>Briefly summaries (Max 7- 8 lines) what you believe is missing, or why you believe the regulation is not supported by an adequate justification</p>
<p>4. There is evidence that the regulation could have a negative impact to enterprises in SENADA's value chain.</p>	<p>At this stage you will need to consider issues such as:</p> <ul style="list-style-type: none"> a. Who are the winners and losers as a result of the regulation and its core provisions? b. Are there obvious unintended consequences created by the regulation? c. Is the regulation likely to deter investment? d. Is the regulation likely to restrict competition (e.g by making market entry more difficult)? e. Will the regulation limit job creation? f. Does the regulation restrict trade, including unfairly limiting access to markets? g. Is the regulation being used to generate informal rents, or monopoly rents? h. Are there unreasonable compliance requirements and costs specified in the regulation? 	<p>Briefly summarize why you believe the regulation has the potential to negatively impact on SENADA's value chains. (max 7-8 lines).</p> <p>Do not be limited by the criteria provided to support this question. If you identify other reasons then record them here.</p>

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
5. There is evidence that stakeholders see this regulation as a priority for reform	<ul style="list-style-type: none"> a. Has the regulation been identified by government informants, business associations and academic experts identify as a priority for reform during initial discussions? b. Has the regulation been singled out as a priority issue during initial focus group discussions? c. Have you seen any specific regulatory issues profiled in the media, donor research or academic publications in the past 12 months? 	Identify the source of your evidence and briefly summarize why your source(s) consider the regulation to be a priority for reform. (max 7-8 sentences)

- **The scoring system for Filter 1.** Filter 1 is based on assessing each regulation against 5 statements using a scoring system from 0-2. Each statement has deliberately been worded to be a “negative” statement. This is because at this stage we are trying to assess whether the regulation has the potential to have a negative impact on businesses with SENADA’s value chain. The cumulative maximum score that can be awarded for each regulation is 100% and the lowest score is 0%. A score of 100% indicates that the researcher believes the regulation will, without any doubt, cause harm to enterprises within SENADA’s value chains. A score of “0%” indicates that the researcher believes that the regulation poses absolutely no risk to enterprises within SENADA’s value chains. In effect this creates a scale along which the regulation can be assessed.

For each individual statement in filter 1, a score of “0” indicates the researcher “disagrees” with the statement, and a “2” score indicates that the researcher agrees with the statement. A “1 score” indicates the researcher “partly agrees” with the statement. This recognizes that there will be instances where the researcher believes there is some evidence to support the statement, but it is not strong enough to entirely agree.

- A “2” score should only be awarded when the researcher believes the regulation *satisfies the majority of the criteria* that support each statement (i.e. more than 50% of the criteria).
- A “1 score” should be awarded when the researcher believes the regulation satisfies only some of the criteria that support each statement (i.e. less than 50% of the criteria).
- A “0 score” should be awarded when the researcher believes the regulation does not satisfy any of the criteria that support each statement.

- **Weighting.** The 5 statements in filter 1 are weighted against the overall percentage score in order to accommodate the greater importance of several of the statements to the evaluation process. The weighting system for filter 1 is explained in the filter 1 score card.
- **Threshold score for Filter 1.** All regulations that score *60% or higher* in filter 1 should be added to the long short list for further investigation in filter 2.

3.3.3 GUIDE TO USING FILTER 2

- **The objective of Filter 2.** The objective of filter 2 is to establish a short list of the top 30 problematic (or burdensome) regulations within each of SENADA’s five value chains. This objective will be met by applying the principles of Regulatory Impact Assessment (RIA) to assess the quality of each regulation that has been included on the long short list. The quality of regulation is defined in terms of:
 - Whether the objective of the regulation is clearly defined and well justified.
 - Whether the regulation is proportionate to the policy problem being addressed.
 - Whether the regulation is targeted to the policy problem to be addressed and achieves the policy objective with the minimum burden on those affected.
 - Whether the net benefits of the regulation outweigh the net costs.

The top 30 most problematic regulations for each value chain will then provide the focus for the in depth stakeholder consultations that form the basis of filter 3.

