

Regulatory Impact Analysis Training:

The Phases (Steps) of RIA

Session one: Overview and the First Four Steps RIA.

About the Instructor...

- Is an Associate Economics Adjunct Faculty at University of Southern California Price School of Public Policy.
- Served as a Policy Analyst at the Office of Information and Regulatory Affairs (OIRA) at the White House.
- **Specialties:** Information Policy, Economics, and Political Science.



Agenda (Two Sessions)

Session One:

- **Introduction**
- **RIA Overview:** The RIA Cycle
- **Step One:** RIA Action Plan
- **Step Two:** Problem Definition
- **Step Three:** Setting Objectives
- **Step Four:** Identifying Options and Alternatives

Session Two:

- **Step Five:** Comparison of Costs and Benefits
- **Step Six:** Stakeholders Consultations
- **Step Seven:** Selecting the Preferred Option
- **Step Eight:** Implementation, Monitoring, and Evaluations Plans.

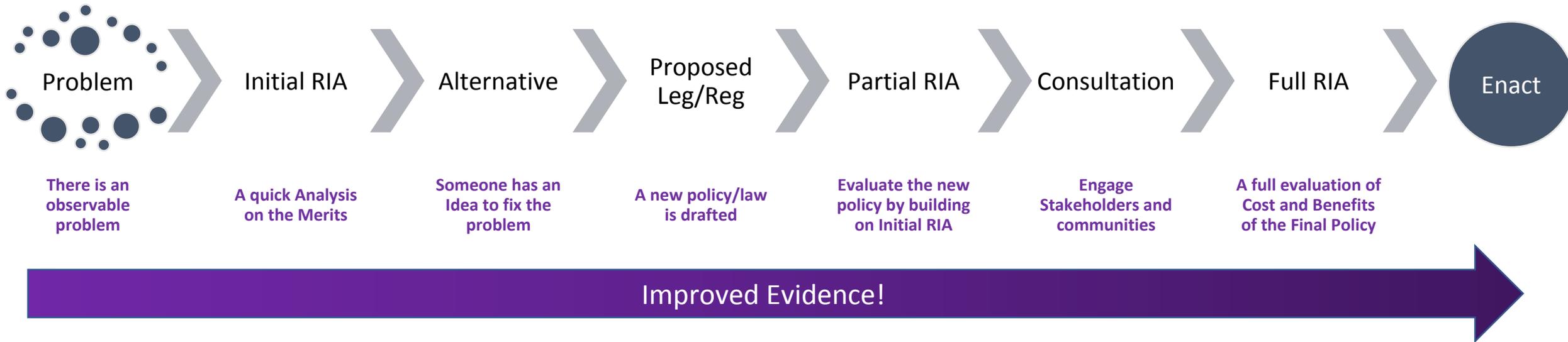
Objectives of Session One...

- **Objective A:** To understand the step-by-step process of RIA for assessing regulatory activity.
- **Objective B:** To learn how the RIA process “builds” on each step to produce an accurate assessment of the associated cost-benefit impacts.
- **Objective C:** To identify options and alternatives for evaluating the “trade-off” between the baseline (no action alternative) and proposed policy and legislation.

Regulatory Impact Analysis

The Regulatory Impact Analysis Cycle: Moving from Action Plans to Assessment Impacts and Evaluations.

Why is RIA a Process?



