

EVIA

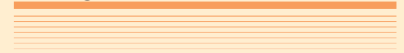
Evaluating Integrated Impact Assessments

Improving the Practice of Impact Assessment

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Executive Summary

Impact Assessment - understood as formal analysis of the potential effects of new policies before their adoption - is seen by many as a key mechanism to improve the quality of regulation and to integrate different policy objectives. **This paper summarises the main results of the EVIA study which has analysed Impact Assessment procedures and practices in the European Union and all Member States.** It is based on 27 country studies, a detailed analysis of 22 concrete policy proposals in five countries and a survey amongst government officials and stakeholders in three countries and the EU.

Key findings of the study are:

- **Impact Assessment has been rapidly adopted in Europe** over the last 15 years. Formal procedures for IA exist now in almost every EU Member State. This does not mean, however, that all European countries are actually using this tool in the preparation of legislation and regulation as implementation is very uneven. In some cases, IA only exists on paper.
- Despite formal similarities, **the procedures in EU Member States vary enormously with regard to orientation, ambition, institutionalisation and transparency.** Some IA systems are broad, others narrow. Some are purely internal administrative procedures, others involve stakeholders. Some focus on preparing a statement or report on a single proposal, others conceived as an iterative process to compare different options.
- **Many Member States have recently made efforts to go beyond pilot projects and to make their assessment systems more effective.** Key trends are increased formalisation of assessment practices, the shift of coordination to core executive units, the introduction of IA units or contact points in individual ministries, the drafting of IA guidelines, the use of regulatory quality indicators, and the introduction of systems to measure administrative burdens arising from regulation.
- Overall, **the EU model of comprehensive, integrated assessment including different dimensions of sustainable development is followed in few countries only.** Instead, most national assessment procedures focus on direct economic cost and administrative burden.
- In almost all cases we have examined, **there is a large gap between requirements set out in official documents and actual Impact Assessment practice.** In most countries we found examples of both good and bad practice, but typically assessments are narrow, partial and done at a late stage. In many countries, a large share of proposals is not formally assessed or is assessed with a 'tick box mentality'.
- Previous evaluations emphasise the practical challenges for IA and the need for strong institutions, systematic quality control and sufficient resources. With this project, we have sought to identify the **underlying barriers to effective IA**, specifically the problematic relationship between assessment and political decision-making; legal, technical and political constraints; administrative cultures and incentive

systems; methodological challenges and the inherent limitations of scientific analysis.

Based on these findings, we argue that **addressing these structural barriers requires a re-thinking of Impact Assessment** - not just in terms of institutions and methods, but also of its functions, processes and limitations. While the diversity of national assessment approaches and contexts makes it impossible to set out simple recommendations that apply in all countries, we propose a number of conclusions for the further development of IA:

- It is legitimate and appropriate that Member States pursue different objectives through IA and that they adapt procedures to suit their national contexts. On the other hand, the multi-level nature of policy-making requires better linkages between IA at different levels. We therefore see a **strong potential for the EU as a platform to improve connections between IA at European and at national level, to promote broadening of assessments beyond direct economic costs, and to support efforts to improve implementation**. The EU has a role to play in helping clarify what the Member States may expect from this tool and in encouraging governments to systematically support implementation. The adoption of a common set of regulatory quality indicators would be an important step towards understanding the magnitude and effects of the current diversity and to identify areas in which convergence is desirable.
- The trend to move responsibility for IA to higher levels of hierarchy and to introduce central quality control can be a useful strategy to strengthen the procedure. It is, however, important that this is **complemented with an improvement of administrative capacity**. Creating institutions in the core executive is of little value if resources (budget, time and responsibility) for policy formulation and IA are not delivered to departments. Mechanisms for quality control also need to adopt a sufficiently wide notion of 'quality' (including process issues and the full range of impacts covered by the procedure).
- In some countries, the evidence-based dimension of policy formulation is usefully combined with the political dimension of negotiation and bargaining. In others, the fragmentation of the political system makes it difficult to strengthen the role of evidence. **IA procedures alone will not change the basic dynamics of political decision-making**. If the purpose is to increase the space for evidence-based policy formulation, governments have to appreciate the magnitude of this task and make efforts to make the necessary wide-ranging institutional changes.
- We have often encountered the expectation that there is a clear 'division of labour' between assessment and politics. IA should provide the 'answer' and identify the best policy option, then disappear from the scene to let politicians do the bargaining. In our view, this idea is misleading. IAs do not give a single answer, but frame problems, scope solutions and uncover possible side-effects of policy measures. They do not disappear from the scene, but remain a reference point in political bargaining and supports ex post evaluation of policy. In short, **IAs should support the decision-making throughout the whole policy cycle**.
- Integrating cross cutting issues through IA is a challenging task. On the one hand, a broad scope of the assessment is important to avoid that policies create new