Table 4- The purpose of the questions in filter 2

QUESTION	PURPOSE
Purpose of Intervention	
1. The regulation clearly explains the main objective it is intended to achieve	These 3 questions are designed to test whether the regulation is proportionate to the policy problem to be addressed and justified on public interest grounds.
2. The regulation is justified in the public interest	
3. The regulation is proportionate to the policy problem it is intended to address	
Alternatives to Regulation	
4. The problem to be addressed could not have been dealt with through any alternatives to regulation	Consideration of policy options, including alternatives to regulation further supports an assessment of whether government's response to the policy problem is proportionate.
Targeting	
5. The regulation minimizes the risk of unintended consequences	Investigating whether the regulation minimizes unintended consequences demonstrates whether the regulation is sufficiently targeted to the policy problem. This also enables an assessment to be made as to whether consultation has been carried out in support of introducing the regulation. Unintended consequences can only be reduced when policy makers question their assumptions through consultation with stakeholders.
Communication	
6. The regulation is written in plain, easy to understand language	These 2 questions reflect the fact that if businesses and affected stakeholders are unable to understand or access the regulation, compliance rates will be reduced. This will also create the possibility of rent seeking on the part of government officials.
7. The regulation is easily accessible to all stakeholders	
Compliance	
8. How the regulation will be enforced, and by who is clear.	These 2 questions are crucial to determine whether or not the regulation is likely to be effective. If there is limited understanding of how and who will enforce the regulation then compliance will be affected. Understanding who is responsible for enforcement will also reduce the prospects of rent seeking.
9. There is evidence that the costs and practicalities of enforcement have been thought through	
Impacts on Enterprises within SENADA's value chains	
10. In qualitative terms, there is evidence that the benefits of the regulation outweigh its costs	A qualitative assessment of the net costs and benefits of the economic, social and environmental impacts of the regulation ensures the focus of the assessment is on the quality of regulatory outcomes.

- **The basis for Filter 2.** Filter 2 demonstrates the iterative nature of the RegMap methodology. Having made an initial assessment of the potential of all regulations identified to negatively impact on SENADA's value chains, filter 2 starts to focus the attention on the regulations that have the potential to cause the most harm. Because of the volume of regulation to be reviewed it is impractical to carry out detailed cost benefit analyses on the impact of each regulation in the review. Instead the focus is on assessing the quality of regulation as this will enable us to (a) better understand why the shortlisted regulations have the potential to have a negative impact in SENADA's value chains; and (a) establish a set of issues for each regulation that provide the basis for detailed analysis later on.

Applying filter 2 requires the researchers to have a basic understanding of RIA as a policy tool because RIA provides a framework to assess the quality of the regulations under review. As a result the basis of filter 2 is the content of each regulation applied against the principles of RIA.

- **How to use Filter 2.** The steps in filter 2 are the same as those used in filter 1. The important issue is to ensure that the analysis for each regulation is based on the consensus view of at least 2 researchers and that their work is quality controlled by a supervisor.

Table 5 - Supporting criteria to answer the questions in filter 2

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
Purpose of Intervention		
1. The regulation clearly explains the main objective it is intended to achieve	Does the regulation explain clearly: <ul style="list-style-type: none"> a. The purpose of the regulation (i.e: does it refer to the problem it intends to address) b. The effect it is intended to achieve 	Briefly explain the purpose and intended effect of the regulation (max 7-8 lines)
2. The regulation is justified in the public interest	Can the regulation be justified on any of the following grounds: <ul style="list-style-type: none"> a. The promotion of public health and/or safety b. Protection of the environment c. Consumer protection d. Restriction of monopolies and anti-competitive behavior 	Describe the justification(s) for the regulation based on the public interest criteria described here. If the regulation cannot be justified according to any of the public interest criteria, try to explain what justification you infer from the regulation. (summarize in max 7-8 lines)
3. The regulation is proportionate to the policy problem it is intended to address	<ul style="list-style-type: none"> a. Do you believe government intervention was justified in the first place? Think about the size (or risk) of the policy problem to be addressed. b. Do you believe the compliance requirements in the regulation are reasonable? c. Do you believe the sanctions specified in the regulation are reasonable? 	Briefly explain your reasoning based on response to the 3 criteria. (max 7-8 lines)
Alternatives to regulation		
4. The problem to be addressed could not have been dealt with through any alternatives to regulation.	Could the policy problem be addressed more effectively through any of the following alternatives to regulation:	First list any alternatives to regulation you consider could be used to address the policy problem.

