

# IMPACT ASSESSMENT TRAINING

**Training the Trainers in Impact Assessment**  
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**Colin Kirkpatrick**  
**Clive George**

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The University of Manchester

# Course Objectives

- This course will:
  - ✓ Introduce you to Impact Assessment
  - ✓ Explain the rationale for IA in Croatia and demonstrate how IA can contribute to better government policy formulation and decision making
  - ✓ Allow you to understand how to complete an IA, using practical case studies
  - ✓ Give you the opportunity to give feedback on the draft IA manual
  - ✓ Assist you in planning how to do IA when you return to your institution

- Our role:
  - ✓ To introduce you to the components and tools of IA
  - ✓ To answer your questions
  - ✓ To facilitate discussions
  - ✓ To make the experience enjoyable!
  
- Your role:
  - ✓ To share your knowledge and experience
  - ✓ To engage in the group work and case studies
  - ✓ To give us feedback on how we can tailor the IA manual to your needs
  - ✓ To ask questions!

# Course Topics and Coverage

- Will follow the chapters of the draft Manual
- Aims of the Manual
  - Non technical introduction for public officers to increase awareness and understanding of IA
  - Guidance for officers responsible for conducting IA
  - Increased awareness among non-government stakeholders on the IA procedures being implemented in Croatia

# Topics

- Introduction to IA
- IA Procedures in Croatia
- Problem Identification
- Policy Options
- Consultation
- Assessing Impacts
- Compliance and Enforcement
- Monitoring and Evaluation

# Further Information and Guidance

Each chapter provides guidance to further reading and practice in other countries that have implemented IA

# INTRODUCTION TO IMPACT ASSESSMENT

- **What is IA?**
  - **Impact Assessment (IA) is a tool which helps government to make better policy choices and decisions**
- **How does IA contribute to better policy?**
  - **IA provides a framework for assessing the potential or actual impacts of policy measures**
  - **IA contributes evidence to the decision maker on the likely consequences of policy measures**
  - **IA allows the decision-maker to make an evidence-based choice between different policy options**

# What sometimes happens -

- ❑ Government performance judged on number of new laws introduced and number of existing laws amended
- ❑ Insufficient consideration of the fundamental problem that needs to be dealt with
- ❑ Limited consideration of alternative ways of dealing with the problem
- ❑ Little consideration of the positive and negative consequences
- ❑ Insufficient attention to enforcement and achieving compliance
- ❑ Poor quality consultation with stakeholders

# Think before you act!

Poorly designed laws can sometimes make the situation worse, rather than improve things

- Problems created by poorly designed laws:
  - ☒ Higher costs for business and consumers
  - ☒ Wasted time and resources
  - ☒ Corruption
  - ☒ Lower economic growth and competitiveness
  - ☒ Damage the environment
  - ☒ Worsen the income level of some households

- **IA focuses on the importance of *analysis* of policy**
- **Why? How? Consequences?**
- **IA can help public administrators to carry out their responsibilities more effectively**
- **IA contributes to better governance:**
  - **Accountability and involvement of stakeholders**
  - **Transparency in decision making**
  - **Coherence in policy ie “joined up” policy**

# What is 'Better' Policy?

✓ Targeted	Focused on the policy problem to be addressed and minimise unintended side effects.
✓ Proportionate	Only introduced when necessary and proportionate to the risk posed by the policy problem.
✓ Accountable	Accountable to those affected by the regulation
✓ Transparent	Based on stakeholder consultation and feedback.
✓ Consistent	Take into account existing laws and rules Takes into account the government's strategic goals

# INTERNATIONAL EXPERIENCE AND PRACTICE

# IA in other Countries

- OECD Guidelines 1995
- IA adopted in European Commission in 2001
- IA used by members of the EU, particularly in UK
- Used in pre-accession countries to support adoption of *Acquis Communautaire*
- IA is being adopted in increasing number of transitional economies to help manage the challenges of transition:

# Transitional country context

- **lack of competitiveness against fully established market economies**
- **increasing need for competitiveness on accession to EU**
- **rapid change in economic, political and administrative systems**
- **time-lags in reform of civil service education**
- **high administrative workload to transform legislation for EU accession**

# Explaining the Spread of IA in Transitional Economies

- Recognition of role of IA in providing an environment that supports business development and economic growth
- Recognition of the advantages of strengthening public sector management skills and decision making
- IA can accelerate the process of legislative change
- IA can improve inter-ministerial cooperation and coordination of policy

# Lessons for Successful Adoption of IA

**Experience in a large number of countries confirms the following factors are important for ensuring an effective IA procedure:**

- 1. Need for Effective High Level Political Support**

## 2. Integrate IA into Existing Decision making procedures

- where possible, IA should strengthen existing procedures
- proposals should be part of an overall planning or programme process, not ad hoc or random responses to external pressure from interest groups

### **3. Need for a Central Coordinating Body**

- ensures consistency in Ministerial practice
- acts a quality control before submission to decision makers (Cabinet of Ministers)
- can assist Ministries in use of IA best practice

## 4. Legislation is not sufficient

- enactment of a law is a necessary but not sufficient condition for solution of a policy problem. Enactment of a law needs to be supported with institutional arrangements to ensure enforcement and compliance

## 5. Policy and Legislative Functions need to be Coordinated

- Legislation should be formulated in terms of 'effectiveness' as well as legal criteria. This may involve interdisciplinary drafting groups

## 6. Need to build an Effective IA Management System

- Establish explicit standards and procedures for IA and for assessing IA quality and decision making.
- Introduce effective capacity building programmes (training).
- Introduce effective data collection processes.
- Institute systems to monitor implementation.

## 7. Effective Consultation

- in most countries this is a legal requirement
- can be an effective way of gathering evidence on impacts
- important part of good governance
- the forms of consultation used need to be related to the capacity in government and civil society to engage in effective consultation

# IMPACT ASSESSMENT PROCEDURES IN CROATIA

# POLICY MAKING FRAMEWORK

- Action Programme (early 2000) for Public Administration Reform
- objective to create a professional public administration
- - Standing Orders (Rules of Procedure) adopted in October 2000
- These set up a decision making process with 3 sequential steps:
  - Expert Task Forces
  - Ministerial Coordination Committees
  - Inner Cabinet

- The Standing Orders cover all elements for policy development process:
  - - inter-ministerial consultations
  - - consultations with NGOs
  - - review by Legislative Office, Ministry of Finance, and affected Ministries
  - - procedures are enforced by General Secretariat of the Government

# Weaknesses on Standing Orders

- SOs do not deal with setting strategic objectives, annual work planning and monitoring of government decisions
- Bottom up process – do not empower the General Secretariat to return items to Ministries for further work
- ‘A legal framework for planning and monitoring the work of Government is essentially missing’ (SIGMA, 2006)

- 2003
  - World Bank report on policymaking in Croatia
  - found that strategic decisions were not connected with budget planning
  
- 2005
  - Standing Orders (Rules of Procedure) amended to allow for introduction of IA