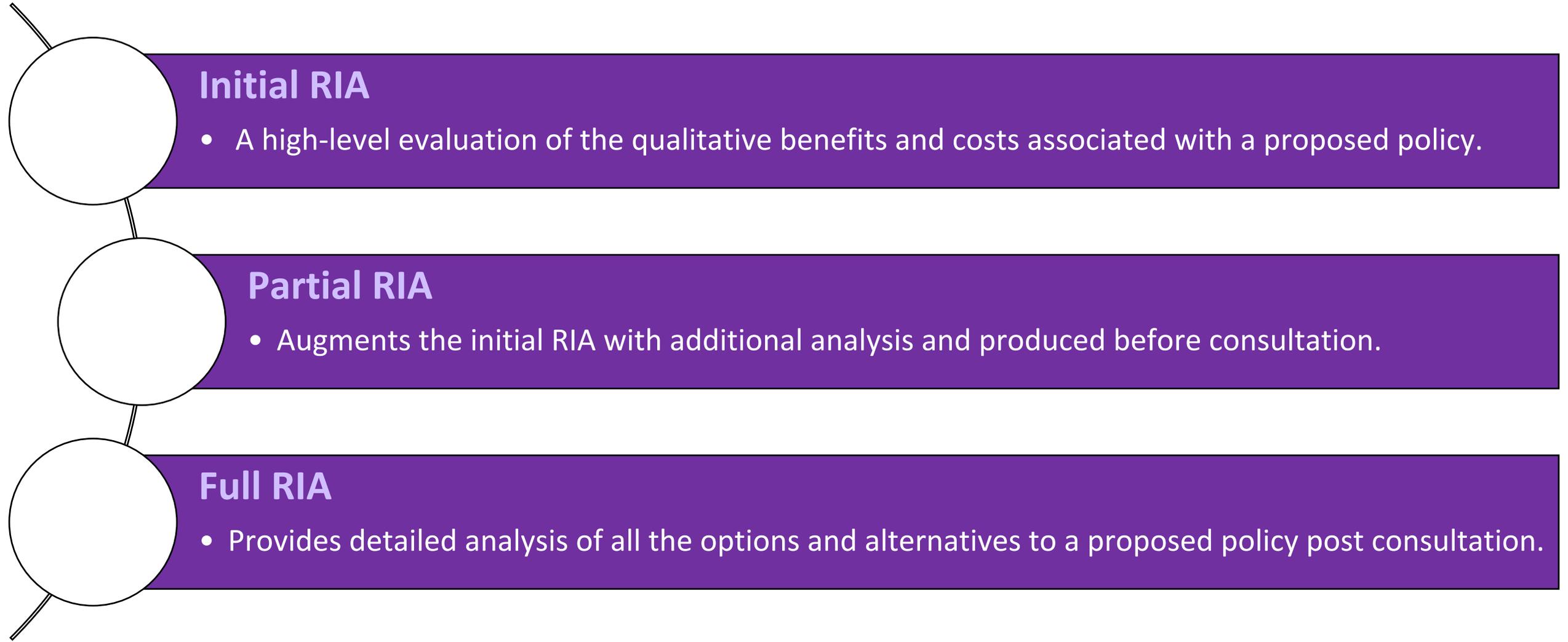
- The RIA is a tool for helping select the best policy alternative when attempting to address an observable problem.
- At each stage, we gather more information and perform clearer analysis to find the “best” policy alternative to the problem.
- After a Full RIA, we evaluate the impacts and determine if further changes are needed.

When do do and RIA?

A Full RIA should be conducted where the Initial and Partial RIAs suggest that anyone of the following applies:

- (a) There will be significant negative impacts on national competitiveness;
- (b) There will be significant negative impacts on the socially excluded or vulnerable groups;
- (c) There will be significant environmental damage;
- (d) The proposals involve a significant policy change in an economic market or will have a significant impact on competition or consumers;
- (e) There will be a significant impact on business enterprises;
- (f) The proposals will disproportionately impinge on the right of citizens;
- (g) The proposals will impose a disproportionate compliance burden; and
- (h) The costs to the treasury or third parties are significant or are disproportionately borne by one group or sector

Three Types of RIA...



The diagram consists of three horizontal purple bars, each containing text. To the left of each bar is a white circle with a black outline, connected to the bar by a thin black line. The top circle is connected to the top bar, the middle circle to the middle bar, and the bottom circle to the bottom bar. The top circle has a short line extending from its top-left edge, and the bottom circle has a short line extending from its bottom-left edge.

Initial RIA

- A high-level evaluation of the qualitative benefits and costs associated with a proposed policy.

Partial RIA

- Augments the initial RIA with additional analysis and produced before consultation.

Full RIA

- Provides detailed analysis of all the options and alternatives to a proposed policy post consultation.