problems through the solution of old ones. On the other hand, integration can lead to capacity overload, confusion and irrelevance in the decision process. Ultimately, the right balance cannot be prescribed by guidelines but has to be found in individual assessments. **Overall, it seems useful to define an overall broad scope, but to implement it through targeted analytical methods and tools.** Rather than pursuing the over-ambitious - and in many cases misleading - objective of full integration in a single methodology, IAs should connect and compare different impacts.

Introduction

This paper summarises the main findings from the EVIA (Evaluating Integrated Impact Assessments) project, funded under the Sixth EU Framework Programme for RTD. The paper is mainly targeted at officials in the Member States and the European institutions responsible for designing and organising processes of Impact Assessment. It aims to provide an overview of the variety of approaches and opportunities from Impact Assessment, but also to reflect on constraints and barriers. *Impact Assessment (IA) is understood as the formal appraisal activities initiated or coordinated by government administrations during the process of developing policies.* The research focuses on assessment procedures that cover a broader range of impacts as compared to other targeted assessment procedures e.g. on administrative burden.

The paper is based on **country studies** of IA procedures across the EU and in-depth **case studies** on individual IAs in five jurisdictions: the European Commission, the UK, the Netherlands, Denmark and Poland. This analysis has been further developed through a **survey** amongst stakeholders and government officials in selected jurisdictions (Germany, Netherlands, UK and EU). Based on these studies, the paper reviews achievements and weaknesses of Impact Assessment it discusses ways to improve the quality of IAs.

Overall, our empirical studies show a large gap across the Member States between the high expectations in IA as expressed in many policy documents and implementation in practice. **Not only is the quality of assessment very heterogeneous, but we also see that even very good pieces of analysis sometimes only play a limited role in decision-making.** The question is how to make IA procedures and results more relevant and robust in the political process, and thereby provide incentives to make more and better use of IA as a potentially powerful tool for better regulation and sustainable development.

Based on our empirical findings, we summarise recent trends and identify innovations for each of the issue area outlined below. For each section, we discuss options for change, experiences and potential trade offs in designing IA systems. We observe a great variety of IA models and practices of IA in the Member States, but also within the jurisdictions and even within individual IAs. Accordingly, the approaches to improve both the process and the quality will vary, and there is no 'one-size-fits-all' set of recommendations. Improvement is certainly possible, but the appropriate ways of achieving this depend on the institutional context. Given the diversity of purposes of IA systems as they operate in real world policy-making, our research also exposes some of the limits of better regulation rhetoric.

Based on our empirical findings, we summarise recent trends and discuss possible ways forward for each of the following issue areas:

- **Types of Impact Assessment:** We observe different types of IA which reflect diverging preferences about what the system should deliver. Any attempt to compare, evaluate and make recommendations to improve IA therefore needs to be based on an understanding of the functions and characteristics of each procedure.
- **Assessment methods and quantification:** Considerable efforts have been made to develop tools to quantify impacts, particularly in monetary values. Such methodologies attain some importance in the guidelines for IA in many countries, however, there are some reservations on their adequacy and the use of sophisticated quantitative tools is not widespread.
- **IA and administrative burden assessment:** A recent trend in Better Regulation programs is the measurement of administrative burden based on the Standard Cost Model (SCM). The potential tensions and synergies between SCM and broader IA need to be carefully considered.
- **Institutions for IA:** Recent efforts to reform IA procedures brought about many institutional and organisational innovations. What are these reforms and how effective are they?
- **The role of IA in the decision-making process:** IA aims to strengthen the evidence base of policy-making, in other words promoting a mode of *arguing*. On the other hand, politics is often about power and interests, functioning in a mode of *bargaining*. How can the difficult relationship between IA and politics be made more constructive?
- **IA as a process:** Evaluations as well as quality assurance often focus on the final report of IAs and the quality of the assessment. But good analysis is not a guarantee for a large impact on the decision. How can IA process be improved?
- **Integration of sustainable development:** Recent reforms have in some countries increased the range of issue areas to be considered in IA. This raises the question of the potentials and limits of integration. How can sustainable development be established as a cross-cutting objective? How can IA address long-term effects, external impacts, side effects and trade-offs?
- **Gaps between the European and the national level:** Few Member States have so far modelled their IA systems on the EU procedure with its broad scope, transparency and integration focus. At the same time, vertical integration (e.g. ensuring that knowledge about local and regional impacts are considered in national and European assessments) remains a major challenge in IA.