# Progress so far

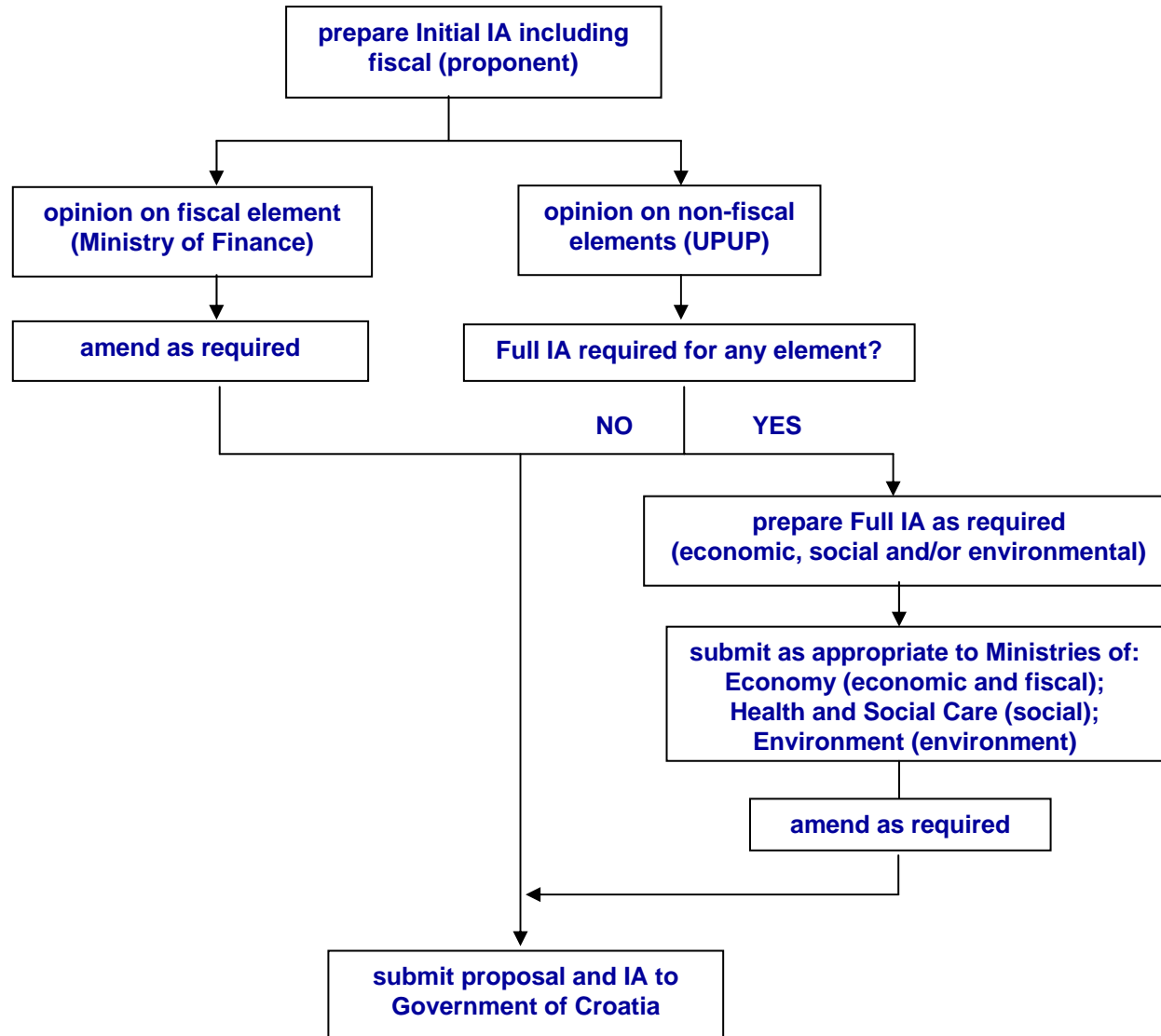
- ‘Policy development and legislative drafting in ministries is uneven and often inadequate. The introduction of requirements to conduct and submit impact assessments is a welcome development, but it remains uncertain if the approach adopted by the government in the amendments to the Standing Orders will have the intended results’ (SIGMA, June 2006)

# Procedures

- Amendment to Rules of Procedure (February 2005)
- Requires IAs to accompany normative acts to the government and parliament
- Four IAs should be presented (fiscal, economic, environmental and social)
- For each assessment a methodology should be prepared by relevant ministries
- IAs prepared by a proposing ministry would be reviewed by four ministries (Finance, Economy, Environment Protection and Health)

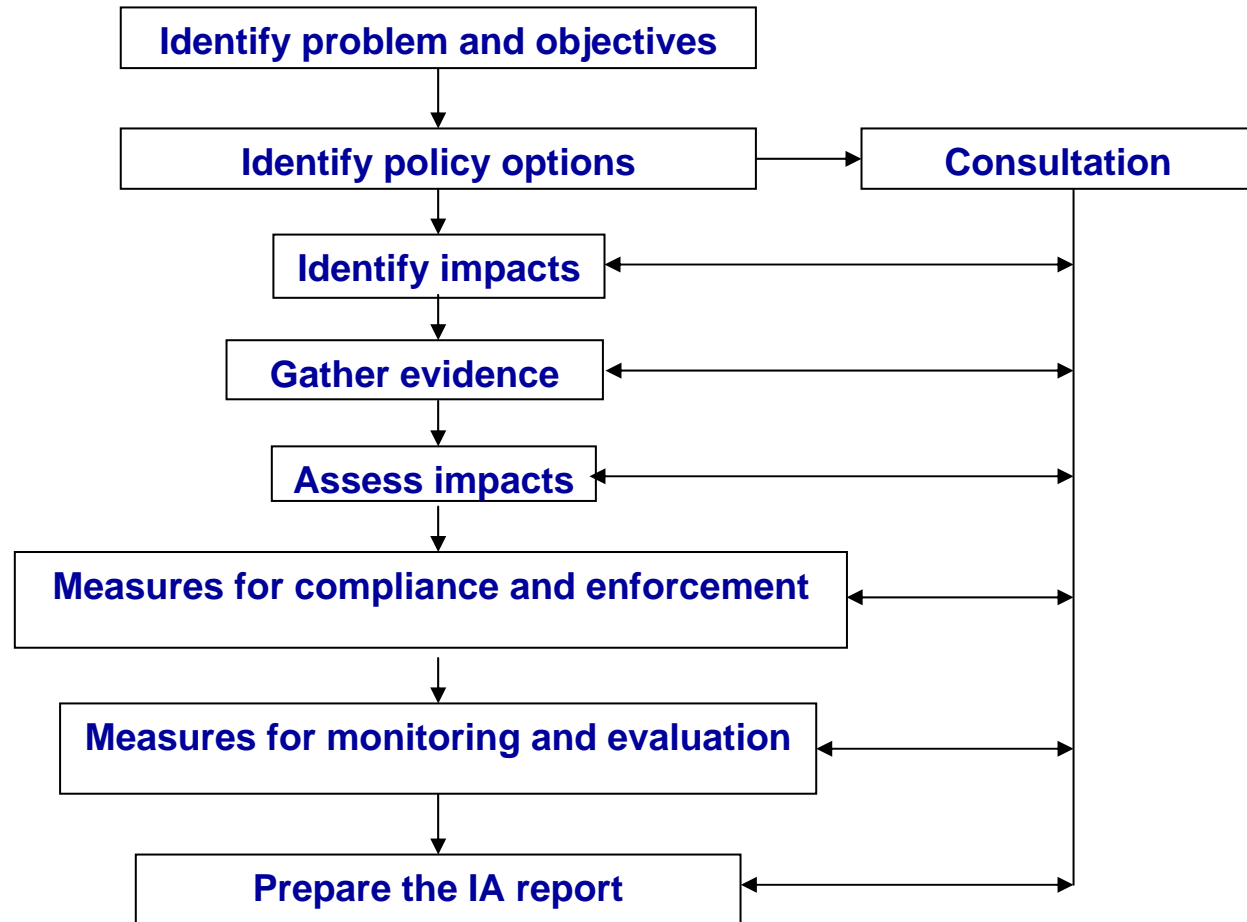
- Ministries Involved
  - Ministry of Finance (Fiscal IA)
  - Ministry of Economy, Labour and Entrepreneurship (Economic IA)
  - Ministry of Health and Social Care (Social IA)
  - Ministry of Environmental Protection, Physical Planning and Construction (Environmental IA)
  - Role of HITROREZ-UPUP
  - Initial and Full IA