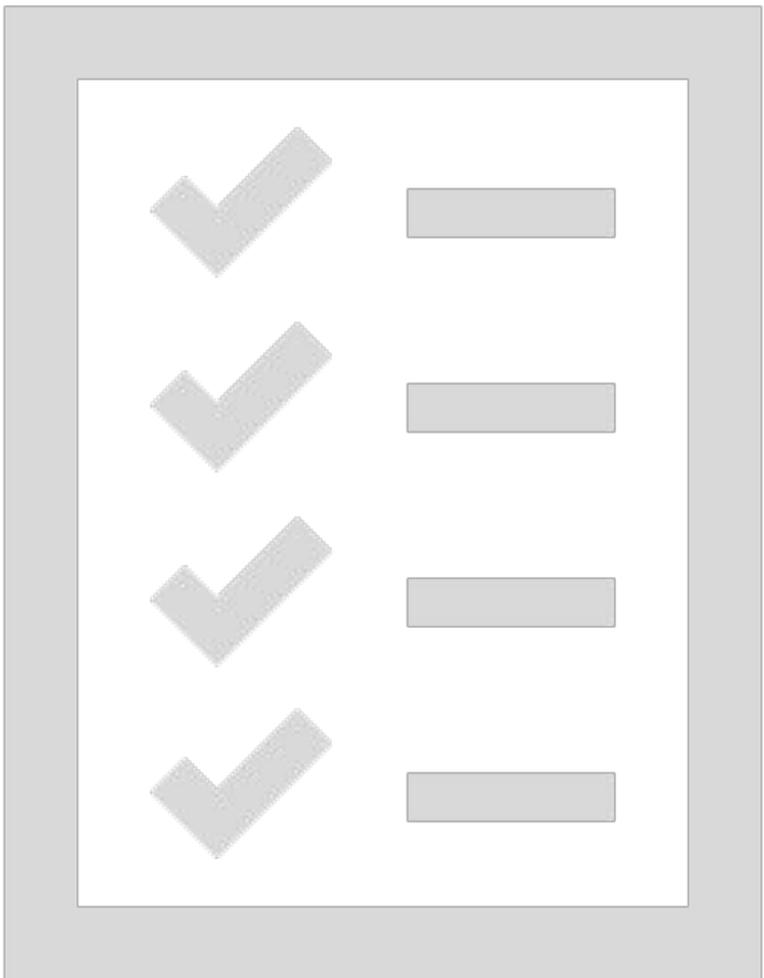
The Eight Steps of RIA...

- These eight steps attempt to capture the qualified cost and benefits of various actions.
- Over the life-cycle of a RIA analysis, there is a focus on accuracy, objective analysis, and evaluation.
- Each stage of the RIA process is an opportunity to reflect on the previous step.
- Building an RIA is like an eight layered cake, each step provides "new information" into the mix resulting in a better overall evaluation.



Step One:

Regulatory Impact Analysis Action Plan



What is an Action Plan?

- An action plan is a high-level plan for stating an RIA process.
- This includes "quick" assessment of a problem.
- The types of authorities involved and subject matter.
- This is a plan for management of the RIA including project costs, time, and outputs like reports.

Regulatory Impact Assessment Handbook for Regulatory Agencies and Public Bodies in Zambia

ANNEX 1: RIA ACTION PLAN

REGULATORY IMPACT ASSESSMENT ACTION PLAN FORM

SUBJECT MATTER					
Type of intervention <i>(tick)</i>	Policy	Law	Regulation	License	Process
Others specify					
I. Background					
II. Problem Statement and Baseline					
III. Objectives of the intervention					
IV. Proposed Options	1. Status quo (do nothing)				
	2.				
	3.				
	4.				
	5.				
V. WORKPLAN					
Activity	Inputs	Outputs	Cost estimates	Time frame	Responsible Persons/ Institutional
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8. Consultation with Public Sector					
9. Consultation with Private Sector					
10. Consultation with Others					

How to Conduct an Action Plan?

- Start with defining the RIA scope and identify the types of outputs that need to be address for a proper analysis.
- Defining the analytical outputs are important, for example, a water quality problem means water tests. An economic problem means an economic regression...etc..
- Be sure to define the costs of doing these analysis. In the broadest sense, the RIA Action plan is your time and cost budget for executing the RIA process.

Step Two:

Problem Definition and Defining the Baseline



What is a Problem Statement?

