



# A MANUAL FOR REGULATORY IMPACT ASSESSMENT (RIA): JORDAN





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*[This manual is accompanied by a Manual for Stakeholder Consultation,  
published separately]*

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## Executive Summary

This Manual lists the steps needed to implement a sound and coherent regulatory Impact Assessment, serving a certain policy through the incorporation of and refinements to systems for regulatory impact analysis producing a more efficient regulation and delivering better regulatory outcomes.

This RIA manual is a systematic mechanism for assessing that the estimated benefits of a proposed regulation or policy exceeds the estimated costs. By institutionalizing this manual across government agencies, Jordan will be ready to integrate and bring together important factors influencing the successful conduct of Regulatory Impact Assessment (RIA). Especially that It has been proven that regulatory reform offers effective strategy for managing the risks of increasing competition and demand, and promotes the economic, environmental, and social welfare goals. Whereas improvements to the regulatory framework will reduces the economic cost of poor and excessive regulation that will support national growth and productivity and ease strains and risks of the economic structural adjustment needed over the next several years.

One of the fundamental challenges for RIA systems is ensuring that the analysis is undertaken at the inception of policy proposals, when there is an opportunity and interest in identifying the optimal approach and alternatives to regulation can be given serious consideration. How broadly RIA is applied will also influence its capacity to affect the quality of regulatory proposals. The application of RIA to regulatory instruments should be optimized to promote the best policy outcomes. Taking a proportionate approach is recommended so that the resources required by RIA are applied to those regulations likely to have the most significant impact

For more information on the RIA concepts and manual, please contact USAID Economic Development Program / Enhanced Business Environment Component.



## Part 1: Introduction

### 1.1. Purpose of this manual

1. This manual will assist policy units, working groups, drafting committees and others developing new policies for Jordan to prepare a Regulatory Impact Assessment (RIA) and consult with stakeholders to improve the quality of the new policy. The Summary Forms in Annex 1 provide the structure for every RIA prepared.
2. Regulatory impact assessment is a process of defining problems clearly and comparing possible solutions, based on collecting and presenting evidence. It asks

#### **Box 1: Regulatory Impact Assessment (RIA) and Economic Development in Jordan**

Jordan's legal instruments should be based on good international practices. RIA is one element in the rapid development, since the 1980s, of the craft of smart regulation, one of the distinguishing characteristics of modern public management. RIA has also become central to microeconomic policies intended to stimulate economic productivity from the enterprise level.

Regulations have three main effects on business performance: they increase the cost of production, they reduce market opportunities, and they increase the risk of investment. Regulatory reform aims at reducing regulatory costs, and thereby increasing profitability, investment, and real wages; expanding opportunities and thereby increasing the value of business assets; and reducing the regulatory risk of unpredictable or anti-market government actions, thereby reducing the cost of capital. All three results will increase private sector performance, productivity, and economy-wide investment in Jordan. If used systematically and integrated with a public consultation strategy, RIA can be an effective tool to reduce both costs and risks due to laws and other regulations.

RIA means many different things to many people. It is intended to help governments learn how to use laws and other regulations to protect the public more effectively and at lower economic cost. RIA is an evidence-based process of:

- Asking the right questions in a structured format to support a wider and more transparent policy debate, supported by public consultation methods,
- Systematically and consistently examining selected potential impacts arising from government action or non-action,
- Communicating the information to decision makers and stakeholders.

RIA is a flexible tool that can be successfully adapted and applied in ministries with very different levels of skills and access to information. Since 2000, RIA has evolved from narrow technical methods aimed at cutting costs toward more flexible and sophisticated techniques of problem-solving and at fostering a richer and more informed public debate about important public policy issues. RIA is thus part of the "smart regulation" movement aiming at improving the performance of the "regulatory state" which is everywhere under pressure to produce more results at lower cost. That is why investment into RIA is substantial and growing worldwide.

the questions: Should the government act? If so, how should the government act? RIA today has been adopted by over 50 countries and applies to a very wide range of policy issues. It is recommended by the OECD, the European Union, the World Bank, the WTO, and other international and regional organizations.





3. The evidence-based approach to policy in RIA will:
  - boost the results and effectiveness of public policy, so that your ministry or agency is more effective at carrying out your mandate,
  - reduce unnecessary costs, lost investment and jobs, and other negative effects of government regulation on people who live in Jordan,
  - provide you and everyone else involved in policy development and evaluation, such as your Minister, stakeholders, and members of Parliament, with a better understanding of the benefits, costs, risks, and uncertainties of options to solve the problem,
  - reduce the risk that you will make a mistake in designing policy.
4. The RIA is transmitted with the policy proposal to the Minister or other policy official, to the Parliament, and to stakeholders. You should use it actively when presenting the merits of the proposal. After policies are adopted, you will implement policy evaluation methods to determine if the results are as expected.
5. RIA changes the responsibility of those who draft legal norms and other policy documents. Government officials who draft new legal norms should become – not only legal drafters – but policy analysts who justify why their solution, chosen from a range of possible policy options, is the option best suited to produce good results in Jordan.
6. RIA is always done before you make policy decisions. A legal draft is completed AFTER the RIA identifies the best option. A common mistake is to draft first, and then prepare the RIA. You should prepare the RIA before or in parallel with the drafting process, so that you know which solutions to write into the legal text. Drafting is simply a means of writing down formally what you have learned through the RIA.
7. The RIA process is a dynamic process of learning about which solution is best. You will not make up your mind about the best solution at the beginning of the process, but you will learn more as the process continues until, at the end, you make the most reasonable choice justified by the RIA. The initial RIA and legal draft will change as more information comes available through the consultation process. New options will require changes to legal drafts, and so on until the process is complete.

#### **Do the RIA EARLY**

*Do not develop the RIA **after** a legal draft is completed. Such an analysis is just an assessment of an option already chosen, rather than a comparison of different options to help you choose the final solution that is the best one for Jordan. RIA is best begun early in policy development, and is updated as new information comes in.*

### **1.2. Responsibilities of the RIA analyst**

8. The RIA analyst is not required to develop an economic or statistical analysis that requires a doctorate to understand. It is a practical approach, using information that you can reasonably collect in the time you have. The RIA is finished when it provides a reasonable confidence that major impacts of the policy have been identified, and the solution chosen will produce the most benefits at lowest cost to Jordan's citizens. The RIA will communicate that information clearly to everyone who reads the RIA.



9. The RIA is finished when the RIA confidently answers basic questions about the quality of the policy:
  - What is the problem being solved, and why did it emerge?
  - What are the feasible goals of government action?
  - What will happen to the problem if the government does not act?
  - What are the options for solving the problem? What are the good and bad consequences of each option?
  - Why is your proposed solution the best solution for Jordan, that is, produces the best results at lowest cost to the country?
  - Can the government implement the policy effectively?
  
10. In answering these questions, the two responsibilities of the RIA analyst are:
  - **Reasonability.** In most cases, the RIA will be an approximation of reality, based on reasonable judgments and incomplete information. Assumptions and projections should be reasonable and based on available information, even if not everyone agrees with them.
  
  - **Transparency.** All evidence and assumptions behind the conclusions should be transparent so everyone can understand the basis for the recommendation. This means that sources of information are documented, and assumptions are stated clearly.
  
11. The entire process of the RIA is structured to provide reasonability and transparency to the final recommendations. For the policy analyst, the value of the RIA is not the precision of the analysis, but reducing uncertainty by asking the right questions and engaging in a richer and more informed debate on the pros and cons of various policy options.<sup>1</sup> This is why stakeholder consultation is part of the preparation of the RIA. In fact, open discussion of the RIA content is so important that, in those countries that have used RIA the longest, the RIA is considered to have little value without stakeholder consultation on its content. The draft RIA is published as part of consultation, and the final RIA summarizes the results of consultation.
  
12. How long will it take to prepare a good RIA? The time will take from 4 weeks, plus 30 days for consultation, to a year or more. The European Commission's new RIA guidance (2009<sup>2</sup>) says that a RIA will take 8-52 weeks: "The time needed for preparing an impact assessment will depend on the complexity and sensitivity of the proposal but it will also depend on how you go about it. For example, you may need to call on external expertise through a call for tender, which clearly takes time." If an inter-ministerial consultation process is needed, that will also take more time. Public consultation (minimum of 30 days) should also be included. The time needed for good RIA means that you should not wait until late in the process – a RIA can be well done only if you start early in the policy process, and plan ahead.

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<sup>1</sup> Scott Jacobs, 2006.