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
4. The problem to be addressed could not have been dealt with through any alternatives to regulation. <i>(Continued)</i> .	a. Self- regulation? b. Information and awareness campaigns? c. Financial and fiscal incentives, including tax breaks, soft loans or subsidies? d. Quality assurance marks or voluntary standards? e. Simplify existing regulation?	Second briefly explain (max 5 lines for each alternative) why you believe your selected alternatives would achieve the policy objective more effectively.
Targeted		
5. The regulation minimizes the risk of unintended consequences	a. Do you believe the regulation achieves its stated policy goals with the minimum burden on those affected? b. Do you believe the regulation imposes unnecessary costs or negative impacts on groups not affected by the policy problem it seeks to address (NB: this is sometimes known as negative externalities) b. Do you believe the regulation is open to interpretation by public officials and therefore creates potential for rent seeking opportunities?	Briefly summarise (max 7-8 sentences) why you believe the regulation could pose a risk of unintended negative consequences.
Communication		
6. The regulation is written in plain, easy to understand language	a. Do you believe the regulation can be understood by small business owners? b. Is the regulation too long?	Briefly record any comments (max 7-8 sentences) you have on the user-friendly nature of the regulation. Try to support your comments with examples.
7. The regulation is easily accessible to all stakeholders	a. Can stakeholders access the regulation from the internet? b. Can stakeholders obtain the regulation from the appropriate government office?	Briefly describe your views on the accessibility of the regulation. (max 7-8 lines). Make sure you record any instances where you have identified it as difficult to access the regulation.

QUESTION	SUPPORTING CRITERIA	COMPLETING SUPPORTING REMARKS COLUMN
Compliance		
8. How the regulation will be enforced, and by who is clear.	a. The regulation details that is responsible for enforcement. b. The regulation details how the regulation will be enforced. c. Are the sanctions clearly explained in the regulation?	Briefly record any comments (max 7-8 sentences) you have on the enforcement and sanctions component of the regulation.
9. There is evidence that the costs and practicalities of enforcement have been thought through	a. The regulation delegates responsibility to the most appropriate level of government. b. The regulation adopts a realistic approach to enforcement. E.g.: license renewal periods do not occur during one period of the year. c. The regulation tries to minimize administrative burdens. E.g.: by not requiring types of information that businesses have had to submit through other regulatory mechanisms.	Briefly explain your views on whether you believe a realistic approach to enforcement is reflected in the regulation.
Impacts on Enterprises within SENADA's Value Chains		
10. In qualitative terms, there is evidence that the benefits of the regulation outweigh its costs	a. Direct and indirect economic costs/benefits b. Direct and indirect social costs/benefits c. Direct and indirect environmental costs/benefits d. Distribution of impacts across the economy and society	First complete the costs/benefits matrix included in this guidance. Use the results of this matrix to assess whether the benefits of the regulation outweigh the costs. Attach the completed matrix to the score card.

- **The scoring system for Filter 2.** Filter 2 is based on assessing each regulation against 10 statements using a scoring system from 0-2. These statements in effect serve as “benchmarks” against which to assess the quality of the regulation under review. Each statement has deliberately been worded to be a “positive” statement, which is a different approach to that adopted in filter 1. This is because at this next stage our focus is on assessing the quality of the regulation. Judging the regulation against 10 positive statements will enable us to establish a cumulative score that is indicative of its quality.

The cumulative maximum score that can be awarded for each regulation is 100% and the lowest score is 0%. A score of 100% indicates the researcher believes the regulation is of the highest possible quality when evaluated against the principles of RIA that form the basis for the filter. A score of 0% indicates the researcher believes the regulation is of the lowest quality when evaluated against the principles of RIA. In effect this creates a scale along which the quality of the regulation can be assessed.