# Chart 1. Impact Assessment procedure in Croatia



# STAGES IN IMPACT ASSESMENT

## Chart 2. Impact Assessment steps



- IA is a **structured document** to improve the quality of decision making:
  - ✓ Focuses on the **policy problem**
  - ✓ Evaluates costs and benefits of different **policy options**
  - ✓ Presents **evidence**
  - ✓ Emphasises **consultation**
  - ✓ Requires **monitoring and evaluation** of regulatory performance
  
- ✓ The IA document should be refined over time

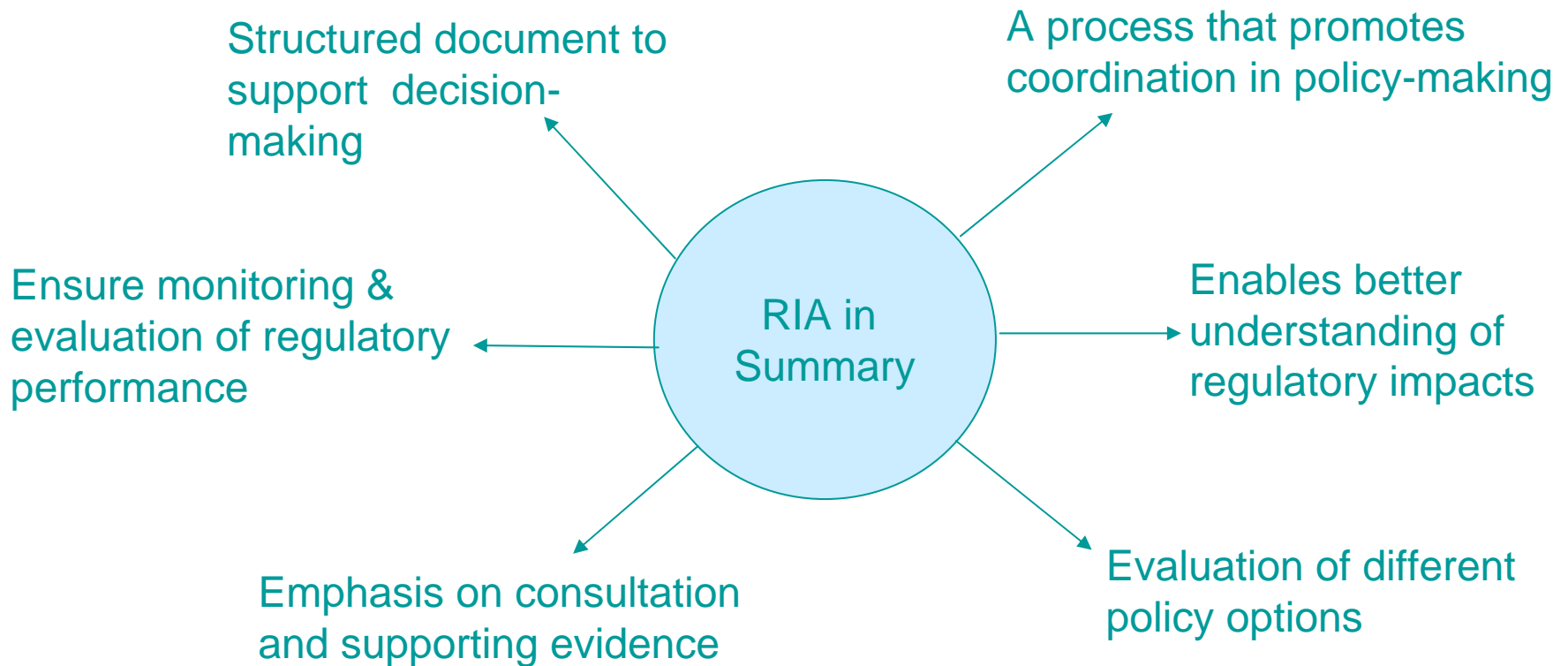
# *Structure of IA Report*

- Title of Proposal
- Purpose and Intended Effect
- The Policy Problem
- Options
- Impacts
- Distribution of Impacts
- (Results of) Consultation
- Compliance
- Monitoring and Evaluation

- Key questions to be answered when completing an IA:
- ✓ What is the nature, magnitude and trend of the problem to be addressed?
- ✓ What are government's objectives?
- ✓ What are the main policy options available?
- ✓ What are the possible economic, social and environmental impacts of the available options?
- ✓ What are the advantages and disadvantages of each option?
- ✓ What is the lowest cost solution?
- ✓ Are the benefits proportional to the costs of the chosen solution?
- ✓ How will monitoring and evaluation be organised?

- IA is also an **iterative process** to **improve regulatory outcomes**:
  - ✓ **Early planning** for more effective regulation
  - ✓ **Early consultation** to **identify unintended consequences** of intervention
  - ✓ Emphasis on **proportionality**- preliminary and final RIA

# IA in summary



# PROBLEM IDENTIFICATION AND OBJECTIVES

# 1. PROBLEM IDENTIFICATION

- First steps in the IA process
  1. Analyse the problem – what is the unsatisfactory situation the proposal seeks to address?
  2. Consider purpose and intended effect of the proposal – the Policy aim/objective
  3. Avoid making early judgments- do not presuppose the type of intervention that is needed

# Steps in defining the policy objective

- Difference between IA *process* and *document*:
- At the start of the IA process you must first analyse the problem to be addressed.
- At the start of the IA document you must first state purpose and intended effect of your proposal.