<sup>2</sup> See ANNEXES TO IMPACT ASSESSMENT GUIDELINES. *Revised annexes – draft version 27 May 2008.*



### 1.3. Kinds of information used in RIA

13. Two kinds of information are used in a RIA:

- **Qualitative information** describes a situation in subjective terms, such as “significant”, “major”, “important,” or other terms. Every RIA uses qualitative information to describe problems and assess solutions. When qualitative information is presented clearly to make a logical argument, it can be an effective part of the RIA.
- **Quantitative information** is used when impacts can be measured with numbers. Quantitative information can be collected through scientific research, statistical methods such as surveys, program evaluations, experiences in other countries, and factual information from many other sources. When the numbers are based on good collection methods and are reliable, quantitative information can be the most effective kind of information for the RIA. Most RIA methods attempt to improve the range and precision of quantitative information.

14. All RIAs use a mix of quantitative and qualitative information. Many people say they cannot write a RIA because they have no evidence or data. Where there is no evidence at all about the magnitude or effects of a problem, the government should probably not act. That is a good sign that a policy should not be adopted until more is known. But where information supports a case for action, the lack of quantitative information for all impacts should not stop the government from acting. Where impacts are small, what is needed is presentation of the quantitative information that is available, supplemented by a qualitative assessment based on logic and reason. The rule is: Where impacts are potentially large or very important to a group of interests, more quantitative analysis is needed.

**Evidence is needed before you act**

*Where there is no evidence at all about the magnitude or effects of a problem, the government should probably not act.*

### 1.4 Overview of RIA in Jordan

15. The RIA regime for Jordan is based on three forms of RIA, shown in Table 1 below:

**Table 1: Forms for RIA**

	<b>Scope</b>	<b>Timing and length</b>
<b>Planning RIA</b>	Any action included in an annual legislative plan or agenda, either at the level of the ministry or the government	Prepared during preparation of an legislative plan. You may use the Summary Form as the IA. Not more than 2-4 pages.
<b>Standard RIA</b>	All policies such as new and amended legal norms at national level with potential effects on citizens and the business sector.	Prepared before or during the drafting process, and used in consultations. The signed Summary Form is attached to the top of the RIA. 10-30 pages total.





<b>Full RIA</b>	Applies only to those policies that the Standard RIA shows will have very significant impacts, or that are identified as important by stakeholder consultation, or by political authorities.	Prepared before or during the drafting process, and used in consultations. The signed Summary Form is attached to the top of the RIA. As long as needed.
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16. Summary forms for each kind of RIA are provided in Annex 1. These forms provide the standard structure for each RIA. The summary form for the Planning RIA is the RIA itself, while the summary forms for the Standard and Full RIAs are summaries to be attached to the more detailed RIA document.

**Summary Forms**  
*Summary forms for each kind of RIA are provided in Annex 1. These forms provide the standard structure for each RIA.*

17. RIA is required for each major policy initiative or change, such as a new or revised legal norm. RIA is mandatory, not optional. The scope of the RIA, and the step by step procedures for preparing the RIA, including stakeholder consultation, are contained in instructions from your institution.

18. Every RIA follows the same structure. The sections are described below and are summarized in the Summary Form.

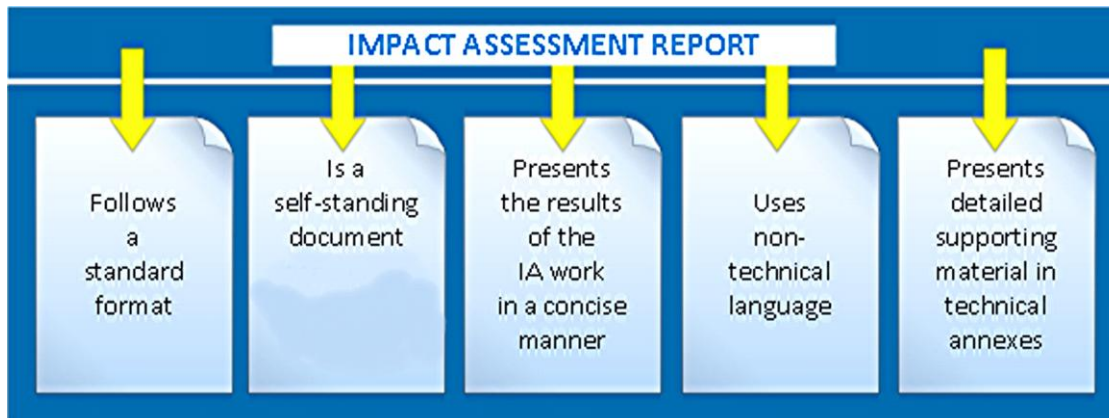
19. However, you have much flexibility in deciding how detailed is the RIA. The content and detail of each RIA depends on the importance of the policy. The RIA will have more detail and data as the impacts become more significant. You do not want to over-analyze small changes, and you do not want to under-analyze important changes. The most successful RIA programs are those that target scarce RIA resources to where they can do the most good by applying the *principle of proportional analysis*. This principle means that RIA detail and scope will be determined by the likely impacts of the proposed action:

- Every policy initiative will present sufficient analysis in the RIA to “allow for informed debate” about which solution is best.
- The more significant an action is likely to be, the greater the number of options and the more quantification of costs and benefits in the RIA.

20. Even if you decide to carry out an RIA that is less detailed, you should nevertheless produce a report that contains the content presented in Figure 1. All elements must be prepared for every RIA.



Figure 1: A good RIA report....



Source: Adapted from European Commission IA Guidance, 2009.

21. The content of the RIA is flexible enough to respond to a very wide range of policy issues, but is standardized enough to answer the basic questions necessary to determine the need and efficiency of the regulation. The content of RIA is defined by a standardized format. Table 2 below shows the format of Standard and Full RIA in Jordan. The Standard RIA has 7 sections, without exception, and the Full RIA has 9 sections. It is important to note that, even if a RIA team decides to produce a Standard RIA, it must produce a complete report that completes all 7 sections for the Standard RIA. In other words, a less detailed RIA does not skip steps, but presents less detail in each step.

**Table 2: Content of Standard and Full RIAs**

<b>FORMAT FOR STANDARD RIAs</b>	<b>FORMAT FOR FULL RIAs</b>
<ol style="list-style-type: none"> <li>1. Problem Definition. Briefly define the problem or issues that justify government action. What are the causes of the problem? Will the problem get better or worse without government action?</li> <li>2. Goals: State the government goals of the proposed action in concrete and measurable terms, with a clear timeline for achieving the benefits.</li> <li>3. Options. List and briefly describe the options that were considered to solve the problem. Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.</li> <li>4. Benefits: Assess for each option any significant potential economic, social and environmental benefits of taking action. Present major benefits in a measurable metric.</li> <li>5. Costs: <b>Qualitatively</b> assess for each option any significant economic, social and environmental costs of taking action.</li> </ol>	<ol style="list-style-type: none"> <li>1. Problem Definition. Briefly define the problem or issues that justify government action. What are the causes of the problem? Will the problem get better or worse without government action?</li> <li>2. Goals: State the government goals of the proposed action in concrete and measurable terms, with a clear timeline for achieving the benefits.</li> <li>3. Options. List and briefly describe the options that were considered to solve the problem. Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.</li> <li>4. Benefits: Compare the likely benefits of the options considered.</li> <li>5. Costs: Compare the costs of the options considered. Summarize quantitatively and qualitatively any significant economic, social and environmental costs of the options considered. Quantify costs to businesses and government. State if the</li> </ol>



FORMAT FOR STANDARD RIAs	FORMAT FOR FULL RIAs
<p><b>Quantify</b> the direct compliance costs to businesses.</p> <p>6. Consultation: If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation. If this RIA is prepared after consultation, summarize key comments and responses.</p> <p>7. Recommendation: What is the recommended policy and why will it produce more benefits at lower cost than other options? How do the expected benefits of the recommended action compare to the government goals set out in Section 2?</p> <p>7. A. What are the costs to government of the recommended policy?</p>	<p>costs are minor or major.</p> <p>5.A. Summarize any major costs to consumers in Jordan of these options in terms of price changes or less choice.</p> <p>6. If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation. If this RIA is prepared after consultation, summarize key comments and responses.</p> <p>7. What solution is recommended? Use a table to compare options, and indicate which option seems best.</p> <p>8.A. What are the costs to government of the recommended policy?</p> <p>8. The RIA concludes that the proposed policy can be enforced by government bodies. Yes/ No</p> <p>9. The RIA contains a monitoring strategy to determine if the policy is effective after adoption. Yes/No</p>

22. As the policy analysts proceed to the Full RIA, the analysis becomes more complete, quantitative and detailed, as Table 3 shows. This table shows that the content of the Preliminary RIA and the Standard RIA consists mostly of qualitative information, rather than quantitative. Only where quantitative data can be collected quickly and easily, for example in assessing the number of businesses affected by the policy option, is it included in the Standard RIA. For example, costing the direct financial costs to businesses is fairly easy, and so is included in the Standard RIA.