Types of Impact Assessment

There is a wide variety of IA systems, with different institutional set-ups, objectives, and traditions. But also within the IA systems, there are different functions and expectations, and experience shows that even in individual processes of IAs, the function and purposes changes during the process. On the one hand, an openly designed system is flexible and can

be used for different purposes. On the other hand, a focused impact assessment is easier to apply and has advantages when the aim is to fine-tune a policy in relation to specific requirements.

Our review of IA procedures shows that many countries have not formulated an explicit goal for IA. But the closer analysis of processes, requirements and methodologies reveals the implicit functions of IA in different countries. Four ideal-typical types of IA can be distinguished:

The full cost assessment: The implicit aim of many IA procedures is to 'optimise' single pieces of regulation within their own framework of reference. The main function of this approach is to capture the full costs and benefits of a planned regulation. The assessment focuses on the direct and intended impacts as well as the most significant side-effects. Options are compared with regard to their efficiency to achieve the objectives of the policy initiative. The main responsibility lies within the rule-making department, contributions from other departments or stakeholders are requested on demand.

The policy integration tool: A different concept of IA is geared towards implementing overarching strategies. Here, the IA process should not only identify the 'best policy' but also to align the policy objectives with generic objectives, for example economic competitiveness or sustainable development. This means that the policy proposal is meant to be improved not only within the logic of the policy domain, but also in reference to broader objectives. Accordingly, side effects, trade offs and synergies are meant to receive closer attention. Interdepartmental coordination and stakeholder participation is constitutive for this approach.

The issue-specific assessment: Some assessment procedures are geared towards specific issues (e.g. administrative burden, health, environment, business), typically in a different policy domain. This implies a focus on minimising negative side effects, and it is not necessarily an approach to compare options. Stakeholder participation are not necessarily part of the assessment procedure. The responsibility is often shared between the rule-making department and specialised units for the respective issue (environment, economics, etc.). The SCM-based approaches to assess administrative burden are a prominent example. Other issue-specific models focus on environmental effects, specific economic or social impacts or implementation and enforcement.

The justificatory assessment: In many countries, IA mainly serves the function of justifying a particular course of action and of making the reasoning behind a measure transparent. Here, the rationale for the policy proposal is typically summarised in a report or statement (for example the explanatory memorandum accompanying the law) which describes the costs and benefits. A systematic comparison of options is not usually a key element of such IA. The responsibility lies within the rule-making department, although inter-ministerial coordination takes place in some countries. Stakeholder participation is typically not foreseen, except where target groups provide information on cost.

While these four types identified are ideal types, in reality the different concepts and models are mixed. For example, the Dutch system of several issue specific assessments makes some references to the integration model, the EU model of integrated IA has references to the full cost model as well, and the German procedures with many elements of a justificatory assessment has elements of the integration model as well. This diversity of functions can be

a strength of IA if it allows openness and flexibility. On the other hand, it requires that administrations make more effort to clarify the purpose of IA.

Administrations should be more explicit about the functions of IA. This concerns both the overall procedure and individual assessments. If IA promotes a range of different objectives, officials should be invited to clarify which function was considered appropriate for the individual assessment. Government should also keep in mind that different functions have different requirements: Using IA as an integration tool needs a strong capacity for interdepartmental coordination which might be difficult to achieve in political systems where ministries have a high degree of independence. Issue-specific IAs are likely to require fewer administrative capacities and are easier to institutionalise. The step-by-step extension and integration of different focused IAs could be a capacity-saving pathway towards a comprehensive IA system.

Assessment methods and quantification

The choice of assessment methods is a controversial and often debated issue in discussions on IA. **One influential position holds that the potential effects of the policy should be quantified as much as possible.** Although quantification can in principle take many forms, many analysts favour monetisation as it allows the aggregation of many different types of impacts on different groups. Monetary values can also be easily communicated to policy-makers and stakeholders. Another position is sceptical of methods such as cost-benefit or cost-effectiveness analysis because this is thought to introduce a bias in favour of impacts that can be easily monetised (direct economic and administrative costs) and against those that are more difficult to capture (some benefits, innovation effects, indirect effects, social and environmental impacts). Some also criticise that these methods are not sufficiently transparent about political and ethical judgements involved in economic valuation (for example about the value of nature or health). **This position tends to favour the use of a broader range of qualitative and quantitative methods,** especially those that problematise underlying normative assumptions (e.g. sensitivity analysis).