## Key questions:

- What is the problem being addressed? What is the magnitude (or size) of the problem?
- Give an explanation of the issue and the need for the government action.
- Is government intervention necessary? What is the risk of no intervention?
- What is the history/context of this proposal?
- Are there any wider issues to be aware of?

- A common problem in policy problem definition is to confuse symptoms with problems.
- A problem is a core reason for a failing
- A symptom is a consequence of that core problem or failing
- Confusing symptoms with problem may lead to the wrong remedy due to the incorrect diagnosis

# IDENTIFYING POLICY OPTIONS

# POLICY OPTIONS

- ✓ Policy options are the different alternatives available to tackle a policy problem.

1. Do nothing/maintain status quo
2. Information and Education
3. Self Regulation
4. Incentive Based Structures
5. Regulation

# 1. Do Nothing Option

- The importance of the “do nothing option”:
- ✓ Makes policy maker consider whether government intervention may make the situation worse
- ✓ Provides a baseline against which to measure impact

## 2. Information and Education

- Government provided information
- Performance and Quality standards combined with open publication

# 3. Self Regulation

- Codes of Practice
- Voluntary adoption of standards

## 4. Incentive Based Structures

- Taxation
- Targets and rewards

# 5. Classic Regulation

Consider the other options first

Are there several regulatory options?

## ■ Identifying the Options

- ✓ International Comparisons
- ✓ Domestic Comparisons
- ✓ Research
- ✓ Consultations
- ✓ Using experts
- ✓ Experienced Officials
- ✓ Pilots
- ✓ Setting frameworks and allowing solutions to emerge

# Policy Options

- Policy options should be selected based on an evidence-based assessment (Impact Analysis) of the likely positive (benefits) and negative (costs) of each option

# ASSESSING IMPACTS

# Assessment methods used in example Impact Assessment reports

# Example 1 Financial Collateral Arrangements

## Costs and benefits

- It is not easy to quantify the benefits. Some relevant considerations include:
  - the reduced cost of capital.
  - the opportunity cost in providing collateral
  - legal and administrative savings
  - implications for non-collateralised creditors
  - changes in patterns of business following the implementation of the Directive
  - the benefits of improved financial stability
- [The IA report includes a paragraph on each, all purely qualitative]
- The size of the benefits and costs will depend on the degree to which domestic law already supports collateral arrangements. Laws in the UK are already among the most amenable. The domestic effect of the Directive will therefore be correspondingly less. The Directive should, however, clarify and improve some aspects of law in the UK.

# Example 2. Late payment

## OTHER STUDIES USED

research reports published by:

- Dun and Bradstreet,
- London Society of Chartered Accountants,
- Credit Management Research Centre

these reports provided quantitative data relevant to the proposal, but no data on the impacts of the proposal

# Example 2. Late payment

## Costs and benefits

- **level of interest owed to small businesses**
- **savings in court fees**
- **qualitative discussion - not possible to estimate with any useful degree of certainty the total compliance costs involved.**
- **summary table – costs zero, benefits qualitative**

# Example 3. Insurance mediation

## OTHER STUDIES USED

- FSA published a cost benefit analysis, summarising cost benefit analysis by 'Europe Economics', an independent firm of economic consultants, through a survey of mortgage and general insurance firms.

The FSA report provided the basis of the cost-benefit analysis presented in the IA report

**Competition assessment – purely qualitative**

# Example 4. Cetacean Bycatch

## OTHER STUDIES USED

- report on whale-watching – tourism income quantified

## COSTS AND BENEFITS

- benefit is predominantly environmental.
- “it could be argued that economic wealth could be improved through the adoption of the Strategy through its indirect impact upon the tourist industry, more specifically whale-watching”
- estimates of size of cost to industry of purchasing and deploying equipment, accreditation scheme, abundance survey
- some of these costs met by EU funding

# Example 5. Landfill Waste

## OTHER STUDIES USED

- **Waste not, want not: A strategy for tackling the waste problem in England. Strategy Unit, 2002)**
- **numerous documents providing data**
- **most numerical analysis was own calculations using data supplied by consultees**

# Example 5. Landfill Waste

## COSTS AND BENEFITS

- fines of up to £100,000 per day for non-implementation of Community legislation
- laboratory analytical charges
- compliance testing
- thermal treatment hazardous wastes
- risk assessment for underground storage
- leaching limits assessment. Costs are unknown - could be in the range £2500 to £25,000 per instance.
- as an illustration, the costs for hazardous waste producers during the first year of implementation could be as high as £20m with annual costs thereafter of the order of £6m. Similarly, for inert waste producers first year annual costs would be £4m with subsequent years at £1.28m.

# Example 5. Landfill Waste

## COSTS AND BENEFITS

- benefits environmental – not quantified
- Option 1: costs of regulation £265k per year, excluding monitoring and auditing costs.
- Option 2: additional annual cost to waste producers £1.17m. Environment Agency an additional 2.2 person-years (£220k per year)
- Option 3: additional annual cost to waste producers £290k. Environment Agency only 0.54 person-years (£54k per year), which could be readily accommodated.

# Example 6. Common Agricultural Policy

## OTHER STUDIES USED

- Report on 'Cross compliance under the new CAP regime' for English Nature
- Report 'On-farm Impact Of Compliance With The Need To Keep Land In Good Agricultural And Environmental Condition: Report on RDS Farm Case Studies'. Some 27 farms of varying location, type and size were selected for this case study.

## Example 6. Common Agricultural Policy

**84 page IA report**

**assessed the following for each of 19 aspects:**

- **Economic impacts – public accounts (e.g. advisory booklets, requests for further advice)**
- **Economic impacts – farm business**
- **Environmental impacts**
- **Broader rural impacts**
- **Regional impacts**
- **Application and enforcement issues**
- **Equity issues**

**Summary tables of advantages and disadvantage**

# Example 6. Common Agricultural Policy

## COSTS AND BENEFITS

- **benefits mainly environmental and social - described but not quantified**
- **“The on-farm costs of cross compliance are difficult to estimate precisely because of the variability of farm businesses. The estimated costs set out in this RIA use the best available information and are based on analysis by Defra economists using 2002/3 Farm Business Survey data and a case study exercise undertaken on 27 farms by the RDS”**
- **overall costs equate to around 0.5% of total farm costs**
- **cost details given in Annex**

# Example 7. Water Framework Directive

- **Number of pages: 66**
- **identifies 6 categories of businesses directly affected, and 2 categories indirectly affected**

## **OTHER STUDIES USED**

- **initial RIA was undertaken by a consortium of consultants**
- **comprehensive review cannot realistically be undertaken until the completion of the River Basin Management Planning process, itself a requirement of the Directive.**
- **This RIA represents the best estimates of costs and benefits that can be made now.**