This step of the RIA analytical process involves:

- (a) Describing the problem broadly and clearly identifying a range of choices.
- (b) Determining the extent of the problem (quantify it if possible). Questions that need to be answered here include: What is the problem? Who is affected and how? Consider who should resolve the problem. Consider the rationale for Government intervention.
- (c) Determining the causes. What led to the problem? What events or behavior contributed to the problem?

How to Evaluate at Baseline?

Outlining the baseline:

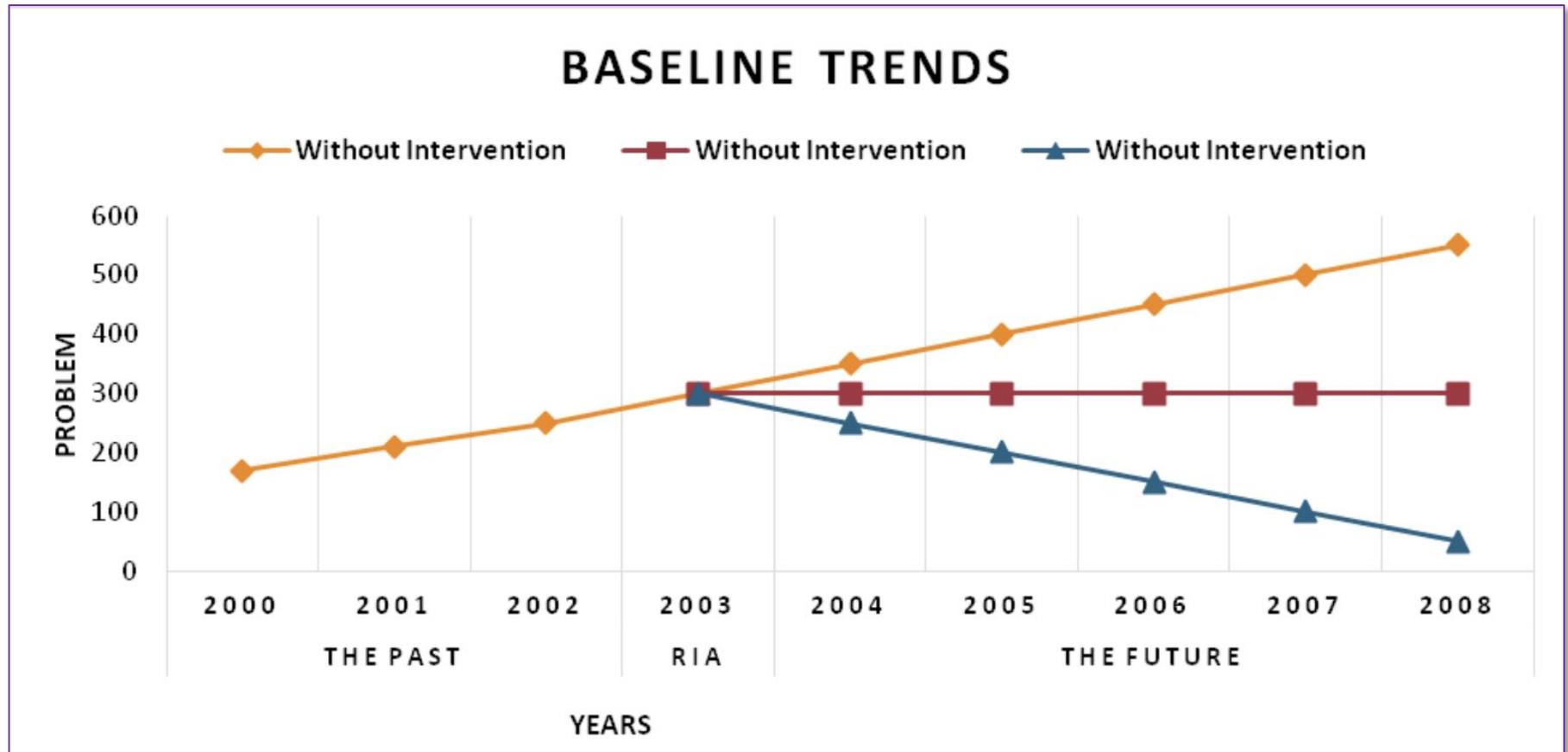
- The baseline predicts what the future will be if no intervention is taken to resolve the identified problem.