The empirical research shows that only two types of methodologies are consistently mentioned in guidance documents: stripped-down versions of **cost-benefit analysis** (including variants such as cost-effectiveness analysis) and **administrative burdens assessment** (mainly using the Standard Cost Model). A number of countries favour economic analysis as the main framework of analysis (France, the Czech Republic, Italy, UK, Germany and Finland). Here, the guidelines typically encourage desk officers to monetise as many impacts as possible. Only a few jurisdictions mention other quantitative and qualitative methods such as multi-criteria analysis and risk analysis (most notably the EU, but also Hungary, Poland and Ireland). Simple checklist tools are also recommended in the UK, Netherlands and Portugal. Overall, the proposed methods focus on specific issues rather than providing incentives to analyse and weigh-up a broad range of potential impacts including side effects. More open, exploratory methods (e.g. scenario analysis) and those geared towards capturing uncertainties are also not covered.

In practice, however, quantification is far less comprehensive than the guidelines would suggest. Most IAs do not contain any formal analysis except simple cost calculations and narrow assessments of administrative burdens on companies. Although many IAs contain some element of quantification, this is often limited to economic aspects. Social and environmental aspects tend to be expressed qualitatively, some times only described in very general terms. Several EVIA case studies have **supported the concern that this can bias the interpretation of results towards the 'hard' economic facts**. More systematic quantification is sometimes attempted for high-profile policy proposals expected to have large impacts on important social groups. These are often underpinned by a more thorough assessment to back up positions for the expected policy negotiations. In some of those cases, the analysis was outsourced to external consultants, often leading to methodologically sophisticated qualitative and quantitative assessments. The extent to which this information is actually used as a basis for decision-making is, however, difficult to determine. Anecdotal evidence suggests also that external studies are more vulnerable to influence by interest groups.

The EVIA survey also shows that limited quantification is not just due to a lack of expertise and resources, but also linked to **reservations of government officials about quantification and monetisation**. In all three surveyed Member States (UK, NL, DE), there was considerable doubt about the value of quantitative analysis in the context of IA: Half of the officers subscribed to an overall positive statement (quantification 'generally increases the usefulness of IA' (52%)), the other half expressed doubts (quantification 'may bias the results' (39%) or 'does not produce relevant insights' (9%)). Monetisation was also judged fairly critically by the large majority of respondents, saying that it is 'not always appropriate' (77%). While only very few went as far as saying that it does 'not provide an added-value' (2%), a significant minority sees monetisation as 'generally increasing the usefulness of IA' (21%). We also found large differences between the three countries. They could be seen to confirm established notions about administrative cultures (more critical of quantification in Germany, less so in the UK, NL in the middle), but could also be due to differences in the sample.

Given these findings, how can IA be made more methodologically effective? Different countries and parts of government will have legitimate differences in their preferences about which methodological aspects of IA to improve. Nonetheless, based on the research we would argue that there are a number of general lessons:

- Officials, policy-makers and stakeholders need to recognise that the use of sophisticated methodologies is not a panacea. Often, the expectation is that assessments provide a straightforward guide to decisions. In practice, however, this was only achieved in relation to the more 'technical' IAs on very specific policy options. In more complex cases, **assessments tend to show that policies have a wide range of consequences - some desired, some undesired, some uncertain - which cannot easily be weighed up against each other**. Although further investment in methodologies and data is useful, it should be seen as a step towards (a) more transparency (b) a better understanding of the questions that policymakers are facing and (c) more awareness of what should be monitored and how once the regulation is adopted.
- IA guidelines and training should **give more attention to structured ways of analysing different impacts in a qualitative way**. These should aim to broaden the analysis, to connect and compare different impacts without the over-ambitious

objective to integrate all aspects into a single methodological framework. There is a wide range of multi-criteria assessment approaches the application of which should be promoted through guidance documents, best practice sharing and training courses.

- **Reflection on methodology should be an important step in the scoping of the assessment.** It should not just be seen as a purely technical matter, but needs to be discussed with key actors (relevant ministries and stakeholders). In important and controversial policy cases, it might be necessary to involve interested parties in the detailed design of the approach to ensure that the results are widely accepted.
- Increased quantification and monetisation can in many impact areas be a useful element of IA. It is, however, not easy to achieve as it requires specialised skills, expertise, resources and time. **Central support for these tasks by trained specialists is likely to be required.** If timing allows, **external studies have shown to be a useful complement to the administrative IA process** if the work of the consultants remains open to scrutiny (i.e. transparent methodology and assumptions) and if the independence of the policy advice is maintained. Following the EU example (COM(2002) 713 final) this could be supported through standards for the use of external expertise.