**Table 3:**

**Content of Three RIA Forms (shaded boxes mean element is included)**

Substantive element	Planning RIA	Standard RIA	Full RIA
Define the problem or issues that justify government action	√	√	√
State the desired objective(s) of government action in concrete and measurable terms	√	√	√
Identify the major (regulatory and/or non-regulatory) options that might achieve the desired objective(s);	√	√	√
<b>Costs: Economic, Social, Environmental</b>			
Describe qualitatively any significant Economic, Social, and Environmental costs of taking action	√		
Describe quantitatively any significant Economic costs of taking action. Describe qualitatively any significant Social and Environmental costs of taking action, using a metric for major impacts.		√	√



Substantive element	Planning RIA	Standard RIA	Full RIA
Analyze quantitatively the operating, capital, and efficiency costs to businesses of each option, and describe as quantitatively as possible, using metrics, any significant Social and Environmental costs of taking action.			√
<b>Administrative burdens.</b> Administrative burdens will increase or decrease (not quantified)	√		
<b>Administrative burdens.</b> Administrative burdens will increase or decrease, quantified in lev/year		√	√
<b>Costs to Consumers.</b> Analyze quantitatively the potential costs to consumers of each option			√
<b>Benefits: Economic, Social, Environmental</b>			
Describe qualitatively any significant Economic, Social, and Environmental benefits of taking action	√		
Describe quantitatively any significant Economic costs of taking action. Describe qualitatively any significant Social and Environmental costs of taking action		√	
Analyze quantitatively the operating, capital, and efficiency costs to businesses of each option, and describe as quantitatively as possible any significant Social and Environmental costs of taking action.			√
<b>Consultation Request/Summary</b> -- If prepared BEFORE consultation: Summarize the main questions to be answered, and the information needed to complete the RIA. Identify the key stakeholders. -- If prepared AFTER consultation: Summarize the main comments received in the consultation, describe those who commented, and summarize the response to the comments.	√	√	√
<b>Recommendation</b>			
Compare the benefits and costs of the options, and show why the recommended option 1) is the best in achieving the goal at lowest costs on businesses, citizens, and governments; 2) provides benefits that justify the costs.		√	√
Costs to Government. Analyze quantitatively the costs to Government, including provincial, district and commune authorities, of the recommended option, using the method set out by the Ministry of Finance		√	√
<b>Application and enforcement.</b> Explain the ability of agencies, organizations and individuals to comply with the legal norm.			√
<b>Monitoring and review.</b> Explain how the responsible authority will evaluate the results of the legal norm.			√

23. How do you know when to prepare a Full RIA rather than a Standard RIA? It depends on importance. The European Commission uses subjective criteria for defining the level of analysis that is proportionate. Its criteria include:
- Significance of likely impacts: The more significant the impacts are likely to be, the deeper the analysis should be.
  - Political importance: The RIA should provide sufficient evidence to respond to concerns that are likely to arise in the decision-making process, or the public reaction after the initiative is adopted.
24. Ireland's RIA program, of particular interest to Jordan which is just starting its RIA program, involves a two-phase approach "to ensure that RIA is proportionate and does not become overly burdensome." Considering these various approaches, it is



suggested that a Full RIA should be prepared whenever the Standard RIA indicates any of the following criteria MIGHT be met:

- Significant negative impacts on national competitiveness of Jordan
- Significant environmental damage caused by action or non-action
- Significant negative impacts on the poor
- Significant policy change in an economic market or significant impact on competition or consumers
- The costs to the government or third parties such as businesses or consumers are significant, or are disproportionately borne by one group or sector.
- The regulatory proposal is controversial and has attracted considerable public concern and interest
- In addition, the Council of Ministers may request a Full RIA where it considers regulatory proposals to be politically significant or where convincing submissions on the matter have been received from stakeholders.

## Part 2: How to Complete the Regulatory Impact Assessment

25. In this part, each step of the Standard RIA identified in Table 2 is discussed, and examples are given of good practice. The discussion here focuses on the Standard RIA, which will involve a mix of qualification and quantification. Reference materials for the Full RIA, such as quantification and monetization, are listed for each section in Annex 1. Each ministry and government should be able to prepare a Standard RIA, but you should bring experts into the process when a Full RIA is needed. For further reading, the new RIA guidance adopted by the European Commission on 15 January 2009 is valuable. You can find the current guidelines at [http://ec.europa.eu/governance/impact/key\\_en.htm](http://ec.europa.eu/governance/impact/key_en.htm).

### Section 1: How to Define the Problem

#### RIA Section 1:

Briefly define the problem or issues that justify government action. What are the causes of the problem?

26. The team developing the policy must agree on a clear definition of the problem being solved. The problem definition is the basis for everything that follows. If the problem is not clearly defined, it is very unlikely that you will develop the right solutions. The European Commission requires that the problem definition answer the following questions:
- What is the issue or problem that may require action?
  - What are the underlying drivers of the problem?
  - Who is affected, in what ways, and to what extent?
  - How would the problem evolve, all things being equal?





27. The problem is stated in terms of final effects of interest, *never* in terms of solutions.
- For example, the problem would be: “Consumers are unknowingly buying counterfeits, which results in economic losses for them and loss of market for genuine products, and counterfeit products have increased in recent years.” A possible solution to this problem might be “clarifying legal rights” by “writing a law.”
28. The problem definition is never that “there is no law on the topic” or that “consumer’s rights are not clear enough.” Writing a law, or clarifying legal rights, are possible SOLUTIONS to a problem, not the problem itself. The problem is the harm to consumers. There are many possible solutions, such as better enforcement, higher penalties, and consumer education. Confusing the problem with potential solutions is a common mistake in the problem definition, and should be carefully avoided. Solutions should never be stated in the problem definition.
29. One way to define the problem and its underlying drivers precisely is to use the following format:

**The problem is that ... (state the final effect that is the target of regulation, and state if the problem is increasing, stable, or decreasing)**

- **Because.... (state primary cause) – can we solve it?**
    - **Because....(state secondary cause) – can we solve it?**
    - **Because....(state secondary cause) – can we solve it?**
      - **Because... (state tertiary cause) – can we solve it?**
30. The first part of the problem definition is a statement of the ultimate problem that the government wants to solve. Consider a case where the Ministry of Environment is considering regulating the use of disposable plastic bags in Jordan to reduce visual pollution, protect marine animals that eat plastic bags, and reduce the cost of water treatment where plastic bags are stopping up drains and filters.

***Good example of first part of the problem definition: Disposable plastic bags are being released into the environment, causing visual pollution, killing marine animals, and clogging municipal water treatment systems. These problems have greatly increased over the past five years.***

***Bad example: Jordan has no law regulating the use of disposable plastic bags.***

31. Most RIA guides encourage you to state problems in terms of market failures so that the government understands more clearly when it should act, and how. Common market failures that are used to justify the need for government action include<sup>3</sup>:
- Monopolies and national monopolies
    - Network industries such as water pipes

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<sup>3</sup> For more on this, see the EC IA guidelines, Section 5.2 Market failures



- Externalities, positive or negative
  - Environmental damage such as the release of carbon dioxide
- Information inadequacies
  - Consumer information on car or food safety
- Public goods and moral hazards
  - Fishing grounds, air quality
- Social policy and distributional issues
  - Seat belts in cars
  - Universal access to electricity and water

**Good example of problem definition of market failure: Airplanes landing at the airport are creating noise that is reducing property values of homes near the airport.**

32. The second part of the problem definition is a statement of the various drivers or causes of the problem. This is similar to a decision tree approach in which outcomes are linked to causes. The drivers or causes should be detailed enough so that regulatory solutions can be identified. Most problems have multiple causes, and each cause will require a different solution.