# Example 7. Water Framework Directive

## COSTS AND BENEFITS

- ecological, informational, administrative, monitoring, planning – largely qualitative
- WRc study – some of the environmental benefits were quantified and valued
- most costs were quantified – administration, planning, monitoring, information, capital, compliance
- e.g. “costs per kilometre of improvement were obtained from a database of river rehabilitation projects undertaken by the Environment Agency”
- list of costs that were not quantified
- data uncertainties discussed
- both quantified and unquantified impacts listed in summary table

# Example 7. Water Framework Directive

## ONGOING ANALYSIS OF COSTS AND BENEFITS

- costs of compliance will be subjected to rigorous cost-effectiveness analysis.
- where costs are seen to be disproportionate a process will be set in train to pursue a less stringent environmental objective
- through the process of river basin management planning the Environment Agency and the appropriate authority will be undertaking a process similar to, but in many cases more extensive than, an RIA, for each programme of measures

# Example 8. Water Bill

The RIA includes individual RIAs for each of 18 policy areas  
64 page report

## COSTS AND BENEFITS

- Benefits qualitative – mainly environmental
- Establishment of independent Consumer Council for Water. A modest increase in the £3m costs currently associated with running the Customer Service Committees; one-off set up costs of up to £1m.
- Measures to improve the transparency, consistency, predictability and accountability of regulation. Costs expected to be no more than £300k per annum. All costs borne by regulator, but recovered from licence fees and ultimately borne by consumers.

# The overall process of assessing impacts

1. **define the baseline situation (economic, social and/or environmental as appropriate)**
2. **estimate future changes to the baseline in the absence of the proposed measure**
3. **define the measure in sufficient detail to understand its consequences**
4. **identify the likely significant impacts of the measure (qualitative)**
5. **predict the magnitude of each impact as far as practicable, with sufficient precision to evaluate its significance**
6. **where appropriate, define mitigation measures to reduce significance**
7. **predict the magnitude of residual impacts**
8. **evaluate the significance of residual impacts**

# Distribution of Impacts

- Identify any significant impact on vulnerable groups
  
- Has the government given any guidance on which groups need to be given special attention?
  - low income households?
  - gender?
  - race and ethnicity?
  - disadvantaged regions or areas?
  - SMEs?

# Distribution of Impacts

- Use consultation to help identify groups likely to be affected both positively and negatively
- Try to identify both direct and *indirect* impacts
- Distributional impacts will normally be shown separately in the IA report

# Types of impact prediction technique

	<b>Strengths</b>	<b>Weaknesses</b>	<b>Validation</b>
<b>past experience cited in literature (domestically or in other countries)</b>	<b>particularly valuable for complex effects</b>	<b>can be unrepresentative of the measure being assessed</b>	<b>actual experiences should be quoted, and allowance should be made for the different characteristics of the proposed measure</b>
<b>numerical calculations</b>	<b>can deal with circumstances which are specific to the measure being assessed; quantification of primary effects is often straightforward</b>	<b>use of complex models requires a detailed understanding of the economic, social or environmental system, and may require considerable data; hidden errors can arise from inappropriate assumptions and approximations in models</b>	<b>complex models should only be used when simpler ones are inadequate for the purpose; data sources should be identified and shown to be valid; the validity of the model should be demonstrated, e.g. by referring to relevant professional literature</b>
<b>causal chain analysis</b>	<b>can identify complex second and higher order effects</b>	<b>limited ability to assess magnitude of effects</b>	<b>seek evidence of magnitude in the literature on past experience</b>
<b>professional judgement</b>	<b>versatile and easy to apply</b>	<b>misleading if expertise not adequate for the task; difficult to substantiate</b>	<b>reasoning and supporting data should be described, and qualifications and experience of each professional should be given in the IA report</b>

# Obtaining data for impact prediction

- define the prediction technique/s that will be used
- define the data needed for prediction
- obtain existing data
- review validity of existing data
- identify gaps
- obtain new data

# Gathering evidence

## Sources of evidence:

- Your own knowledge and experience
- The knowledge and experience of colleagues in your own department and other Ministries
- Consultation with external experts
- Consultation with those that are likely to be affected
- Research documents, market reports, government statistics, internet searches

# Proportionate Analysis

## How Much Evidence is Needed?

- the more significant the impacts are likely to be, the greater the effort of quantification that is needed
- the level of detail also needs to be related to the resources and time available

# Analysing the evidence

- The evidence needs to be used to explain how and why the impacts occur. What are the ‘cause and effect’ links between the policy measure and the impact indicators?
- The analysis is presented in the form of a narrative in the IA report, in which the evidence is used to validate the analysis.
- This is called *causal chain analysis*.

# Qualitative and quantitative evidence

- Evidence on impacts should be quantified wherever possible.
- Quantification should be in economic market value terms wherever appropriate. This allows comparisons between different types of impact
- It is especially important to quantify benefits as well as costs

# Significance of impacts

- The IA report needs to be able to advise the decision maker on the importance or ***significance*** of the contribution that the policy measure will make to the objectives
  - positive or negative?
  - large or small?
  - long term or short term?
  - reversible or irreversible?

# Criteria for evaluating impact significance

	<b>Form of criterion</b>	<b>Nature of impact significance</b>
<b>institutional recognition</b>	<b>legal requirement or other institutional norm, e.g. policy statement, official guidance, standards</b>	<b>widely understood and agreed</b>
<b>public recognition</b>	<b>opposition to the impact, controversy over it, or conflict between different sections of the community</b>	<b>not widely enough agreed to have resulted in an institutional norm, but of concern to at least some sections of the public</b>
<b>technical recognition</b>	<b>concern based on technical understanding of the impact's consequences</b>	<b>not widely enough understood to cause public concern, but of concern to technical specialists</b>

# Impact significance in relation to government objectives

## **Economic Objectives**

- economic efficiency
- economic growth

## **Environmental Objectives**

- environmental sustainability

## **Social Objectives**

- social and economic equity
- gender equity
- regional equity

- **Impact on government targets and indicators**

# Analytical Tools

- Economic Valuation Methods and Cost Benefit Analysis
- Environmental Assessment methods
- Social Impact Assessment methods

# ASSESSING IMPACTS: COSTS AND BENEFITS

# Assessing Impacts

## Good Practice IA will:

- Show the significance of impacts
- Quantify in economic value terms where possible
- Include qualitative evidence where necessary
- Indicate the risk and uncertainty of the estimated impacts
- Give equal attention to positive and negative impacts
- Include economic and no-economic (environmental and social) impacts

# Impacts

- **Difficulties in Assessment of Impacts:**
  - Attribution
  - Time period
  - Decision Criteria:

# Assessing Impacts: Decision Criteria

- Used to determine what decision can be made on the basis of the assessment of benefits and costs

## 1. Are the Benefits greater than the Costs?

- compare the total costs with the total benefits
- this is known as *cost-benefit analysis (CBA)*

# Decision criteria

## 2. Do the benefits justify the costs

- this is a political decision based on the evidence provided in the IA

## 3. Is the approach the least costly option for achieving the objective?

- compare costs of different options ( assuming each option gives the same benefits)
- this is known as *cost-effectiveness analysis*

# Assessing Impacts: Quantification, Valuation and Monetisation

- **Quantification and Valuation**
  - *quantification* refers to measurement, using different metrics ( number of jobs, units of output etc)
  - *valuation* refers to the market (monetary) value of impacts
  - if all impacts are valued in the monetary terms, same terms, they can be added together to give total benefits and total costs.