Impact Assessment and administrative burden assessment

One striking observation in the European IA debate is the **emergence of two apparently contradictory reform trends**: On the one hand, a number of administrations - most prominently the European Commission - have developed **more integrated appraisal procedures**. This move from a sectoral to an integrated approach aims to improve the handling of multiple and sometimes conflicting objectives. On the other hand, many governments develop and introduce **dedicated systems for the assessment of administrative burdens** arising from new and existing regulation. These procedures are often based on the Standard Cost Model (SCM) methodology which provides a tool for assessing reporting costs imposed on business and citizens. While the development of integrated IA broadens the scope of IA, SCM is narrowly focused on administrative costs for businesses caused by information obligations. While IA can be seen as a way of opening up decision processes to include less obvious (and often uncertain) effects, SCM analysis delivers simple and easy to communicate information about a small, but politically relevant aspect of regulation. One of the interesting questions for the future development of ex ante appraisal is therefore the relationship between these two approaches.

The important point is that SCM and IA are not intrinsically contradictory but operate differently. One cannot achieve the goals behind wide-ranging IA systems through SCM. By the same token, investments in broad IA systems do not provide the same results as SCM and not in the same time-period. There is certain confusion between IA and administrative burden assessment, since some treat them as mutually exchangeable tools from the same toolbox.

The introduction of administrative burden assessment is a recent phenomenon. The project has therefore not been able to systematically assess whether and how it affects the functioning of IA. Observations in selected countries and informal discussions with desk officers, coordinating units and stakeholders have, however, suggested that there are **both synergies and tensions between the two processes**:

- Reducing administrative burdens is in many countries a popular political objective, making SCM an activity with a high visibility. We therefore observe in some cases that a **focus on administrative burden measurement diverts administrative resources and political attention from a broad IA**.
- On the other hand, the political attention given to **SCM can also help raise the profile of broader assessment activities**. In some countries, for example the Netherlands, the UK and Ireland, both procedures are constructively applied in parallel. For example, stocks of data collected for the measurements of administrative burden can be fruitfully used in IA. For jurisdictions that have so far struggled to implement their IA procedures, SCM could be a first easy step towards a better institutionalisation of ex ante assessment.

To ensure that administrative burden assessment and IA complement each other, it seems necessary to clearly define the roles of SCM and IA and the relationship between them:

- It has to be made clear that SCM only covers one element of a wider range of policy impacts. The acceptability of regulatory burdens can of course only be judged if seen in relation to the other positive and negative impacts of a policy measure. **Therefore, SCM is a useful tool to fine-tune the design of a measure, but it cannot replace broader IA**.
- The original use of the SCM to simplify existing regulation probably explains the tendency to create separate procedures (handbooks, coordination units, reports etc.) for administrative burden assessment. However, when SCM is part of ex ante assessment of policy proposals, **this duplication seems not only inefficient but potentially problematic if it means that administrative burdens are not considered side-by-side with other impacts**. It seems plausible that ex ante SCM should form part of the overall IA process. However, both processes have different requirements. Although administrative burdens can to some extent be considered at an early stage, **full SCM can only be carried out at the end of the policy formulation process when the information obligations have been defined**. Broader IA, in contrast, should be conducted before key actors have committed themselves to a particular course of action. The fact that the detailed approach of the SCM makes it resource-intensive also needs to be taken into account when developing operational ways of relating the two processes. Overall, there needs to be an integrated, iterative and flexible IA process that puts administrative burdens in context with other impacts.

Institutions for Impact Assessment

Institutional settings for IA have in many countries been reformed to improve the quality of assessments and to increase their role in the political decision-making process. Some

protagonists of IA pursue the vision of IA as a broad exercise at the core of the decision-making process, involving societal stakeholders and gathering quantitative-qualitative evidence as a basis for decision-making. Obviously, such a process would need to be well anchored in the political process, with organised communication channels and well established mechanisms of scientific policy advice. Such a concept needs **changed or even new institutions**, which have to be **well-resourced and established fairly high in the political hierarchy**.

To increase the political profile of IA, some countries have shifted the responsibility for Impact Assessment **from specialised departments to the heart of government**, indicating the eminent political importance of IA.