**Good example of problem definition: Disposable plastic bags are being released into the environment, causing visual pollution, killing marine animals, and clogging up water treatment systems. These problems have greatly increased over the past five years.**

- ♦ **Because people use an increasing number of plastic bags**
    - **Because disposable plastic bags cost very little (environmental costs are not charged – a market failure)**
    - **Because prices of plastic bags are included in prices of consumer items, and so people think they are free (information problem)**
  - ♦ **Because people litter and do not dispose of bags correctly.**
    - **Because bags have little value after use (incentive problem)**
    - **Because the risk of paying fines for littering is low (incentive problem)**
    - **Because people don't understand the problems (education)**
    - **Not enough waste bins in tourist areas and streets (access to services – government failure)**
  - ♦ **Because of poor disposal of bags**
    - **Because of poor equipment and infrequent pickup of garbage by municipalities (government failure)**
33. The “because” part is necessary because the regulation will be designed to attack the underlying causes that create the ultimate problem. This is how regulations solve problems. The drafters should identify as many causes as are relevant, with as much detail as needed to design regulatory solutions. If an important cause of the problem



is missed, the drafting team might miss an important regulatory solution, and the government will fail to solve the problem. If you don't understand the reasons for a problem, you can make things much worse.

**Example: If prices of meat go up during Ramadan, this might be due to: 1) a cartel and price fixing among meat wholesalers; or to 2) a shortage of meat caused by increased demand. If the government believes that higher meat prices are due to a cartel, it might set price controls. However, if the problem is actually due to a shortage of meat, the price controls will make the shortages worse by reducing imports of meat. In that case, the government has made a normal market adjustment much worse.**

34. The solutions or options for each “because” statement will be defined in Section 3. Each of the “because” phrases must be detailed enough to identify potential solutions. For example, if plastic bags have little value after use, then a pay-on-return scheme would give them value. Or re-usable bags would have more value. Once the underlying causes are defined precisely enough, we understand how to change them.
  
35. When you start the RIA, you will draft a broad problem definition with many “because” statements in order to avoid missing important causes of the problem. As you learn more about the problem, you will focus on the “because” statements that are mostly responsible for the problem, and you will focus on the solutions to those particular drivers. That is, the problem definition will become narrower and more focused during the RIA. The problem definition in the final RIA will be much clearer than the first problem definition.



## Section 2: How to state goals as performance measures

### RIA Section 2:

State the desired objective(s) of government action in concrete and measurable terms action

36. Step 2 is to clearly define goals of the reform in the form of measurable performance indicators. The goals should be stated with respect to the ultimate goal of the regulation, or as close to the ultimate goal as can be measured. A goal is never “to adopt a law” since a law is just one possible means to reach the desired performance. The effectiveness of a law will be measured with the performance goal.
37. The three elements of a good performance goal are as follows:
  - Performance – state the difference in actual variable being measured
  - Time period – state the year that the difference will be achieved
  - Measurement method (since a goal must be measured) – state how you will measure the goal
38. The performance goals drive the selection of solutions because they define the main benefits of action. Potential solutions to the problem should be assessed against the performance goals. Progress in reaching the performance goals are the “benefits” of the policy. Therefore, the RIA attempts to assess the benefits and costs of each solution compared to the goals.
39. Also, important constraints on selecting solutions should be identified here, since they are part of the performance of solutions. For example, one constraint might be that costs to the government of the solution do not exceed a specific budget threshold. Another constraint might be that the solution imposes only minimal costs on the poor, or does not interfere with trade and investment flows. These constraints are necessary to avoid selecting solutions that are infeasible, too costly, or incompatible with other goals.
40. To use the plastic bags example. Here

### Good example of performance goals for policy on disposable plastic bags:

#### ■ Cleaner environment

1. - 50% in average number of plastic bags/city street km by 2012 (measured by surveys taken by street cleaners)
2. - 25% in number of plastic bags used by consumers by 2012 (measured by industry statistics)
3. +50% in re-use of plastic bags by Jordanians by 2012 (measured by surveys of consumers)



4. **By 2012, + 25% more tourists say they found tourist sites clean (measured on surveys of tourists)**
  5. **- 25% in number of marine animals killed by eating plastic bags by 2012 (data from Ministry of Environment)**
  6. **-50% stoppages in water systems due to plastic bags by 2012 (survey of municipalities)**
- **Efficiency and cost constraints**
7. **Cost of bags for poor families should not increase annual food budget of poor families by more than 1% (national house consumption survey)**
  8. **0% effect on the cost of storing and collecting garbage paid by municipalities**
  9. **Cost of enforcement to national government less than xx dinar/year**

### Section 3: How to identify and state options

#### **RIA Section 3:**

What possible solutions will be considered when drafting the legal instrument? Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.

41. In this section, you will identify at least 3 and usually more options for action, based on the problem definition statement. Identifying possible solutions to the problem is one of the most important steps of the RIA. Traditional “command” regulation uses incentives of deterrence driven by the risk of penalties (do what the government says, or we will punish you), but there are many other ways to change incentives in the market and in society (providing risk information so that consumers can make better choices). Governments in both OECD and developing countries are using today a wider set of policy instruments, both regulatory and non-regulatory, to solve problems.
42. The instruments range from very prescriptive regulatory interventions to tools such as various degrees of self-regulation. Some of these alternatives are familiar to most countries, OECD and developing alike. For example, the comprehensive tobacco control regime recommended by the United Nations combines 10 different policy





instruments.<sup>4</sup> A hierarchy of instruments ranging from minimum to maximum government intervention includes a long list of policy instruments:

- Letting the free market operate (consumer choice)
  - Voluntary standards and codes of practice
  - Mandatory information disclosure and education campaigns (labeling requirements (food labels), quality marks, information disclosure) to explain, inform, influence, persuade, and empower consumers
  - Self-regulation by organized sectors
  - Market incentives through government spending (taxes, subsidies, insurance schemes, etc.)
  - Creation of new markets through tradable property rights (tradable emission permits)
  - Performance regulations to stimulate innovation (stating the performance required rather than design standards)
  - “Command” regulations to set out exactly the behavior desired (as in tax regulations)
43. Different instrument mixes can have very different effects. You will rarely choose just one option – the most likely result is a mix of two or more options to address different causes of the problem. The OECD has for many years examined instrument mixes in environmental policy and found there are good results from using a mix of instruments.<sup>5</sup> The skill of regulators in a country in identifying and designing efficient mixes of instruments can greatly affect the benefits and costs of regulation. Designing an effective instrument mix requires “regulatory governance” skills such as impact assessment.
44. Some kinds of regulatory designs are so damaging to economic performance that governments should rarely or never use them. Some of these designs are, unfortunately, often used in Jordan. U.S. guidelines from the White House regulatory office ban certain types of regulatory action. A very high burden of proof is required before regulators can use any of the following types of economically-damaging regulations:
- price controls in competitive markets;
  - production or sales quotas in competitive markets
  - mandatory uniform quality standards for goods or services if the potential problem can be adequately dealt with through voluntary standards or by disclosing information of the hazard to buyers or users; or
  - controls on entry into employment or production, except (a) where indispensable to protect health and safety (e.g., tests for commercial pilots) or (b) to manage the use of common property resources (e.g., fisheries, airwaves, public lands, and offshore areas).

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<sup>4</sup> The instruments are (i) Higher taxes (excise); (ii) Smoking bans (workplace, places open to the public), (iii) Advertising bans (direct, point of sale, indirect), (iv) Bigger, stronger warning labels; (v) Packaging restrictions (descriptors, colors); (vi) Product regulation (TN ceilings, ingredients); (vii) Cessation programs (industry funded); (viii) Youth smoking prevention programs and laws; (ix) Counter-advertising and restrictions (denormalization), and (x) Litigation (internal document disclosure).

<sup>5</sup> “First and foremost, many environmental problems are of a “multi aspect” nature – in addition to the total amounts of releases of a certain pollutant, it can, for example, also matter where emissions take place, when they occur, how a polluting product is applied, etc. Secondly, certain instruments can mutually underpin each other – as when a labelling scheme enhances the responsiveness of firms and households to an environmentally related tax, while the existence of the tax helps draw attention to the labelling scheme”. Source: OECD (2007) INSTRUMENT MIXES FOR ENVIRONMENTAL POLICY, Paris. ISBN 978-92-64-01780-1