For each of the 10 “benchmarks”, a “0” score indicates that the researcher “disagrees” with the statement, and a “2” score indicates that the researcher agrees with the statement. A “1” score indicates that the researcher “partly agrees” with the statement. This recognizes that there will be instances where the researcher believes there is some evidence to support the statement, but it is not enough to entirely agree.

- **Threshold score for filter 2.** All regulations that score *under 60%* in filter 2 should be added to the list of top 30 regulations for each value chain that will be investigated further using filter 3. Remember the threshold criteria for filter 2 is the reverse to that used in filter 1.

3.3.4 TOOLS FOR COMPLETING FILTER 2

This section introduces a number of tools and guidance for completing Filter 2. Included here is an “*Introduction to Alternatives to Regulation*” that will assist you in responding to statement 4 in the filter. Also included is a costs benefit matrix to enable you to respond to statement 10 in the filter.

- **Some alternatives to regulation.** A common way to think about regulation is as one form of government intervention intended to change behaviors of groups or individuals in society and the economy. This concept positions regulation as one policy instrument available to government to achieve its desired policy goals. The implication is that government has a range of policy options, including alternatives to regulation when considering how to tackle a policy problem. It can also be the case that government feels under pressure to intervene, but that government intervention could make the problem worse, not better. Alternatives to regulation can include the following types of intervention:
 - *Self regulation* – encouraging trades and professions to regulate their own members’ activities to ensure certain standards are met. Standards are often set out in a code of practice. Self regulation requires supporting bodies and processes to make it work, and it is important to guard against self regulation acting as a barrier to entry for new firms.
 - Information and education campaigns – informing the public of risks and actions to take to minimize risk. These are often most useful when governments want to influence the behavior of individuals in the private sphere, for example, education campaigns can encourage people to wear seatbelts when driving.

- *Financial and fiscal incentives* – such as tax increases/reductions, subsidies, concessionary loans with reduced interest rates, etc. For example, tobacco products are often heavily taxed in order to discourage people from smoking. Education is sometimes subsidized in order to encourage people to increase their qualifications and skills.
- *Quality assurance marks* – a way of signaling the quality of a product to consumers. For example, in the UK, the Forestry Stewardship Council's quality certification mark assures consumers that wood products have been harvested from sustainably-managed resources. In this way, the quality mark gives consumers more information and choice and harnesses consumer purchasing power to influence markets.
- *Service charters* – Setting minimum service standards that the public can expect to receive.
- *Better enforcement of existing regulations* – or amending existing regulations to achieve a less costly outcome, i.e. by changing the style of regulation from 'command and control' to 'outcome based' regulation.

Steps for assessing alternatives to regulation

Statement 4 in Filter requires you to consider what alternatives to regulation the responsible authority could have taken to address the policy problem, if any. Government intervention through regulation or other means should only be justified when there is a net benefit that justifies the costs. In order to make an assessment for statement 4 you should:

1. Consider whether government intervention is justified in the first place. You should think about the size (or level of risk) associated with the policy problem to be addressed through the intervention. Think about your response to statement 3 in the filter.
2. What policy options do you believe were available to government to address the policy problem? Consider the alternatives to regulation described above.
3. Investigate whether there are other interventions in place to support the regulation you are assessing. For example is government helping to promote compliance with a supporting information and awareness campaign?
4. Make an initial judgment about the costs and benefits associated with the different alternatives to regulation that you identify. Use your response to statement 10 if necessary to help you do this.

Points to remember:

1. Is the regulation complemented by alternatives to regulation? It is often the case that one government intervention will be insufficient to tackle a policy problem, so a more effective response will involve a range of initiatives.
2. Is the regulation justified by the benefits outweighing the costs?

- **Matrix for assessing the costs and benefits of the regulation.** Statement 10 in Filter 2 requires you to make a qualitative assessment of the costs and benefits associated with the regulation. List the costs and benefits you perceive to be associated with the regulation in the matrix below. Attach this matrix to the filter 2 score card as part of the evidence base that justifies your assessment.