# Economic Assessment and Cost - Benefit Analysis

- **Market Values**
  - maximise economic efficiency and economic output
  - competitive market prices can be used to value impacts
- **Market Failure**
  - markets often fail to operate competitively
  - some impacts do not have a market price
  - Therefore have to estimate the 'shadow' prices for these 'externalities'.

# Assessing Impacts: Risk and Uncertainty

- **Risk Assessment**
- The risks and how likely they are to occur, should be considered in the assessment of impacts
- Try to describe the consequences of the risks could they stop the regulation from meeting its objectives?
- Try to identify any irreversible impacts – where these arise, more time may be needed to investigate the consequences more fully
- Precautionary principle – precautionary action may be justified where the risk is low, but the outcome would be very harmful (example: effect on human health of new drugs or food products)

# Assessing Impacts: Risk and Uncertainty

- **Risk Assessment**
- This provides an overall judgement on whether the risk-adjusted benefits exceed the risk-adjusted costs, or whether the costs of a possible adverse outcome are so great that precautionary action needs to be taken to obtain a cost-effective solution.
- **Sensitivity Analysis**
- Can be used to calculate how sensitive the outcome is to a change in the value of the key benefits and costs.

# Assessing Impacts: Key Lessons

- **Key Lessons**
  - 1. Quantify benefits and costs where possible
  - 2. Use economic valuation where possible
  - 3. Do not ignore the non-quantifiable impacts
  - 4. Include the environmental and social impacts separately

# Assessing Impacts: Key Lessons for Impact Assessment

- 5. Be transparent on uncertainties, risks, assumptions and quality of data
- 6. Think analytically and use good judgement:  
*'IA is an art not a science'*

# ASSESSMENT METHODS: ECONOMIC VALUATION OF COSTS AND BENEFITS

# Assessing Impacts: Market Prices and Economic Valuation

- **Market Prices and Economic Valuation**
  - Willingness to Pay as the measure of economic value
- **Market Failures and Economic Valuation**
  - 'shadow prices' are estimates of what the market equilibrium price would have been if there were no market failures
  - estimate the willingness to pay

# Assessing Impacts: Estimating Shadow Prices

- How to estimate shadow prices for benefits and costs that do not have a market value?
- Examples:
  - Time savings
  - Improvements in health
  - Environmental benefits and costs
  - Education and training
  - Human life
- The basic approach is to estimate the 'willingness to pay' ( or 'willingness to accept compensation') for a particular outcome

# Assessing Impacts: Estimating Shadow Prices

- **Methods of Estimating Shadow Prices**
  - **1. Use Market Prices Information**
    - example: river pollution and market price of fish
    - example: costs to human health and costs of private medical and health care
    - example: recreational resource and individuals' costs in using the resource (time and travel)
    - example: slum development and property prices

# Assessing Impacts: Estimating Shadow Prices

- **2. Use Information on Individuals' Preferences**
  - example: noise pollution from airport and individuals' willingness to pay to prevent the noise, or, willingness to accept compensation for the noise
  - example: 'green' area and urban development
- **3. Benefit Transfer ( use estimates of shadow prices from other studies)**
  - example: costs of air pollution in city X are used in study of air pollution costs in city Y

# ECONOMIC VALUATION: DISCOUNTING

# Assessing Impacts: Discounting

- **What is Discounting?**
- Technique for comparing benefits and costs that occur in different time periods
- The value that individuals attach to a \$ received tomorrow is less than the value of \$ received today.
- Principle of 'time preference' i.e. people prefer to receive goods and services now rather than later.

# Assessing Impacts: Discounting

- **Time Preference and Interest Rate**
- Individuals expect to receive a rate of interest on savings
- Why? To compensate for giving up consumption today
- Therefore, the rate of interest gives us a measure of an individual's *rate of time preference*

# Assessing Impacts: Discounting

- **Discount Rate and Present Values**
- The rate of time preference can be used to convert future values into an equivalent value today
- This is known as discounting
- The discount rate is used to convert all future benefits and costs into 'present values'
- This allows the stream of benefits and costs to be aggregated into a single total present value figure

# Assessing Impacts: Discounting

- **Net Present Value and CBA Decision Rule**
- The total present value of benefits and total present value of costs are compared to give the '*net present value*' (NPV) of the project
- If the NPV is positive it means that the present value of Benefits is greater than net value of Costs
  
- The decision rule is:
  - *proceed if the NPV is positive (NPV>0)*
  - *Do not proceed if NPV is negative (NPV<0)*

# Assessing Impacts: Discounting

- **Choice of Discount Rate**
- Individual time preference rate vs. social time preference rate
- Public sector usually sets the discount rate to be used in public projects (3.5% in UK)
- Discount tables/ discount factor used to calculate the PV of benefits and costs

## ***CONSULTATION:***

# **GENERAL PRINCIPLES AND METHODS PROCESSES IN CROATIA**

# Participation in environmental decision-making – the Rio Declaration

## Principle 10.

Environmental issues are best handled with the participation of all concerned citizens, at the relevant level. At the national level, each individual shall have appropriate **access to information concerning the environment** that is held by public authorities, including information on hazardous materials and activities in their communities, and **the opportunity to participate in decision-making processes.**

States shall facilitate and encourage public awareness and participation by making information widely available. **Effective access to judicial and administrative proceedings**, including redress and remedy, shall be provided.

# Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, Aarhus, Denmark, 25 June 1998 (UN Economic Commission for Europe)

Article 4 Access to Environmental Information

Article 5 Collection and Dissemination of Environmental Information

Article 6 Public Participation in Decisions on Specific Activities

Article 7 Public Participation Concerning Plans, Programmes and Policies Relating to the Environment

**Article 8 Public Participation During the Preparation of Executive Regulations and/or Generally Applicable Legally Binding Normative Instruments**

Article 9 Access to Justice

# Aarhus Article 2 Definitions

4. “The public” means one or more natural or legal persons, and, in accordance with national legislation or practice, their associations, organizations or groups;
5. “The public concerned” means the public affected or likely to be affected by, or having an interest in, the environmental decision-making; for the purposes of this definition, non-governmental organizations promoting environmental protection and meeting any requirements under national law shall be deemed to have an interest.

# European Commission Process for Public Consultation

Communication from the Commission: Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission, COM(2002) 704 final

## Minimum standards

### A. Clear content of the consultation process

All communications relating to consultation should be clear and concise, and should include all necessary information to facilitate responses.