45. How can you identify solutions or options?
- The drafting team should brainstorm about possible solutions, using its experience and judgment to identify as many solutions as possible for each “because” statement.
  - One of the best ways to start is to research what other countries have done in similar policies. Countries outside Jordan offer a rich set of experiences that can help you decide what has worked, and what hasn't worked. Options identification should start with identification of what other countries have done.
  - Another way is to consult quickly and informally at the beginning of the process. To identify the widest possible range of options, the policy team might want to consult with experts and with groups with different perspectives. Ask them directly, “What options should we consider to solve this problem? What has worked in other countries?”
  - A fourth way is to locate RIAs done in other countries to see what options they considered. Annex 2 contains links to several websites where RIAs are posted. Check them to see if another government has prepared an RIA in an area similar to yours.
46. Some common options are part of almost every RIA. The European Commission's RIA guidance states, in slightly modified form:
- What are the possible options for meeting the objectives and tackling the problem? N.B. the ‘no action’ option should always be considered and it is highly recommended to include a non-regulatory option, unless an obligation for legal action exists.
47. Every RIA will include the “no policy change” option, which is also called the baseline option. The baseline option projects what will happen if the government continues on its present policy path, without change. This is necessary because all of the other options will be compared to the baseline option to determine the real effect of the option. For example, if car accidents are increasing under current policies, a regulation that maintains accidents at today's level might be a very good policy indeed. The only way to know if a policy option makes things better or worse is to compare it to the “no policy change” scenario.
48. An RIA cannot seriously consider every available option. A good rule of thumb is to include several general kinds of options in the RIA in addition to the “no policy change” option:
- 1) “Command” government regulation – detailed (setting out detailed requirements for how affected parties should comply);
  - 2) “Performance” government regulation – performance based (setting out performance targets and permitting regulated parties to decide how to meet the targets, changing other design parameters such as exempting low-risk activities);



- 3) Information disclosure or other means of consumer empowerment (where lack of information is one of the “because” statements).
  - 4) Lower compliance cost designs - every RIA that increases administrative burdens should look for options that reduce administrative burdens, such as permitting electronic or online filing, or extending the period of a licensing from 1 year to 5 years.
49. A good way to make the process of identifying options more systematic is to use the problem definition developed in Step 1. Each “Because” statement can lead to a potential solution. Just as a problem might have many drivers or causes, many solutions might be needed to resolve it effectively. Most policies use several solutions together in a policy mix tailored to the issue at hand. To use the plastic bag example again, here is how a policy analyst might identify specific solutions to specific drivers of the problem. By considering each “because” statement as a driver of the problem, you can identify 14 different possible solutions. Now the framework of the RIA is almost complete. The challenge in the RIA is to compare the costs and benefits of each of the 14 solutions so that you can choose those solutions that deliver the most performance at the lowest cost.

#### Good example of options identification

##### **Problem:**

***Disposable plastic bags are being released into the environment, causing visual pollution, killing marine animals, and clogging up water treatment systems.***

##### **Primary cause**

- ***Because people litter***

##### **Secondary cause 1.**

- Because bags cost very little and are over-used (environmental costs not charged – market failure)

##### **Options that might address the cause**

1. Consumer incentives: Charge tax for each bag
2. Retailer incentives: Charge retailers for bags they distribute
3. Retailer incentives: Code of practice agreed by retailers to reduce use of disposable bags
4. Encourage use of re-usable bags (canvas or other materials) by subsidizing them.

##### **Secondary cause 2.**

- Because bags have no value after use (incentive problem)

##### **Options that might address the cause**

5. Fee Return system
6. Re-usable bags – higher quality or larger plastic bag
7. Dinar on new bags to increase the value of used bags



### **Secondary cause 3.**

- Because the risk of paying fines for littering is low (incentive problem)

#### **Options that might address the cause**

8. Increase penalties
9. Improve enforcement by policy forces
10. Warning signs of penalties for littering (Do not litter)

### **Secondary cause 4.**

- Because people don't understand the problems (education)

#### **Options that might address the cause**

11. Increase awareness through media, universities, schools, labeling, posters in retail

### **Secondary cause 5.**

- Not enough waste bins in tourist areas and streets (access to services – government failure)

#### **Options that might address the cause**

12. Provide waste bins by regulating municipalities or retailers to provide more bins.

### **Primary cause**

- Because of poor disposal of bags

### **Secondary cause 1.**

- Because of poor equipment and procedures by disposal companies

#### **Options that might address the cause**

13. Require closed garbage trucks
14. Ban open-air separation in landfills.

50. You should document which options have been discarded at an early stage and why, referring to clear criteria for why the option was rejected (poor effectiveness, efficiency or consistency with other objectives and policies). You should be particularly specific and precise for discarded options that enjoy significant support among stakeholders.

## **Section 4: Identifying benefits of policy**

51. Section 4 on benefits and the following section 5 on costs are parallel, in that you will estimate both the major benefits and costs for each option identified in section 3. This is not as difficult as it seems. You must proceed step by step, examining the likely results of each option, and identifying those results as negative (costs) or positive (benefits). You will start by describing them qualitatively, and then quantifying the most important impacts. Every RIA consists of both quantitative and qualitative analysis for benefits and costs. The European Commission's RIA guidelines state that the analysis of impacts consists of three steps:



<b>Step 1</b>	<b>Identification of economic, social and environmental impacts</b>
<b>Step 2</b>	<b>Qualitative assessment of all significant impacts</b>
<b>Step 3</b>	<b>In-depth qualitative and quantitative analysis of the most significant impacts</b>

#### **RIA Section 4:**

Benefits: Assess for each option any significant potential economic, social and environmental benefits of taking action. Present major benefits in a measurable metric.

52. The benefits are the reasons for government action. Without clear benefits, the government should not act. Benefits of government action are any major positive outcome of the action, whether the outcome directly intended (as stated in the goals) or a secondary outcome that is also beneficial. For example, a slower speed limit might be aimed at saving lives due to fewer car accidents, but would also reduce property damage to cars. Both are legitimate benefits of a regulation setting a lower speed limit (of course, there are also costs, such as the longer times spent traveling from one place to another, which costs people time and income).
53. For each option described in Section 3, the RIA must clearly describe any major benefits that are anticipated, and must show the progress that each option will make against the goals of government action identified in Section 2. Here is an example of how one regulator began the benefits assessment. This regulator created a matrix describing various benefits of various options:

<b>BENEFITS</b>	<b>States and Territories</b>	<b>Refining Industry</b>	<b>Fuel Importers &amp; Distributors</b>	<b>Fuel Retailers</b>	<b>Automotive Industry</b>	<b>Consumers</b>
<b>Compliance</b>	Reduced Monitoring, enforcement for state agencies.	Reduced Compliance costs in the long-term. Certainty for future investment	Reduced Compliance costs due to national uniform standards. certainty of future requirements.	Consistent approach. Reduced. compliance costs.	More efficient operation of vehicle technology –reduced emissions.	More efficient operation of vehicles – improved fuel economy.





BENEFITS	States and Territories	Refining Industry	Fuel Importers & Distributors	Fuel Retailers	Automotive Industry	Consumers
<b>Socio economic</b>	Improved health and reduced associated costs. Level playing field for industry.	Avoided competition problems and trade barriers - level playing field.	Protection from unscrupulous operators that adulterate fuel - damaging business and reputations			Avoided health costs. Net health & environmental benefits between \$1,577 M & \$2,180 M.
<b>Environmental</b>	Decrease in emissions from road transport	Cleaner fuels - improved public profile	Reduced adulteration of fuel causing harmful toxic effects	Reduced evaporative emissions at the pump and less adulteration of fuel	Effective emissions control technology - reduced emissions.	Improved air quality - Substantial reductions in emissions. Improved health

54. Benefits can take a variety of economic, social, and environmental forms. Common kinds of benefits presented in a RIA include<sup>6</sup>:

- Benefits to consumers: a reduction in pain and suffering; increased access to information; lower prices; improved safety of products, workplaces, services etc.
- Benefits to business: reduction in plant or property damage; a reduction in lost production time; reduced compliance costs; less anti-competitive behavior in the market or greater regulatory transparency, certainty and predictability.
- Benefits to government: streamlined regulatory processes and requirements; reduced monitoring and enforcement costs; higher levels of compliance.
- Benefits to the community: improved environmental outcomes; safer workplaces; greater access to services or opportunities; more economical use of resources and higher economic growth; and an increase in the standard of living and quality of life.

55. In general, benefits are described in the RIA in three basic categories:

- 1) Economic benefits that can be valued in the market. These can be monetized in dinars/year or net present value over several years. Examples are reduced medical costs from safer products, higher productivity due to safer workplaces, less energy use from fuel efficiency standards, and other benefits of clear economic value.
- 2) Non-economic benefits in the social or environmental area that can be quantified. These should be presented in measurable metrics. Examples are number of cancers avoided, number of species saved from extinction, number of cases of

<sup>6</sup> Source: A Guide to Regulation, Australia, 1998



crime avoided. These kinds of benefits should be presented in general terms (NOT “better safety and health for Jordanians”) but, rather, in a clear metric (“25% fewer disabilities per year from car accidents”).