In other countries, **decentralised capacities** for IA have been built up, for instance by setting up specialised units to provide assistance, but these **often do not have the resources** to support IAs for the dozens or even hundreds of regulations that governments adopt each year. The responsibility for providing support and assistance is in many countries within single departments, often the **ministry of justice, finance, interior or economy**. Very **few countries have set up interdepartmental units** to coordinate the process, to issue guidelines and provide training. Ministries for the environment or social affairs typically play a minor role in these activities indicating once again that IA is hardly perceived or utilised as a tool to implement sustainable development.

Some jurisdictions are experimenting with dedicated **bodies to review the quality** of IA to provide incentives for a high-quality IA. Most prominently, the European Commission has set up an interdepartmental body with senior officials to review IA reports and to provide an opinion on the quality. For the administrative burden assessments, independent advice bodies were founded in the Netherlands and in Germany. Despite recent reforms in a few countries, efforts for a systematic evaluation remain rather limited in their mandate and **institutions to coordinate and evaluate IA systems so far play a minor role in the practice of Impact Assessment**. Governments appear to be reluctant to set up independent evaluation mechanisms with a broad remit, possibly because this may limit the political autonomy of the executive and open the door for undue political influence at the fuzzy boundary between science and politics. Despite these difficulties, evaluation needs to be strengthened as experiences suggest that transparency is the most important driver for improving the quality of analysis:

- To improve the practice of Impact Assessment, a **systematic use of both internal and external evaluations** is needed. Internal evaluation requires a high level mandate and sufficient administrative capacities. External evaluation has to be based on a very clear remit and protected from interest-based political lobbying.
- The **formal involvement of other political institutions** such as the parliament may be problematic in most jurisdictions, as this affects the constitutional rights of governments to draft proposals. However, parliamentary committees could be involved in ad hoc evaluations of the IA systems.
- To make better use of IA as an integration tool for sustainable development, **ministries for the environment and for social affairs should become engaged proactively** in the process. In addition, **inter-ministerial platforms** could be developed to support the IA process.

The role of IA in the decision-making process

On the surface, the function of IA seems straightforward: it aims to inform decision-makers about the potential consequences of their policies. In other words: “Impact assessment is an aid to political decision-making, not a substitute for it” (European Commission IA Guidelines, 2005). But what does this mean in practice? Policy documents – and many interviews with officers from IA coordination units - present **IA as a largely technical and 'politically neutral' task that presents objective facts about possible measures and is clearly separate from the political process.** IA practice, however, shows that this is an activity where knowledge and politics are inextricably linked. This has many reasons: political positions often predetermine the range of options that can realistically be explored. The definition of the problem, the scope of the assessment and the formulation of options may already exclude or favour certain policy options. The design of the methodology (e.g. choice of timescale, discount rate in cost benefit analysis, or safety margin; the consideration of distributional effects, external costs or impacts on other countries) influences its outcome. In short: **IA is an exercise that combines evidence, logic, norms, judgement and rhetoric in a certain 'policy space'.** In the EVIA case studies, this was reflected – at least in relation to the more high-profile policies – by political controversy about assessments, by efforts of ministries to ‘make a good case’, through the use IA for consensus-building, and through initiatives of interest groups to influence the analysis or produce alternative figures. These examples indicate the need for a balanced representation of interest groups, including representatives of diffused interests (environmental NGOs, consumer associations, etc.).

This implies that the **open appraisal usually promoted by guidance documents is not typically a realistic possibility** for officials in charge of conducting the assessment. They are embedded in an administrative hierarchy and need to be responsive to the political process that surrounds policy formulation. The constraints under which assessments are carried out - political, but also in relation to complexity of issues, legal frameworks, time, resources, data availability, etc. - make some desk officers sceptical about formal IA processes: “This is just not the way things work in practice”.

Given this tension, how can IA better define its role at the interface between science and politics? How can one make it politically more relevant while ensuring that it remains analytically robust and unbiased?

- Rather than forcing desk officers to follow strict templates (e.g. analysing a fixed number of options), **IA procedures should give lead ministries the flexibility to adapt the approach to the political and technical requirements** of the specific case. In some cases, IA can and should reflect on a broad set of potential measures, in others it can realistically do little more than fine-tune a proposal on which there is political consensus.
- **Instead of trying to bracket politics and create the 'pure' form of analytical exercise, IA can make use of the interplay between bargaining and arguing – or politics and administration.** IA can be analytically robust, and improve on the evidence-based dimension of policymaking, but also in realizing the presence of preferences, conflict, and different values. This can be done in different ways. An important task is to ensure that IA is not located at the lowest level of the administrative hierarchy, but

receives attention from the political leadership. One option to achieve this is to require a ministerial signature for IA reports (as done in the UK). The parliament should also be more closely involved (IA on major amendments, IA on parliamentary initiatives, control function). The overall IA process needs to be transparent to external stakeholders – a challenge particularly for countries with a more corporatist or closed culture of decision-making. The EU example shows that a public IA process can be achieved without turning it into a mere exercise for political legitimisation. Further possible instruments to avoid political distortion are the establishment of inter-ministerial steering groups (as practiced in the European Commission) and independent external review bodies.