Remember to consider the distribution of impacts when listing the costs and benefits. In other words, who do you think wins and loses from the regulation? You should also try to assess the static and dynamic impacts of the regulation- in other words what are the likely impacts over time associated with the regulation.

Table 6 - Cost/Benefit Matrix

Costs	
Direct	Indirect
Economic	
Social	
Environmental	
Benefits	
Direct	Indirect
Economic	
Social	
Environmental	

3.3.5 WHAT IS NOT INCLUDED IN FILTERS 1 AND 2

Both filters 1 and 2 have been designed drawing on the principles and tools associated with Regulatory Impact Analysis (RIA) and “Good Regulation”. Nonetheless in order to reflect the Indonesian context and to simplify the RegMap methodology, a number of important aspects of RIA and Good Regulation have been omitted. Key issues omitted from the methodology are:

1. **Protecting against market failure** is a legitimate reason for regulating and can be considered to be in the public interest. This has not been included in the RegMap public interest test in recognition of the fact that many of the researchers will not be economists and understanding the concept of market failure may vary across the research teams. Where researchers feel able to make a judgment based on market failure considerations they should factor this into their assessment and provide supporting evidence.
2. **Quantitative cost benefit analysis** is not a formal requirement within the filters. This is in recognition of the sheer volume of regulation that will be reviewed through the RegMap process. As a result the emphasis is instead on assessing the quality of the regulation and making qualitative judgments as to the different costs and benefits associated with each regulation. Later in the

process, we will identify the regulations it wishes to priorities for policy advocacy and it is likely that these specific regulations will be subjected to a full RIA including detailed cost benefit analysis.

3. **Performance based regulation** is sometimes used in OECD countries and involves specifying regulatory goals and outcomes that must be met, but giving a degree of freedom to regulated parties to determine how they meet those goals. In the context of a transition economy such as Indonesia's it is considered unlikely that the RegMap process will identify many (or if at all) forms of performance based regulations. For this reason it is considered unrealistic to include it as a performance measure in filter 2.
4. **Risk Assessment** is increasingly seen as a best practice approach for regulators to determine levels of enforcement and monitoring of enterprise activity. Where enterprise activity is considered to fall into a high risk category (e.g. the activity poses a risk to public safety), then greater levels of enforcement will be applied. This approach enables regulators to target resources where they are needed most and to reduce the regulatory burden on low risk enterprises. The assumption made here is that the Indonesian context will not demonstrate significant usage of risk assessment within regulation and as a result it does not offer a realistic performance measure for filter 2.
5. **Monitoring and Evaluation** is also seen as a key component of RIA and "Good Regulation." From the perspective of the content of the regulation this would entail the inclusion of a "sunset clause" within the regulation itself which sets out how long the regulation is valid for, and when it requires review to assess its continued existence on the statute book. The assumption made here is that the stock of regulations to be viewed through the RegMap exercise is unlikely to include sunset clauses and formal provisions for evaluation. As a result M& E is considered to be an unrealistic performance indicator for filter 2 and has been omitted from the filter.

3.3.6 GUIDE TO FILTER 3

- **The objectives of Filter 3.** The objective of filter 3 is to establish a list of the "top 10" most burdensome regulations *specific to each of the 5 value chains*. In addition the research teams should be looking to establish a list of the "top 10" most burdensome regulations *across all 5 of the SENADA value chains*. This means filter 3 will produce a total of 60 shortlisted regulations (a) 50 regulations specific to the 5 value chains (10 per value chain); and (b) "cross cutting" regulations which affect enterprise activities in all 5 of the value chains.
- **The basis for Filter 3.** Filter 3 is based on stakeholder consultation and involves a range of different consultation techniques, such as enterprise surveys, panel of experts and / or focus group discussions. The emphasis on stakeholder consultation will: i) validate the assumptions and selections made by the research teams in completing filters 1 and 2; ii) generate additional evidence as to why those regulations are considered to impose unnecessary regulatory burdens; and iii) provide an opportunity for regulations not identified during filters 1 and 2 to be considered in the review process.
 - *Enterprise Surveys.* Enterprise Surveys will be completed using a structured questionnaire to gather firm level perceptions on the short list of 30 problematic regulations for each value chain that has been generated by filter 2. The Enterprise Surveys will be conducted in 4 regions, with at least 3 value chains represented in each region and 20 enterprises surveyed for each value chain. This means a total of 60 enterprises will be surveyed in each region, making a representative sample population of 240 enterprises (60 enterprises x 4 regions). For each of the 5 value chains, survey reports should be prepared by the research teams that capture the findings from the interviews with 240 enterprises.