- 3) Non-economic benefits that cannot be quantified (more social justice or the value of saving an animal species from extinction). These general benefits are highly subjective, and are rarely presented in a RIA.
56. Economic benefits are stated in monetized terms, such as dinars/year. Potential social and environmental benefits should be stated in a standard metric (a metric is simply a way to measure the benefits) so that options can be compared in terms of benefits. If you only make general statements, such as “better safety and health” or “safer roads,” it will be impossible to know which option provides more protection. For example, the RIA should not simply state that the option will “save trees” or “make bread safer.” It should estimate the number or % of trees saved for each option, and the number or % of food poisonings prevented. Potential metrics that can be used include:
- Number of trees saved
  - Number of severe cases of asthma prevented
  - Value of consumer savings due to less fraud
  - % of severe environmental emissions prevented
57. These measures will enable you to compare the benefits of options. When no metric is possible, the impact should be described as precisely as possible, looking at the effect of ultimate interest. Where it is difficult to value social impacts, the RIA should provide an indication of the impact by looking at impact measures other than value. This might involve information such as how many people will be affected, what type of people might be affected; and the nature and impact of the effects. If impacts are uncertain, try to quantify the main impacts – “around 200 injuries avoided” or “10,000 elderly people lifted out of poverty”. Effects may also be categorized as ‘small’, ‘medium’ or ‘large’, to compare and weight various social impacts.

***Good example: The government wants to protect the environment and reduce fuel use. One option is to encourage hybrid cars through a tax exemption for these cars. The benefits of this option would be expressed as % reduction in annual fuel consumption, which could be monetized as dinars/year cost-savings to Jordan. Environmental benefits could be expressed as % reduction in emissions.***

***Bad example: In the same policy, benefits should not be expressed as number of hybrid cars bought each year, since this measure does not tell you if fuel consumption is changing. The goal is fuel consumption, not number of hybrid cars bought. Number of cars is the wrong measure of benefits.***

58. Assigning monetary values to benefits is usually a more difficult task than to costs, because social and environmental benefits are not traded in markets, and therefore valuation is difficult. This RIA guide does not cover the methods for monetizing non-market benefits, but instead recommends the easier approach of using another



metric. The European Commission’s 2009 IA guidance covers this topic well, and readers are referred to that RIA document for more information.

59. **Reporting results.** It is good practice to conclude this section on benefits with a summary table that reports and compares, either in dinars or another metric, the benefits of each option. At minimum, the benefit should be described by stating if the benefits are small, medium, or large, providing a metric for measurement, and estimating the number of entities affected. A summary table would look like this:

**Table 4: Summary Table for Section 4  
(Example: Regulation requiring passengers in cars to wear seatbelts)**

<b>Options</b>	<b>Economic benefits</b>	<b>Social benefits</b>	<b>Environmental benefits</b>
Option 1. No policy change: Seatbelts not required.	None.	Allows freedom of choice. 45% of drivers believe that seatbelts are uncomfortable.	None.
Option 2: Require mandatory seatbelt use for driver and front passenger	Fewer injuries and fatalities will reduce medical/hospital costs by 200 million dinar/year.	The option will prevent 5,000 serious injuries and 400 fatalities each year in Jordan.	None.
Option 3: Educate drivers through media campaign	Fewer injuries and fatalities will reduce medical/hospital costs by 50 million dinar/year.	The option will prevent 1,000 serious injuries and 100 fatalities each year in Jordan.	None
Option 4: Options 2 and 3 carried out in parallel	International experience shows that the benefits of options 2 and 3 together are much higher than either separately, because compliance mandatory requirement is much higher with driver education.  Fewer injuries and fatalities will reduce medical/hospital costs by 800 million dinar/year.	The option will prevent 10,000 serious injuries and 700 fatalities each year in Jordan, using an average of effectiveness rates in Europe.	None



## Section 5: How to assess costs

### RIA Section 5:

Costs: Assess for each option any significant economic, social and environmental costs of taking action. Quantify the direct compliance costs to businesses.

60. Costs are any negative consequence of action or non-action. Costs of government intervention are presented in parallel with the benefits, and are based on the same approach: presentation of major economic costs in dinar/year, and presentation of major environmental and social costs in a measurable metric. When no metric is possible, the impact should be described as precisely as possible.
61. It is not acceptable to state that government intervention has benefits, but no costs. Like for benefits, when cost impacts cannot be presented in monetary terms, some consistent metric should be used across all options so that the costs of options can be compared. Every government policy that requires action has costs. Some costs can be monetized (such as the cost of applying for a license), while other costs are expressed in other metrics (such as higher levels of poverty or number of people losing access to services). Quantification is not itself a goal in the RIA but a tool to enable the policy maker to make more precise and higher quality policies.
62. If the RIA analyst is not to be inextricably confused, the analyst must have a clear idea of what costs are to be included in the RIA and what costs excluded, both across cost components and across time. Social and environmental costs of government policy can include negative impacts on safety and health, as when fuel efficiency policies reduce the weight of cars and therefore increase road fatalities, or when agricultural subsidies increase the use of environmentally damaging forms of agriculture, such as fertilizer runoff into vulnerable watersheds. Often, risk reduction policies increase other risks. For example, chlorination of water is beneficial since it reduces the spread of disease, but chlorinated water also causes lung cancer. It is important that these kinds of costs be explicitly discussed in the RIA.
63. Quantitative assessment of direct compliance costs for businesses is required for each policy option, with a qualitative discussion of dynamic economic costs. Assessing the economic costs of policy is, for some kinds of costs, quite easy, and for other kinds of costs, incredibly difficult. Many policies impose many kinds of costs -- first-order costs as well as second and third-order costs -- creating a ripple of effects stretching on into infinity.
64. The issue is what to measure, and how. Without going too much into theory, the real economic costs of government policy to Jordan are the social costs to the country, which, in the most accurate analysis, would be measured as opportunity costs. In effect, the government uses policy to allocate national resources from one use to another use (for example, buying a more costly fuel-efficient car rather than a cheaper car and a new television). People place different values on different uses of resources. Because we cannot measure social opportunity costs easily, we often use



a proxy for social costs to greatly simplify the RIA: **direct compliance costs to businesses.**

65. We do not do this because we think that business costs are more important than other kinds of costs. Costs to businesses in Jordan are actually passed through to many parties: investors (as lower profits), employees (as lower wages), and consumers (as higher prices, lower quality, or less choice), and costs can be passed upstream or downstream of the producer directly affected. So measuring the cost to business in the RIA does not mean that we know WHO pays for government policy. In most cases, it is impossible or very difficult to find out who pays, since the distribution of costs through investors, workers, and consumers is done through many channels, and depends on the exact nature of competition for the product or service affected. (The exception to this is where a policy has a large effect on a single product or service, and cost pass-through can be calculated to the consumers who buy that good or service. This is assessed in Section 5.A. in the Full RIA.).
66. Government policies have three kinds of costs for businesses, discussed separately below.
- **Direct compliance costs, leading to increased costs of production.** Costs of policy compliance - operating, transaction, and capital costs - reduce company profitability, investment, and real wages. Increased costs of production are divided into two categories:
    - Administrative and other operating costs, such as labor costs
    - Substantive costs, including capital costs such as buying new equipment
  - **Reduced market opportunities for innovation and expansion, thereby reducing the value of business assets and eliminating opportunities for higher returns.** Examples: Regulations that close markets through monopolies or other barriers to entry; slow innovation by prescribing technologies; reduce business flexibility in labor hiring and firing.
  - **Increased risk of investment through unpredictable or anti-market government actions, thereby increasing the cost of capital.** Policy risk -- the risk that the rules of the game will change once an investment is sunk -- reduces the quantity of investment, the return on investment, and the social value of investment.
67. The RIA should systematically assess these three kinds of economic costs.
68. **Increased costs of production.** The direct compliance costs to businesses of the policy option should be identified as precisely as possible. This is done by systematically and step by step going through the full process needed to comply with a solution, and listing the individual cost components for businesses. The result is a list of cost components, with an estimate of the number of businesses affected.
69. In many cases, it will be easy to estimate the monetary cost of these provisions. Where it is easy, this should be done even in the Standard RIA. Because it is unlikely that the policy team will have enough understanding of businesses to identify the full



costs accurately, these costs will be validated in the consultation process, where businesses will be asked to agree or disagree with the analysis.

