



Developing a Regulatory Impact Assessment

Framework to strengthen Sri Lanka's National Quality Infrastructure

Executive Summary

Boosting the export growth to drive the economic growth and development is one of the key priorities of the government of Sri Lanka. However, attracting foreign investment and diversifying the export portfolio through both traditional sectors and emerging services remain as major challenges.

Policy Recommendations

- Establish a National Quality Council as an apex body to coordinate NQI activities across all stakeholders, which includes relevant ministries and institutions.
- Broaden the reach of NQI and RIA programs to encompass diverse sectors and regions.
- Streamline technical regulations by adopting a market surveillance model for most products, while retaining mandatory certification for high-risk items to ensure safety and compliance.
- Invest in capacity building and technical assistance for NQI institutions and industry, particularly in sectors prone to standardization vulnerabilities (e.g., SMEs, Vidatha centres, etc.), to manage compliance requirements.
- Actively engage in international and regional cooperation across all NQI pillars to achieve mutual recognition, harmonize quality systems, reduce costs, and trade barriers.
- Standardize the monitoring and evaluation framework for continuous improvement.
- Encourage inter-agency knowledge sharing and replication of successful initiatives.
- Embed RIA processes before new regulations are prepared to support evidence-based policy-making.

To address these challenges, the Government has undertaken several initiatives, including the introduction of an effective Regulatory Impact Assessment (RIA) system integrated into the National Quality Infrastructure (NQI) framework. Encouraging inter-agency knowledge sharing, replication of successful initiatives and embedding RIA processes across new regulations to support evidence-based policy making are also among the recommendations for strengthening the overall regulatory ecosystem. This integration serves as a strategic instrument to enhance the quality of regulatory decision-making by promoting a transparent, predictable, and innovation-friendly environment that supports competitive and sustainable export growth.

Introduction

An export-oriented economy remains a key priority of the present government of Sri Lanka. Sri Lanka is passing through an economic recovery, reflecting signs of stabilization and growth, after a severe crisis in 2019, which resulted in a serious sovereign default in 2022. However, the country still faces challenges and needs to implement further structural reforms to ensure long-term sustainability. Under the circumstances, export growth is a key factor for driving economic growth and development.

In this context, strengthening the country's Quality Infrastructure (QI) systems would significantly contribute to facilitating trade, safeguarding human, animal, and environmental well-being,

and promoting the continuous advancement of the global trading system, which also supports the realization of Sustainable Development Goals (SDGs). Well-functioning NQI system backed by RIAs has become an essential initiative that brings immense benefits to Sri Lanka, driving the Nation closer to the international best practices in quality assurance and regulatory governance.

RIA is a tool used by governments to evaluate the potential impact of a proposed regulation. It is a systematic process that aims to identify and measure the potential costs and benefits of a regulation, as well as its impact on different stakeholders, such as businesses, consumers, and the environment. RIA is an important tool for policymakers, as it can help them to make more informed decisions about whether (or not) to implement a proposed regulation. It can also help to ensure that regulations are designed in a way that maximizes their benefits and minimizes their costs.

Implementing RIA processes in Sri Lanka can generate substantial benefits by enhancing the quality, effectiveness, and efficiency of regulations, thereby ensuring evidence-based policymaking. The effective application of RIA in developing countries, as outlined in the World Bank Report 2010, as depicted under the inset, depends on five fundamental requirements. Adopting these principles would help foster a more stable and transparent business environment, directly supporting Sri Lanka's export promotion strategies and contributing to much-needed export growth. Furthermore, RIA serves as an innovation enabler by facilitating domestic innovation and ensuring better compliance with the international trade standards.

This document outlines the policy recommendations and proposed actions regarding the implementation of RIA as a core element aimed at strengthening the country's NQI systems.



Effective application of RIAs in developing countries needs to fulfill five basic requirements:

- Political commitment to establish and operate an effective and self-sustaining RIA process.
- A unit-preferably based in a central area of government-which oversees, comments and reports on the quality of RIAs before decisions are made.
- Clear and consistently applied criteria and rules employed to screen RIAs.
- A transparent regulatory policy development process, which includes consultation with stakeholders
- A capacity building program, involving preparation of guidelines, training of officials preparing RIA, and establishing monitoring, evaluation and reporting systems

Adopted from: Ladegaard, et.al. (2010)

Background and Context :

Although several efforts have been made in the past, implementation of the RIA system of Sri Lanka has not been fully taken place due to the absence of true commitment from the top, a consistent national framework, and a follow-up mechanism. Although the NQI system has been institutionalized a couple of years ago, certain significant improvements are required to make operational and to get its full benefits. These improvements include setting up the legal framework, governance structure, and inter-agency coordination mechanisms. Recognizing these gaps, the Government of Sri Lanka has prioritized strengthening both RIA and NQI as complementary pillars that support national development, regulatory efficiency, and export competitiveness.

Government Intervention: Past and Present

Understanding the importance of the system, the Sri Lankan government has taken several significant interventions throughout. In the year 2016, the National Quality Policy (NQP) was approved through a consultative process led by Sri Lanka Standards Institution (SLSI). Accordingly, in the year 2018, ToR and the Action Plan for the National Quality Council (NQC) were drafted. Furthermore, institutional coordination gaps were identified to highlight the requirement of an overarching committee to facilitate the smooth

functioning of Sri Lanka's NQI Strategy (2018-2022), which was introduced and designed in conjunction with the National Export Strategy (NES) of Sri Lanka.

The Government, considering the policy gaps and a lack of strategic interventions at the necessary threshold level, has allocated Rs.750 million in 2025 from the national budget, to launch a comprehensive NQI system aimed at aligning the country's industrial and regulatory standards on par with the globally recognized benchmarks. The Ministry of Science and Technology (MoST) plays a key role as the executing agency, while the implementation of respective initiatives is the responsibility of individual institution where the funds are allocated through the annual budget.

The NQI system will be structured around four core pillars: standards, accurate measurements, conformity assessment, and certification, ensuring an integrated and credible foundation for Sri Lanka's industrial and trade development. Against this backdrop, RIA plays a major role by serving as the analytical and decision-support mechanism that ensures new regulations, standards, and conformity procedures are evidence-based, cost-effective, and aligned with the international best practices. Integrating RIA into the NQI framework will enhance the regulatory coherence, reduce redundancy or conflicting requirements, and promote a transparent and predictable environment

that supports innovation, competitiveness, and export growth.

The MoST organized a two-day workshop in Colombo for key public sector organizations, focusing on implementing RIA to strengthen the NQI system of the country in collaboration with the United Nations Industrial Development Organization (UNIDO), with the technical assistance from the European Union. Following this, the RIA Institutional Grant Initiative was launched, appointing a seven-member expert committee to oversee the selection and implementation of research projects, with several projects are now in progress. These projects span into critical regulatory domains, including chemicals management, consumer protection, pollution control, coconut and tea industries, aquaculture, and insurance reforms- each serving as a pilot for embedding RIA methodologies within sectoral frameworks.

Therecommendationsemergingfromtheseinitiatives underscore the importance of strengthening institutional mechanisms, enhancing inter-agency coordination, and promoting continuous learning to ensure that regulatory decisions remain transparent, efficient, and innovation-friendly. These outcomes provide the analytical foundation for the policy recommendations that follow, aimed at reinforcing Sri Lanka's NQI system and embedding RIA as a core element of evidence-based policy formulation.

References

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