### B. Consultation target groups

When defining the target group(s) in a consultation process, the Commission should ensure that relevant parties have an opportunity to express their opinions.

### C. Publication

The Commission should ensure adequate awareness-raising publicity and adapt its communication channels to meet the needs of all target audiences. Without excluding other communication tools, open public consultations should be published on the Internet and announced at the “single access point”.

### E. Acknowledgement and feedback

Receipt of contributions should be acknowledged. Results of open public consultation should be displayed on websites linked to the single access point on the Internet.

# Purpose of public involvement - conceptual

- to enhance human rights?
- to strengthen democracy?
- to improve decisions?
- to improve the Impact Assessment?

# Why consult?

- Provides information for the IA
- Improves relevance of policy proposals to key stakeholders
- Promotes transparency and accountability in public governance
- Integrate new ideas and perspectives
- Consultation can create cost savings e.g. identifying unforeseen consequences
- Helps to check assumptions
- Improves awareness and understanding of a policy area
- Early input in policy results in less revisions later

# Levels of public involvement

- information
  - one way flow from proponent to public
- consultation
  - two way exchange; stakeholders provide information and express concerns, values, ideas
- collaboration and partnership
  - evaluation as learning and improvement; shared responsibility; mediation; consensus building
- [empowerment and local control]
  - [delegation of authority to local communities and representatives – inapplicable at national level]

# Principles of public involvement

The process should be

- inclusive – covers all stakeholders, directly or indirectly
- open and transparent – steps and activities are understood
- relevant – focused on the issues that matter
- impartial - without bias toward any stakeholder
- responsive – to stakeholder requirements and inputs
- credible – builds confidence and trust; provides feedback on how inputs have been used and responded to
- cost-effective for the IA
- cost-effective for participating stakeholders

# Identifying stakeholders

- **Primary stakeholders**  
Those individuals or groups that are ultimately affected by the policy/legislative measure.
  - **Secondary stakeholders**  
All other individuals or institutions with a stake, interest or intermediary role in the activity.
- **Undertake a stakeholder analysis**

# Key stakeholders

- people directly affected by a proposal
- central and local government agencies
- elected representatives
- the private sector
- trade unions and professional associations
- NGOs – environmental, social, economic
- specific interest groups (gender, nature conservation, etc)
- academics, scientific and technical institutes

# When to Consult

- IA as a process – consultation should start early and continue throughout the IA:
- Use formal and informal methods
  - To identify unintended consequences
  - To plug information gaps
- Present results of consultation in the IA document

# Developing a consultation program typically involves:

- effective publicity
- mechanisms for contributions from all interested parties
- identifying and targeting interested and affected public
- selecting appropriate techniques
- undertaking the analysis of stakeholder inputs
- confidentiality issues
- providing feedback to stakeholders

# Techniques for stakeholder involvement

- *Comment on published documents.* Needs effective publicity. Internet.
- *Public meetings.* No restriction on attendance. Use existing mechanisms where practicable.
- *Open Houses.* Accessible locations which contain information. Staff present to discuss issues and record the views/opinions/concerns of visitors.
- *Advisory panels.* Selected individuals, chosen to represent particular groups of stakeholders.
- *Questionnaires.* Questionnaire design and distribution.
- *Interviews.* Structured or semi-structured, with key representatives or representative or knowledgeable individuals.
- *Group meetings, participatory workshops, focus group discussions.* Generate debate among different stakeholders with different perspectives/interests. Consensus-building.

# Principles for successful application of public involvement techniques

- provide appropriate information
- allow sufficient time to review and respond
- provide appropriate opportunities/means for stakeholder involvement
- choose venues and times of events to suit stakeholders
- respond to issues and concerns raised
- feed back the results of contributions

# Presentation of Consultation Results

- When presenting the results of consultation the following should be considered:
- Who was consulted?
- Time given for making comments
- Summary of contributions
- Names of organisations consulted should be listed and a summary of their views presented.
- Special attention to poor and vulnerable groups

# Key messages

- Consultation should begin early in the policy-making and IA development process – at the initial IA stage.
- It should also occur (formally and/or informally) throughout the IA development process
- The IA document describes and reports the consultation that has occurred throughout the policy-making and IA development process

# COMPLIANCE AND ENFORCEMENT

## What is compliance?

- Compliance is the adherence and the following or obeying of policy, regulations and laws.
- Any regulation should be complied with otherwise policy outcomes will not be delivered.
- Laws that are not complied with have the potential to bring government into disrepute.
- Levels of compliance to be achieved need to be realistic.
- Essentially a political decision.

## Types of compliance

### **Voluntary Compliance**

- People comply voluntarily rather than risk punishment for non compliance

### ■ **Enforced Compliance**

- The risk involved in non-compliance determines the different enforcement regimes that can be employed.

# Importance of compliance

High level of compliance delivers:

- Intended benefits
- Certainty:
  - **for business**
    - **Investment decisions are less risky.**
  - **for society**
  - **security/safety/health**

# Enforcement methods and agencies

- Government Agencies – police, local governments
- Non governmental – industry, professional bodies
- Social pressure – Cultural norms

## Enforcement costs

- Inspection visits
  - Licensing regimes.
  - Police time
  - NOTE: Achieving 100% compliance at a reasonable cost is not possible.
- 
- **Accountability for Enforcement**
  - how will the enforcement performance be monitored?

# Sanctions

- Sanctions are the penalties that are applied when people do not comply with the regulation.

- **Types of Sanctions:**

- Fines
- Imprisonment
- Withdrawal of licences/permissions
- Suspensions
- Cautions

## Helpful compliance questions

- Who will be tasked with implementing the option? How will they do this? What are the costs for implementing the option?
- Who will enforce the option? How much will it cost to enforce? What is the institutional capacity required to conduct the enforcement activity?
- Is there any duplication of effort in enforcement processes? How do the enforcement processes impact on affected groups?

## Helpful compliance questions

- Are there any unnecessary burdens that could be simplified?
- What will be the sanction for not complying? How realistic are the sanctions? Are they for deterrent purposes? Are they for enforcing punishment?
- Are there any unintended consequences of the sanctions?
- Will there be a 'lead in time' or 'period of grace' before the sanctions will be enforced?

# MONITORING AND EVALUATION

## Monitoring and Evaluation: Difficulties

- Attribution of effects to each of many possible causes
- Governments' aversion to self-criticism

## Proportionality

- Major legislation may need sophisticated monitoring
- Simple monitoring mechanisms maybe adequate for simple policy measures

## Monitoring and Evaluation: Basics

- Every new law or regulation should be monitored and evaluated.
- Monitoring and evaluation allows us to determine whether a new law or regulation is serving its original purpose in the most cost effective and efficient manner.
- Consider including a “Sunset Clause” (the legislation will be removed from the Statute Book after a specified period)
- Where practicable, integrate with existing mechanisms for review of the entire policy area
- The mechanisms and responsible authority for monitoring and evaluation should be specified in the IA.
- The monitoring and evaluation process and its timing should be recorded in the IA.