**Good example of assessing increased cost of productions: Goal of policy is to reduce tax evasion in taxi drivers. One option would require taxi drivers to issue receipts to customers, noting the distance traveled and the cost charged for the trip, and reporting the same information weekly to tax authorities. Potential costs to and businesses include:**

- **Capital costs: Annual costs of buying and replacing meters that register distance and cost (monetary cost = number of taxis affected X cost of new machine at market prices)**
- **Operating costs: Annual costs of installing and maintaining new meters**
- **Administrative costs: Annual costs of preparing and submitting reports to tax authorities**

**Example: To keep meat prices in Jordan down, the ministry considers a new export mechanism, under which only sheep that weigh over 50kg will be exported outside the Kingdom. Costs would include:**

- **Lost exports at higher price. The value of the lost income to Jordan would be calculated as the number of sheep that would have been exported X (export price – Jordan domestic price). Essentially, Jordan's assets would be diverted from a higher value use to a lower value use.**

70. **Reduced market opportunities for innovation and expansion, thereby reducing the value of business assets and eliminating opportunities for higher returns.**

These costs include all effects on the capacity of a business to expand into new markets, to innovate, and to grow or contract or exit (such as closing a plant). While it is very difficult to quantify these effects, it is essential to discuss them qualitatively if Ministers are to make the right decisions. Government policy might have low direct costs, but high indirect costs in reducing market opportunities.

71. The RIA should identify where the policy option will have any of the following effects, and then evaluate whether that effect will be significant in reducing opportunities and competitiveness of Jordanian firms and consumers:

- Policies that close markets through monopolies or create other barriers to entry;
- Policies that slow innovation by prescribing technologies or banning technologies
- Policies that reduce business flexibility in labor hiring and firing
- Policies that create barriers to imports or exports of goods or services
- Policies that make it harder to open plants, close plants, or re-locate plants

**Good example of assessing reduced market opportunities: Goal of policy is to promote regional development. This option would require owners of plants in under-developed regions to inform authorities 4 months before closing a plant. Potential costs to businesses include:**





- ***Policies that make it harder to re-locate plants: This policy would increase the costs of plant closures in developing regions, and so might discourage new investors from investing in these regions. The disincentive to invest might offset the benefits to workers in these regions, and make jobs even harder to find.***

72. ***Increased risk of investment through unpredictable or anti-market government actions, thereby increasing the cost of capital.*** The main concern for policy analysts is whether a new policy will reduce the value of investments already made in Jordan, or will take a different direction from past policies that might affect investment decisions. These kinds of policies will increase the risks to investors in Jordan. Regulatory risk reduces both the quantity of investment and the value of investment. The more uncertain and risky is the policy environment in which economic activity occurs, the more likely it is that aggressive rent seeking and short-term profit taking will replace longer-term investment in a competitive climate.
73. It is difficult to gauge regulatory risk from a single policy change, since the risk accumulates with each change. The RIA might examine whether the policy takes a clearly different direction from past policies, and, if so, if the policy creates disadvantages for investors in Jordan. The RIA might examine if the policy is part of a series of policy changes that, together, create uncertainty about the government's intentions in an economic activity or sector.

***Good example of assessing increased risk of investment: Goal of policy is to protect people from increases in insurance rates. This option would require government approval for rate increases. Potential costs to businesses include:***

- ***Policies that increase risk of offering insurance in Jordan. This policy would delay rate changes, and therefore increase risks of offering insurance in Jordan. New insurance products might not be offered in Jordan, reducing choice and quality for consumers.***
74. Of course, costs to businesses are only one kind of cost. There might also be social and environmental costs (negative effects) or risks associated with an option. These should also be noted.
75. ***Reporting results.*** This section on costs should conclude with a summary table that reports, either qualitatively or quantitatively, the costs of each option. At minimum, the cost impacts should be described by stating if the cost impact is small, medium, or large, and estimating the number of entities affected. A model summary table would look like this:



**Table 5: Summary Table for Section 5.**

**(RIA for policy to require that retail stores improve safety training of staff)**

<b>Options</b>	<b>Economic costs</b>	<b>Social costs</b>	<b>Environmental costs</b>
Option 1: No policy change	Economic costs from accidents will increase slightly each year, based on accident reports for last 5 years	5,000 serious injuries in stores, increasing by 3% per year	None
Option 2: Require 8 hours of safety training per employee per year	<p>Large operating costs for 5,000 SMEs and 300 large firms in the retail sector. Costs to the average SME are 600 dinars/year in salary costs and 500 dinars/year in purchasing training materials. Costs to the average large firm are 6,000 dinars/year in salary costs and 500 dinars/year purchasing training materials.</p> <p>Government costs will increase due to hiring more inspectors.</p>	Potential loss of jobs in the SME sector due to higher salary costs.	None.
Option 3	Etc		



## Section 6: Consultation Request/Summary

### **RIA Section 6:**

#### Consultation Request/Summary

-- Consultation: If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation.

-- If this RIA is prepared after consultation, summarize key comments and responses.

76. The RIA will act both as an analytical document and as a consultation document. The traditional method of consultation -- in which government simply released legal text and asked for feedback -- is extremely ineffective in communicating the decisions at stake, and clarifying the information that is needed. The Standard RIA should be completed in draft before consultation begins, and should be published for comment with the policy document such as the legal text.
77. A separate "Manual for Stakeholder Consultation" has been prepared, and that guide contains the standard format for a consultation request, and for a consultation summary. This section of the RIA will comply with the consultation guide. Please refer to that guide for more information.
78. This section should, as part of consultation, identify the key questions that stakeholders should answer. This section could, for example, ask for feedback and information to validate and strengthen the analysis of the following issues:
  - Problem definition: Is the problem correctly defined and understood? Is the baseline option reasonably projected into the future?
  - Performance goals: Are the performance goals appropriate for Jordan?
  - Options: Are the identified options realistic and reasonable? Should other options be considered?
  - Costs and benefits: Does the RIA identify all important costs and benefits of the options? What other costs and benefits should be considered? Can data be submitted to be more precise about the magnitude of the costs and benefits, and the comparisons of the options?
  - Should other impacts, such as distributional impacts, be added to the analysis?
79. Asking more specific questions to elicit more specific information is a good technique. The consultation process provides an excellent opportunity for the RIA analysts to collect information held by non-government sources, and at low cost. The more



specific are the questions, the more likely that specific information will be submitted. Identify major uncertainties in this section, as well, to generate a discussion of the assumptions that are most justified.

80. You should also identify in the draft RIA the main stakeholders who should be involved. This should be broad rather than narrow. A good consultation process brings in the views of all stakeholders with significant interests, with relevant information, and with a role in implementation. A poor consultation process allows access to only dominant, powerful, or well-connected stakeholders. The closer a consultation exercise approaches lobbying, the worse results it will achieve in supporting selection of a cost-effective solution to the problem.
81. Broadly defined, stakeholders are:
  - Individuals, groups, or organizations whose interests are affected by the issue or those whose activities strongly affect the issue. Stakeholders might include other levels of government and those from third countries;
  - those who possess information, resources and expertise needed for the impact assessment, strategy formulation, and implementation, and
  - those who control relevant implementation instruments.
82. The consultation should never exclude anyone with valid interests. Likewise, the European Commission has stressed that it maintains an inclusive approach in line with the principle of open governance: “Every individual citizen, enterprise or association will continue to be able to provide the Commission with input.”<sup>7</sup>
83. You should also specify in the draft RIA the schedule for consultation. The time needed to consult will depend on the complexity and sensitivity of the policy proposal. You will need at least 30 working days (6 weeks) to several months for national consultations on complex issues. You should allow more time if possible, since the United Kingdom recommends a minimum of 12 weeks, and the European Commission uses 8 weeks as the minimum.
84. If the RIA is being finalized after consultation, this section will include the following:
  - Indicate which groups of stakeholders have been consulted, at what stage in the RIA process and how (public or targeted consultations, and if targeted, why?)
  - Summarize the main results and comments received, and how this input has been taken into account or why it has not been taken into account.
  - Indicate if the minimum standards of consultation in Jordan have all been met, and, if not, why not?

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<sup>7</sup> European Commission, (2002) ‘Towards a reinforced culture of consultation and dialogue – General principles and minimum standards for consultation of interested parties by the Commission’, p. 4. COM (2002) 704 [http://europa.eu.int/comm/secretariat-general/index\\_en.htm](http://europa.eu.int/comm/secretariat-general/index_en.htm)



## Section 7: Presenting Recommendations

### RIA Section 7:

Recommendation: What is the recommended policy and why will it produce more benefits at lower cost than other options? How do the expected benefits of the recommended action compare to the government goals set out in Section 2?