What will happen in future if no action is taken? Does the problem get worse or better taking into account future changes that can impact the trend?

If you see several reasonable futures because of different assumptions and uncertainties taken into account, you can create several baseline scenarios.

- Trends in the problem- does the problem trend go up, down or remain stable?
- Changes in the external factors that can change trends. These are factors for which we have no control.
- Changes in other policies or regulations that can affect the trend.

Example of a Baseline...



Example of a Baseline...

Table 1: Examples of good and bad problem definitions

SN	Good problem definition	Bad problem definition
1.	<p>Evidence shows that 90% of adults do less exercise than the recommended daily exercise for their age group. However, sales of fruit and healthy food products have increased by over 25% over the past 2 years.</p> <p><i>This definition recognizes the scale of the problem for better option design and solution identification.</i></p>	<p>The public are eating too many foods that contain high levels of salt, fat and sugar which is leading to poor public health.</p> <p><i>This gives little information that is based on evidence.</i></p>
2	<p>There has been an increase of accidents caused by speeding on newly built roads due to a lack of knowledge about the new speed restrictions.</p> <p><i>This definition recognizes the reason for speeding and hence may lead to better signage or an education campaign.</i></p>	<p>There has been an increase of accidents caused by speeding on newly built roads.</p> <p><i>This is the symptom of the problem and hence this definition may lead to heavier enforcement and sanctions such as imprisonment or large fines for those speeding.</i></p>

Step Three:

Setting Regulatory Impact Analysis Objectives

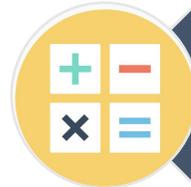


What is an Objective?

“Objectives should clearly stipulate the goal of the proposed intervention in concrete measurable terms, with a clear timeline for achieving the benefits. Ensure to state the general and specific objectives in the RIA” (BRA p. 18).



a) Ensure that objectives correspond to the problem being addressed and its causes;



b) limit the number of objectives;



c) Clearly set priorities.



d) Set SMART objectives. This means they should be:

Building on the Baseline...Be SMART

Specific

- Objectives should be precise and concrete enough not to create ambiguity in interpretation.

Measurable

- The objectives should be stated in a manner that makes measurement possible.

Achievable

- The objectives should be achievable and therefore set with due consideration of the abilities of the persons responsible for achieving them.

Realistic

- Objectives and target levels should be realistic and formulated with due consideration to availability of resources.

Time-bound

- Objectives must be set for attainment within a fixed time frame or achievement date. achieved or not.

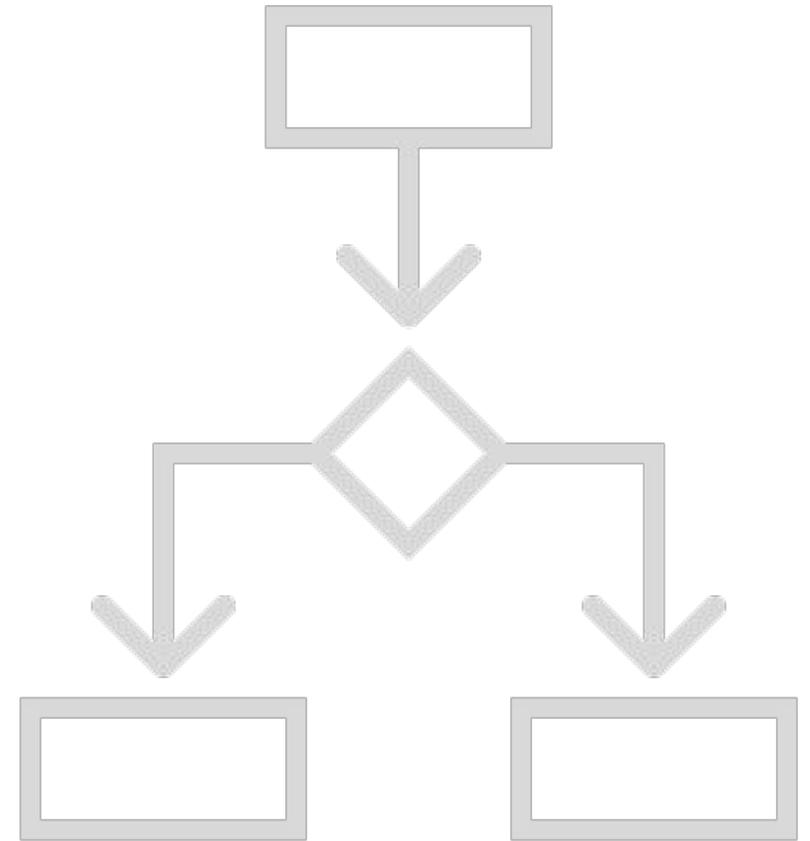
Examples of Objectives...