- *Panel of Experts Survey.* For each value chain, the intention is to be able to hold regular discussions and interviews with a panel of experts (most likely comprised of industry specialists and academics) throughout the RegMap process. During the Regulatory Mapping (Phase 2), these experts panels will play a vital role in helping to guide the research teams in the mapping process and to identify the “burning issues” that will need to inform the early process of creating the “long short list”. As part of the Regulatory Review (Phase 3), the experts panel will be an important component of filter 3, helping to validate the findings from the enterprise surveys and focus groups discussions and to question any assumptions made by the research teams.

The panel of experts will comprise 3 industry experts for each value chain, with 3 value chains represented in each region. In total 36 industry experts will be surveyed for this filter (4 regions x 3 value chains for each region x 3 experts for each value chain). Experts survey will be conducted in two different phases. Firstly, it is part of the Initial Stakeholder Consultation prior to identifying and collecting the regulations. During this first phase, 3 experts will represent 3 industry value chains for each region (totaling $3 \times 4 = 12$ experts). Secondly, it is as part of filter 3. Two experts will represent each of 3 selected industry value chains in each region (totaling $2 \times 3 \times 4 = 24$ experts). For each of the expert panel interviews, brief reports will need to be prepared that capture the views and responses of the experts.

- *Focus Group Discussions (FGDs).* Filter 3 will also involve a series of focus groups discussions which are intended to allow deeper discussion of any “burning issues” identified by the research teams during filters 1 and 2. The FGDs will also serve to validate the findings emerging from the enterprise surveys, and again can be a means to test the assumptions of the research teams. FGDs will also be held in two different phase, during the Initial Stakeholder Consultation (10 FGDs) and as part of filter 3 (24 FGDs) totaling $10+24 = 34$ FGDs. As part of the Initial Stakeholder Consultation, 2 FGDs will be conducted for each value chain across 4 regions, totaling $2 \times 5 = 10$ FGDs. 10 participants will be invited to attend each FGD (100 participants in total). And as part of filter 3, two FGDs will be held for 3 value chains in each of the 4 regions that are part of the RegMap study. Each FGD will invite 10 participants. This means there will be a total of 240 stakeholders participating in the FGDs for filter 3 (2 FGDs, 3 value chains x 4 regions x 10 participants).

It will be important for the research teams to prepare FGD participants for their involvement in the FGDs. This will likely require (a) careful selection of FGD venues; (b) sending out invitations with plenty of advance notice and communicating the objectives of the FGD exercise; (c) ensuring supporting information is provided to participants prior to their participation; (c) careful selection of the FGD facilitators; and (d) for each value chain, an FGD summary report will need to be prepared by the research teams.

- **Steps for completing Filter 3.** The nine steps for completing filter 3 are:
 1. Enterprise surveys to be completed across 4 regions (one survey for each of 3 value chains).
 2. Enterprise survey reports prepared.
 3. Panel of Experts Interviews to be completed across 4 regions (interviews for 3 value chains).
 4. Panel of experts reports prepared.
 5. Focus Group Discussions to be completed across 4 regions (FGDs for 3 value chains.)
 6. FGD reports prepared.
 7. Preparation of Regulatory Impact Statements (see below) for the top 30 regulations specific to each value chain, as well as the top 30 regulations across all 5 value chains. (Total 180 RIS)

8. Review of the selected RIS by research teams and selection of recommended top 10 regulations for each value chain, plus top 10 regulations across all 5 value chains. (Total 60 regulations).
9. Agreement on “top 10” selections between CESS team and SENADA.