Impact Assessment as a process

It is often emphasised that **IA should be an iterative process**, not a one-off activity. The IA guidance documents in many countries often ask for the analysis to start 'as early as possible', in some cases this is supported through the requirement to prepare an early scoping document (e.g. the IA Roadmap at EU level). Few countries define specific points in the decision-making process at which certain steps of the IA have to be delivered (e.g. before interdepartmental consultation, before tabling to the cabinet or the parliament).

A careful design of every step of the IA process helps to ensure quality and relevance of the result. At each step choices have to be made (options, issue areas/scope, data, methods) that may have an influence on the results and on the acceptance of the report and therefore - depending on the nature and importance of the proposal - may need input by external stakeholders.

Our research confirms that **treating IA as a flexible and ongoing process helps increase the relevance of the assessment.** In several of the case studies, assessments were used creatively to fulfil different functions at different stages: as a scoping tool early on, as a consultation and consensus-building instrument at a later stage and as a method to assess detailed policy design options towards the end of the policy formulation process. On the other hand, we have also observed that **this is a requirement that is difficult to implement.** Ministries often have established alternative routines of policy formulation and consultation - for example informal discussions with colleagues and stakeholders or inter-ministerial working groups - and see IA as the obligation to produce a report or statement at a certain point in time.

In addition to these difficulties, there is anecdotal evidence of interest groups trying to influence the decision making process during the initial steps of the IA, by providing one-sided data or other manipulating input to the process.

However, more often the **inclusion of stakeholders contributes to the quality of the assessment.** Stakeholder participation takes many different forms which vary firstly with the overall political system and culture and the related openness of the political process. Secondly, stakeholders are assigned sometimes the role of knowledge holders in other situations they are perceived as interest holders. Oftentimes this distinction is blurred. In

general, though, it seems that a proper distinction between these two roles should be drawn, and that an accurate design of the IA process should be able to use at best the different resources that actors can contribute; it is also possible to imagine that the same actors can play different roles throughout the process.

A related observation is that **the attention of evaluations, guidelines and policy discussions often evolves around IA reports as a 'product'**: the breadth and quality of the assessment, degree of quantification, type of options and so on. Less attention is usually given to the assessment *process*, although it is of vital importance for the relevance and the quality of the Impact Assessment.

- In our view, an increased focus on the adequate design of IA processes is a key instrument to improve the relevance and robustness of assessments. Guidelines too often only focus on technical issues (checklists of impact areas, methodologies, data sources etc.). **More effort should be made to give desk officers support in relation to practical ways of gathering knowledge, consulting stakeholders in targeted ways, commissioning external studies that produce relevant and transparent advice, and so on.**
- The guidelines could be more **specific about the different functions of IA** and their change during the process. Often, the guidelines assume that proposals are developed from scratch without limitations to the choice of options. In reality, however, IA is about the fine-tuning of a proposal the basic form of which is already given. A different function is the consultation of stakeholders and yet another function is the explanation and justification of a proposal. Each of these functions should be acknowledged in the guidelines to make officials aware of the multitude of potential applications of IA for the proposal.

Integration of sustainable development

Impact Assessment is perceived by some observers and in few jurisdictions as a tool to integrate requirements of sustainable development into the different domains of policy-making. This requires firstly an **integration of economic, social and environmental issue areas into the IA process**. Furthermore, the concept of sustainable development implies the **consideration of long term, external and unintended side effects** of a planned policy. On the one hand, it is expected that IA is a tool to take sustainability requirements into consideration at the very initial stages of decision-making. On the other hand, such a **holistic concept is difficult to implement in practice**, not least because it deals with trade offs between very different types of objectives and values. The integration of economic, social and environmental impacts poses **serious methodological challenges**.

A number of countries have recently broadened the scope of IA and have begun to ask for **'all' potential impacts** of a planned policy to take into account of the assessment. However, in most countries the dominant rationale remains to reduce costs imposed by regulations. In specific cases of Impact Assessment, the focus is most often on optimising the individual

piece of regulation in question rather than referring to objectives of sustainable development.