Table 2: Examples of good and bad objectives

SN	Good objective	Bad Objective
1	Reduce heart disease in adult's by 10% within the next 5 years.	Improve public health.
2	Increase the production of Agriculture in Zambia by 10% by the year 2020.	Provide State Subsidies for Agricultural production in order to achieve a 10% increase in production by 2020.
3	Prevent accidents in manufacturing, specifically in the mining sector by 30%, caused by certain prescribed dangerous metals by 2021.	Ban the use of any dangerous metals in the mining sector.

Step Four:

Option Identification and Selection



How to identify Options?

“This step involves the identification and selection of the options to be considered and answers the question of whether, non-regulatory measures rather than regulation, can be used to resolve the problem”

(BRA p. 19).

Validation

- Problem Definition
- Baseline
- Objectives
- Risk

Type and Sources of Options...

The 'do nothing' option...

- This option entails maintaining the status quo. If the new intervention is to be adopted, it must be demonstrated as to why the status quo option is not the favorable option.

Direct Government intervention...

- Policy
Legislation
Statutory Instrument and By - Laws
Licensing
Fees, Levies and Charges
Other Legal Instruments.

Indirect interventions...

- The administrative procedures simplification option;
The self-regulation, co-regulation and market measures option;
Information and education campaigns
Other mechanisms e.g. public information registers, mandatory audits and quality assurance schemes.

Example of Option Selection...

- There are many types of options that can be considered that go beyond direct action.
- The key concepts is addressing what most effectively addresses the problem and creates the most value.

ANNEX 4: REGULATORY INSTRUMENTS ALTERNATIVE TO LEGISLATION:

1. **Refraining from regulation** - keeping the *status quo* unchanged. For instance, Market solution which needs no intervention.
2. **Self-regulation**- allowing businesses, public partners, organizations, associations, or non-government organizations to adopt among themselves their own policies, especially codes of practice or sectoral agreements.
3. **Autoregulation** - concerns the broad range of behaviours, joint principles and rules, codes of conduct and voluntary agreements defined by business units, public partners, non-governmental organizations, and any other organized groups, in order to provide basis for regulation, organization of their activity, autoregulation does not imply a legislative act.
4. **Co-regulation** - a mechanism used by the legislative act to delegate reaching the goals defined by the law-maker to competent parties in a given area (such as, enterprises, public partners, associations or non-government organizations). In the co-regulation process, the law-making authority determines the main aspects of a proposed legislation: its goals, mechanisms, implementation period, implementation controls, and potential sanctions. It also defines to which extent the definition and implementation methods employed for the proposed solutions are related to the decision of the interested parties (this will depend on their experience, among other things). The implementation of the goals defined by the law-maker is done using the means specified by the involved parties whose right to take part in implementing a given legislative issue is recognized by the law-maker.
5. **Sensitisation campaign** – Sometimes educating citizens or stakeholders could have the desired outcome and behavioural change in people.

Review of Session One

- **Step One:** Create an action plan to set up the RIA for success. The action plan should be your “management document” which guides the development of the RIA including all deliverables, costs estimates, and time allocations.
- **Step Two:** Define the problem and the baseline. What is the world today without an intervention.
- **Step Three:** Establish Clear objectives that provide a basis for the RIA alternative criteria selection.
- **Step Four:** Define the types of interventions and options.



The End of Session One

Next Steps: Please complete the quiz associated with session one and then move on to session two during the scheduled time. If you have any questions about the schedule or where to access the quiz for session one, please contact one of the trainers.