3.3.7 PREPARATION OF REGULATORY IMPACT STATEMENTS

- **Introduction to the RIS.** An integral part of completing filter 3 will be the preparation of Regulatory Impact Statements (RIS) for the top 30 regulations specific to each of the 5 value chains, as well as for the top 30 regulations that impact across all 5 value chains. RIS are a structured template for capturing the evidence that has emerged about the most burdensome regulations identified during the RegMap review. The RIS provide the basis for enabling the research teams to narrow down the short lists of 30 most burdensome regulations to the “top 10 regulations” for each value chain. The RIS should be prepared as one to two page summaries of the evidence from application of each of the 3 filters. Research teams can also supplement this evidence with any further information they obtain during the review process (e.g. donor publications, government reports, etc). The filter score cards relevant to each regulation should be annexed to each RIS as these form part of the “evidence base.”

Recommended template for Regulatory Impact Statements

1. **Policy Goal of the Regulation.** In this section describe why the regulation has been introduced (is there a valid public interest justification?) and what effect the regulation is intended to achieve.
2. **Policy Problem to be addressed by the regulation.** In this section describe the magnitude and size of the policy problem- what is the likelihood it will occur. Provide an overview as to whether the policy problem merits regulatory intervention. It will be important to consider what existing regulations are in place that may be relevant and whether the regulation has taken account of necessary higher laws. Do you believe the regulation to be proportionate and targeted to the policy problem to be addressed?
3. **Alternatives to Regulation.** What, if any, alternatives to regulation could have been considered.
4. **Direct and Indirect Impacts of the regulation.** In this section you should set out the qualitative impacts of the regulation based on feedback from your research and the focus group discussions. Remember to think about any unintended negative impacts you have identified. Consider whether the regulation has a disproportionate impact on different groups in society and the economy. Think also about the static and dynamic impacts of the regulation.
5. **Compliance costs of the regulation.** In this section you should provide as much information from filter 3 and information contained within the regulation as to the administrative burden the regulation on business.
6. **Compliance and Enforcement.** In this section set out whether the regulation is supported by a realistic compliance and enforcement regime. In particular consider whether the regulation is not being implemented in practice, and consider whether there is an unreasonable sanctions and penalties regime in place. Another factor that should be taken into account here is how well government works to help business comply with regulation. I.e. information provision, etc.
7. **Overall quality of the regulation.** In this section present a summary from the findings of applying the three filters in assessing the overall quality of the regulation and the types of impacts it has on enterprises that are regulated by its provisions. Remember to think about whether the regulation achieves its intended policy goals with the minimum burden on those affected.

- **Selecting the top 10 regulations.** Once the RIS have been finalized the research teams should review each RIS in order to make a selection of the top 10 regulations as required by the RegMap methodology. This means selecting top 10 regulations specific to each value chain, as well as the top 10 regulations that cut across all 5 value chains. In completing this review, the research teams should pay close attention to the “burning issues” that emerged during the Regulatory Mapping (Phase 2), as well as the findings from application of filter 3 during the Regulatory Review (Phase 3). This selection process will result in a draft list of top 10 regulations that will be discussed between the CESS consortium representatives and SENADA.

Phase 3- Regulatory Review: Activities Checklist

Phase 3 Activity	Responsibility	Completed (Y/N)
Filter 1		
1. Filter 1 score cards completed by individual researcher.		
2. Team discussions to arrive at consensus on filter 1 score for each regulation.		
3. Filter 1 score cards finalised.		
4. Supporting remarks column of filter 1 score card completed.		
5. Regulations quality assured by team supervisor.		
6. Selected regulations quality assured by team leader.		
Filter 2		
1. Filter 2 score cards completed by individual researcher.		
2. Team discussions to arrive at consensus on filter 1 score for each regulation.		
3. Filter 2 score cards finalised.		
4. Supporting remarks column of filter 2 score card completed.		
5. Regulations quality assured by team supervisor.		
6. Selected regulations quality assured by team leader.		
Filter 3		
1. Enterprise surveys completed across 4 regions (one survey for each of 3 value chains in each region).		
2. Enterprise survey reports prepared.		
3. Panel of Experts Interviews completed across 4 regions (interviews for 3 value chains in each region).		
4. Panel of experts reports prepared.		
5. FGD participants prepared for participation.		
6. Focus Group Discussions completed across 4 regions (FGDs for 3 value chains in each region).		
7. FGD reports prepared.		
8. Regulatory Impact Statements prepared for top 30 regulations specific to each value chain and for top 30 regulations cutting across all 5 value chains.		
9. Draft short list of top 10 regulations specific to each value chain and for top 10 regulations cutting across all 5 value chains prepared.		