## Sunset clause

- Legislation should be removed after it has served its purpose
- Sun-setting may be appropriate for:
  - **Regulations responding to a particular crisis**
  - **Measures taken where events or technologies are changing so fast or where there are considerable scientific uncertainties**
  - **Requirements that are likely to become outdated**
- Sun-setting is a way of making sure that the laws are reviewed and kept up-to-date.
- Sunset clause can be particularly useful in cases where you are producing a law or regulation to deal with a short term emergency.

## Accountability and responsibility for M&E

- Government Ministry or Agency
- Independent body outside of Government
- Parliamentary Select Committee
- Research commissioned from expert institutions

# What to monitor

- **to monitor a policy effectively, information and data on implementation of the policy measure must be obtained.**
- **implementation**
- **direct outputs of the measure (intermediate effects)**
- **ultimate impacts**
  - **economic**
  - **social**
  - **environmental**
  - **intended**
  - **unintended**

## Tools for M&E

- Reports
- Surveys
- Questionnaires
- Nationwide Opinion Schemes
- Stakeholder Meetings
- Consultations
- Customer Satisfaction Exercises
- Research Studies
- Official statistics

## UK IA template

- “When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?”

## UK IA guidance

- **“Describe your proposed monitoring process for each option in the Impact Assessment.**
- **Make your criteria Specific, Measurable, Achievable, Relevant and Timebound (SMART).**
- **Take into account existing monitoring mechanisms – you may be able to use them but, if not, bear in mind that those also affected by other policies may face multiple monitoring activities.**
- **Assess compliance against the overall policy objective and delivery success measures. Be clear about what will be counted as compliance and what will not.**
- **Outline who will be responsible for monitoring each option. Think about the cost for those being regulated of compliance and monitoring and whether this will have a disproportionate impact on some groups.**
- **Describe the frequency of monitoring and how it will be reported.**
- **Consider setting up a feedback mechanism for recording any complaints from those affected by the proposals, to inform future policymaking.”**

# Example: Euro-Mediterranean Free Trade Area

## Proposals for:

1. data to be monitored
2. indicators
3. data analysis
4. sources of data
5. institutional responsibilities and consultation
6. integration with policy-making

# EMFTA monitoring: data to be monitored

- **negotiated agreements (compared with IA scenarios)**
- **implementation of agreements**
- **parallel actions (compared with IA recommendations)**
- **changes in trade flows and production**
- **impacts as identified in the IA (economic, social, environmental)**

# EMFTA monitoring: Indicators and sources of data

- 40 indicators (economic, social, environmental)
- use of existing data collection mechanisms (needs for strengthening)

# EMFTA monitoring: Analysis of monitoring data

- **causal analysis and attribution of effects**
- **analysis of external trade influences (regional, global)**
- ***ex-post* impact assessment and research**

# Monitoring and Evaluation in example IA reports

## Example 1 Financial Collateral Arrangements

- **HM Treasury intends to ask trade associations (and other interested parties) for their assessment of the effects of the Directive three years after its implementation.**

## Example 2. Late payment

- **7.1 The new regulations resulting from the transposition of the Directive will be monitored and evaluated as part of our ongoing work to monitor late payment culture here.**
- **7.2 Article 6.5 of the Directive advises that the Commission will undertake a review of the Directive and its effectiveness.**

## Example 3. Insurance mediation

- **It will be for the FSA to enforce and monitor compliance.**

## Example 4. Cetacean Bycatch

- **43. The targets in the Strategy will be regularly reviewed to ensure that, on the basis of any new available evidence, they are set at an appropriate level. To assist with this, the Strategy recommends that an expanded bycatch monitoring scheme should be developed to assess bycatch in UK fisheries at a statistically valid level. It also proposes that a voluntary arrangement should be entered into whereby those fisheries obliged to use pingers take observers on board their vessels to record the level of small cetacean bycatch. However, if the level of coverage achieved by such a voluntary arrangement is considered inadequate, legal measures to ensure this will be taken.**
- **44. The effectiveness of the Strategy will be subject to review three years after publication.**

## Example 5. Landfill Waste

- **Monitoring will be carried out in England and Wales by the Environment Agency. The onus will be on DEFRA to carry out reviews of the legislation. There will be a power to review or modify the strategies made under Article 5(2) from time to time – with reporting obligations to Europe. There will also be a power to amend the targets and to review the allowances if necessary. The Directive also carries a review clause for 2014.**

## Example 6. Common Agricultural Policy

- **295. We intend to monitor and evaluate the implementation of CAP Reform and as a part of this the Cross Compliance element and its effect on farm businesses some 2-3 years after the full implementation in 2009, at which point farmers will have also had their historic payments cut to below 50% – although this timing for an evaluation is yet to be agreed. However this would go in hand with an interim monitoring regime which would be preceded by the implementation by farmers.**
- **296. In this intervening period it is proposed to continue with a series of informal monitoring exercises using the RDS to work-up further case studies to show how farms are coping with the introduction of Cross Compliance and wider Cap Reform.**

## Example 7. Water Framework Directive

- **199 Monitoring is a major part of the implementation of the Directive. The regulations set down the duties on the Environment Agency to establish programmes of monitoring for surface and groundwaters and protected areas. These programmes are to establish a coherent and comprehensive overview of water status within each river basin district.**
- **200 Comprehensive review of implementation is included in the regulations in line with the requirements of the WFD. The purpose of this review is to assess whether the objectives for water bodies are being achieved and will continue to be achieved into the future, and to review programmes of measures if this is not the case. As part of the review, the public information and consultation provisions of the Directive will apply. This will provide a feedback opportunity to stakeholders.**

## Example 8. Water Bill

- 2.53 The Better Regulation Task Force is undertaking a review of environmental regulations with particular reference to farmers. We will review this RIA in line with any recommendations made by the Task Force in the period between the publication of this draft Bill and the final Water Bill.
- 8.9 The proposal, when enacted, would be monitored by a water industry/Fire Authority Liaison Group which is chaired by the Department of the Environment, Transport and the Regions and currently meets twice a year.
- 9.10 A regular review of the measures would be carried out by DTI as part of its on-going monitoring of the CA.
- 10.16 The Department of the Environment, Transport and the Regions monitors the operation of the regime and keeps it under review and the Environment Agency prepares periodic reports on the state of contaminated land, including information about the identification of land as “contaminated land”.
- 11.7 The proposal will not require any different arrangements to those which already exist.
- 12.10 The measure would be regularly reviewed by the Environment Agency.
- 13.11 None necessary.
- 15.7 We are considering arrangements for enforcing this provision and welcome respondents’ views.
- 16.6 The Director will monitor the operation of the Order.

## M&E questions

- Who will conduct the monitoring and evaluation?
- Who will be accountable for the success of delivery/implementation?
- To whom will they be accountable? When will it happen? How frequently?
- What will happen in response to the results of the monitoring/evaluation?