Even in the jurisdictions that have pioneered the inclusion of sustainability issues in IA and that make an explicit reference to sustainable development (UK, Ireland, Netherlands and European Commission), it appears to be difficult in practice to take all relevant aspects into account. The case studies and the survey show that **the majority of IAs consider direct economic effects while social and environmental impacts are less often analysed**. The difficult areas of distributional issues, long-term, external and unintended side effects are of little importance both in guidelines as well as in practice (officers report an assessment of direct costs in 85% of cases compared to an assessment of unintended side effects in only 53%). It has to be acknowledged that the different aspects of SD are not relevant for all proposals. However, there are no mechanisms in place that provide robust guidance (and evaluation) during the phase of scoping.

Previous evaluations and studies have made useful suggestions on how to promote the use of IA as a tool to integrate sustainability concerns into other policy areas. These include:

- making sustainable development strategies an explicit reference point of IA procedures
- integrating sustainability checklists into IA guidelines
- increasing involvement of stakeholders, particularly civil society organisations
- promoting a broad range of methodologies that capture environmental and social (particularly distributional) effects and
- giving environment and social affairs ministry an active role in coordinating IA procedures.

All these measures assume that governments pursue the objective of using IA as a strategic instrument for policy integration and sustainability. Our research shows, however, that this is the case only in a small number of jurisdictions, most notably the EU. **In most EU Member States, IA is mostly seen as a tool to reduce administrative burden and the economic cost of regulation.**

Gaps between the European and the national level

The European Commission has developed and implemented an advanced system for Impact Assessment. Previous studies as well as our case studies show that the performance of the system and the relevance for decision making increases steadily. In some cases, Impact Assessment was highly relevant for decision making, even though not all ambitions have been achieved, and sustainable development still plays a fairly small role.

The integrated, transparent and comprehensive system of the EU has not been taken up by any of the Member States. Furthermore, **there are hardly any formalised links between the MS and the EU system.** This is clearly a deficit as the policies are developed in a multilevel system with mutual interdependencies.

Should Europe make efforts promote the EU model of IA amongst Member States and to establish formal links between the systems? On the one hand, a closer vertical integration of IAs could greatly improve their quality. On the other hand, the functioning of IA depends to a large degree on the political system and the political culture, therefore different models cannot easily be transferred from one jurisdiction to another.

The great majority of Member States has introduced some kind of formal IA system. As described in the section on types of IA, there is a great variety of different approaches to IA and practice varies considerably. **There are very few mechanisms developed for a vertical integration of IA.** Some countries even exempt regulations from IA if they are derived from European law. Only a few countries make provisions to systematically examine European policies in regards of their impacts on the national level.

Case studies in Member States show that in some instances the European dimension has not been considered adequately during the IA, thereby delaying decision making or even making it necessary to revise policies to ensure they are compatible with EU rules. **At EU level, there is often a lack of data on implementation and potential effects in the Member States,** thereby seriously limiting the ability of IA to realistically assess the impacts across the Union.

- To help address this gap, we see an opportunity for stronger leadership of the European Commission to foster a process of **streamlining and connecting IA systems and practices in the Member States** (for example by promoting a voluntary coordination process through the Open Method of Coordination).
- Another option would be to develop an **agreement for joint IAs** that respects the Commission constitutional rights while also enabling substantive participation of Member States (e.g. joint development of IA roadmaps, data exchange, consultation on reports, etc.). A thorough reflection on practical ways of improving the linkages between IA activities at different government levels is urgently needed.

Conclusions

This paper has given an overview of trends and challenges for Impact Assessment in Europe. It has sought to identify the structural barriers that currently prevent Impact Assessment from serving as a key instrument for better regulation and sustainable development. In our view, a key challenge for the future development of IA is to make assessments not only more rigorous, but also more relevant to the decision-making process. If IA is framed as a purely scientific, unconstrained options appraisal, it runs the risk of being considered irrelevant by political actors in government, parliament and civil society. The role of IA in decision-making can only be strengthened if it is recognised as a process that is based on evidence, but that also gives room for arguing about likely impacts and their relevance.

To give IA a clearer profile and vision, it is necessary that key actors develop a shared understanding of the purposes of IA in the policy process. The EVIA project has identified a number of different ideal-typical forms and functions of IA that can inform this process, help

derive appropriate evaluation criteria and provide perspectives further change and improvement. While the research suggest that many factors - administrative cultures, institutional routines, political settings etc. - are limiting the ability of IA to realise its full potential, it has also identified many practical ways of improving the practice of IA in relation to issues such as methodology, quality assurance, and integration.