3.4 PHASE 4 - REGULATORY REPORTING

The objective of Phase 4 will be to present the results of the RegMap review to stakeholders and to make recommendations for reform of the most burdensome regulations identified within each value chain.

3.4.1 PREPARATION OF REGULATORY IMPACT REPORTS

Having agreed the selection of the “top 10” lists of regulation specific to each value chain and the top 10 cross cutting regulations, the CESS consortium will need to prepare a series of Regulatory Impact Reports (RIRs) for each value chain. These reports should at a minimum capture the following information:

- Background to the value chain, including key economic data and competitiveness information.
- Overview of the regulatory environment within each value chain.
- Analysis of the “top 10” most burdensome regulations specific to the value chain, as identified by the RegMap review.
- Recommendations to enable further advocacy and future reform interventions.
- Annexes should include the RIS for each of the top 10 most burdensome regulations.

The text box below suggests a way to categorize the most burdensome regulations within the RIRs.

Categories of Burdensome Regulations. Within the regulatory impact reports, the burdensome regulations could be organized according to the following categories:

Duplicative/Overlapping Regulations. Regulations where the objectives are met in part or in whole by other regulations.

Contradictory Regulations. Regulations that contradict other regulations.

Distorting Regulations. Regulations that are overly burdensome or that do not meet their objective because their implementation is distorted.

Inefficient Regulations. Regulations that do not meet their objective in the most efficient or effective manner.

Unnecessary Regulations. Regulations whose objective cannot be justified.

An RIR will also need to be prepared that summarizes the findings for the top 10 most burdensome regulations that cut across all five industry value chains.

3.4.2 PRESENTATION OF REGMAP RESULTS AND FINALIZATION OF REPORTS

The results of the RegMap review and the accompanying recommendations for reform will be presented in partnership between SENADA and the CESS consortium through a series of regional workshops held in Jakarta, Bandung, Semarang and Surabaya and a national workshop in Jakarta. An approach to engaging with the media and communicating results will also be agreed with SENADA. Based on the feedback from the workshops, the team will need to finalize the Regulatory Impact Reports.

4. QUALITY ASSURANCE

A robust system of quality assurance is essential for RegMap in order to maximize the accuracy and veracity of the results and recommendations. This is particularly important due to the volume of regulation to be reviewed, the geographical coverage of the review, and the risk of subjective judgment in making selections and recommendations. There are therefore 5 components to quality assurance built into the RegMap methodology as follows:

1. The statements and supporting criteria in filters 1 and 2 establish a set of indicators and benchmarks against which to evaluate each regulation. They also provide a framework for presenting evidence that substantiates the selections of the research teams.
2. The emphasis on stakeholder consultation throughout the RegMap review, including through the use of filter 3, helps to validate the selections made by the research teams and to question their assumptions. This also ensures the RegMap recommendations reflect stakeholder views.
3. A consensus approach between researchers and their supervisors is required to finalize each of the filters. Again this helps to question the assumptions made by individual researchers and to identify anything that may have been missed by them in making their selections.
4. The team leader for the CESS consortium is required to periodically review the work of the researchers and supervisors on a regular basis. For each value chain, the team leader should review a minimum of 5 percent of the regulations analyzed in each filter.
5. The CESS consortium will be required to submit bi-weekly progress reports to, and attend bi-weekly meetings with SENADA to monitor the progress of RegMap during each phase of activities. This periodic monitoring will help maintain all series of activities within the framework of time, methodology and quality assurance requirements. Such meetings will also allow discussion on alternative solutions for unforeseen challenges faced during the field activities.

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