85. This is the key section of the RIA, because the RIA will compare the benefits and costs for each option considered, and reach a judgment about the best option for Jordan. You will present for all options a summary overview of all positive and negative economic, social, and environmental impacts, and you will make a recommendation about the preferred option. It is critical that the RIA be clear, succinct, and neutral in the presentation of options, and that the reasons for recommending the preferred option be clearly stated.
86. In general, you will recommend the option that produces the most benefits at the lowest cost, and you will not recommend any options where the costs seem disproportionate to the benefits. Where analysis is qualitative, the judgment about which option meets this test will be partly subjective. In this case, you should compare the options, and then explained as clearly as possible why your preferred option seems to deliver the highest benefits at the lowest costs.
87. At minimum, you should present the quantitative information that is required, including direct compliance costs on businesses and administrative burdens, and the measurable metrics you used for major social and environmental impacts.
88. This approach is consistent with the European Commission's 2009 IA guidance, where cost-benefit analysis and cost-effectiveness analysis are the two most frequent methods used to compare options.
89. Communication with non-technical readers is the goal of this section. The comparison of options should summarize and synthesize all of the analysis prepared, and present the information in a readable, accessible, and understandable format. Quantitative and qualitative information will be presented for each option, usually in a table format to make it easier to compare options. The format suggested for the Full RIA would be useful in the Standard RIA to organize information, but is not mandatory:



**Table 6: Summary table**

Options	Summary of Major Benefits	Summary of Major Costs	Compare benefits and costs. Which option produces more benefits at minimum cost?
Option 1:			
Option 2:			
Option 3			
.....etc			

90. Here is an example of how the summary table can be completed. This example is for a policy requiring seatbelt use for all passengers in a car, and installation of seat belts in all cars sold in Jordan.

**Table 7: Summary table: example for seatbelt policy**

Options	Summary of Major Benefits	Summary of Major Costs	Compare benefits and costs. Which option seems best?
Option 1: Do nothing more	Cost of new cars will be unchanged.	This will result in a much higher rate of death than in other countries in the region. 1,800 more Jordanians will die per year.	This option has lowest cost, but has very high fatality rates compared to other regional countries
Option 2: Require seatbelt use for all passengers	This solution will save 1,800 lives per year and 15,000 severe injuries. Hospitalization costs will decline by 15 million dinar/year. It is most commonly used by other EU countries, and is accepted as an effective solution.	New cars will cost slightly more and total costs are 60 million dinar/year. Poor will drive older cars longer, and remain at higher risk.	Benefits are very high compared to costs. This option seems to have a good benefit-cost justification.
Option 3: Launch public education campaign asking people to “buckle up”	Few benefits unless launched in parallel with legal requirements.	Government would finance 5 million dinar campaign.	Costs are high compared to benefits if this is used in isolation.
.....etc			

91. You can present information in many ways. Here is an example of presenting impact information from the European Commission’s reform of postal service regulation, in which a great deal of information, both quantitative and qualitative, was reduced to a series of synthetic symbols which are universally known, and very easy to interpret.





This kind of presentation is not very transparent, because the reader does not easily know how the indicators were developed, but is easily understandable by any reader.

**Table 8: Summary of overall impact of each specific policy option**

Issue	Options	Impact on Users	Impact on Sector Employment	Potential Economic Impact
<b>Scope of Universal service</b>	<b>Option 1</b> - no change : existing flexibility	😊😊	😊	😊
	<b>Option 2</b> – scope focused on consumers/SMEs	😊	😊	😊
<b>Universal service standards</b>	<b>Option 4</b> - no change: current standards remain community minimum rules	😊 to 😊	😊	😊 to 😊
	<b>Option 5</b> – no change: current stands remain Community minimum rules, but uniform tariff permitted for single items only	😊😊	😊😊	😊😊😊

92. Here is an example that uses quantitative estimates for both benefits and costs. This RIA was done for the European Commission’s EU Rail noise abatement measures (2008). The various engineering solutions are listed in the columns (K SOV, etc). The various impacts of interest are listed in the first column, and a value is placed for both benefits and costs. The benefits of less noise from railroads were calculated as an increase in property values. As noise levels go down, property values go up, because people prefer to live and work in quieter places. The amount that people pay to live in noisier (cheaper) places or quieter (more costly) places is called **revealed preference**. This is the social valuation given to lower noise levels.



**Table 9: overview of monetized impacts of the policy options and scenarios**

Impact	Limit birthdate	K (2009 – 2024)		K+LL (2009 – 2024)	
		SOV	DEV	SOV	DEV
Investment cost for retrofitting programme	1979	1,847 M€	1,441 M€	728 M€	416 M€
	1984	1,102 M€	1,018 M€	488 M€	214 M€
Added maintenance costs	1979	317 M€	238 M€	406 M€	347 M€
	1984	226 M€	193 M€	268 M€	248 M€
Added administrative costs for new tasks	1979	85 M€	93 M€	85 M€	93 M€
	1984				
<u>TOTAL ADDED COST</u>	1979	2,249 M€	1,772 M€	1,219 M€	856 M€
	1984	1,413 M€	1,304 M€	841 M€	555 M€
<u>Added BENEFIT on affected population</u>	1979	7,071 M€	5,762 M€	9,460 M€	8,428 M€
	1984	4,133 M€	4,385 M€	4,450 M€	5,208 M€
<u>TOTAL NET VALUE</u>	1979	4,822 M€	3,990 M€	8,241 M€	7,572 M€
	1984	2,720 M€	3,081 M€	3,609 M€	4,653 M€

93. You should reach a clear recommendation about which option produces the most benefits at lowest cost. For example, in the seatbelt policy, you might conclude that:

The recommended option is to require passenger seat belts and for the government to launch a 5 year education campaign. This mixed approach of legal action and education is the solution most commonly used by EU countries, and is accepted as an effective solution. It is the only option that will bring Jordan up to the EU average.

94. Recall that in most cases, the recommendation will not to be to adopt a single option, but to adopt a combination or mix of options that together address the main drivers of the problem, that is, the “because” statements identified in Section 1.

### **RIA Section 7.A.**

*What are the costs to government of the recommended policy?*

95. You must assess the monetary costs to the government budget of your recommended policy. Costs to governments come in the forms of additional requirements for staff, or for equipment, or for other resources. Jordan’s ministries should not accept solutions that are so costly to implement that they are infeasible. In those cases, the costs of implementation can change the final recommendations.



## **Annex 1: Summary Forms for the RIA**

**Below are the three summary forms for the:**

**Planning RIA (the summary form is the RIA itself)**

**Standard RIA (the summary form is to be attached to the front of the RIA)**

**Full RIA (the summary form is to be attached to the front of the RIA)**



## Planning Regulatory Impact Assessment (RIA) Form\*

\*Note: Attach to this form as many attachments as are needed to provide additional evidence.

Ministry /Agency: _____	Title: _____
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For inclusion in Legislative Agenda or Regulatory Agenda	Date _____
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Contact for questions: Name and email of contact person	Telephone: _____
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1. Briefly define the problem or issues that justify government action. What are the causes of the problem?

2. Goals: State the goals of government action in concrete and measurable terms, with a clear timeline for achieving the goal.

3. What possible solutions will be considered when drafting the legal instrument? Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.

4. Benefits: Describe qualitatively any significant potential economic, social and environmental benefits of taking action. How do the expected benefits compare to the government goals?

5. Costs: Describe qualitatively any significant potential economic, social and environmental costs of taking action. State if costs will be minor or major and who will be affected (such as businesses or government).

6. The draft policy will require a \_\_\_\_ Standard RIA or a \_\_\_\_ Full RIA

7. Summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation.

**Signature of responsible official**

This impact assessment reasonably explains the possible impacts of the proposed action.

..... Date:



## Standard Regulatory Impact Assessment Summary Form

\*Note: This summary form should be attached to the RIA – it does not replace the RIA.

Ministry /Agency: _____		Title: _____	
Stage: Before consultation/after consultation		Date _____	
Contact for questions: Name and email of contact person		Telephone: _____	
<p><b>1. Problem Definition.</b> Briefly define the problem or issues that justify government action. What are the causes of the problem? Will the problem get better or worse without government action?</p>			
<p><b>2. Goals:</b> State the government goals of the proposed action in concrete and measurable terms, with a clear timeline for achieving the benefits.</p>			
<p><b>3. Options.</b> List and briefly describe the options that were considered to solve the problem. Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.</p>			
<p><b>4. Benefits:</b> For each option, describe, using a measurable metric, any significant potential economic, social and environmental benefits of taking action. Quantify in dinar/year the direct economic benefits for businesses. Use consistent measures for each option so that they can be easily compared.</p>			
<p><b>5. Costs:</b> For each option, describe, using a measurable metric, any significant potential economic, social and environmental costs of taking action. Quantify in dinar/year the direct economic costs for businesses and implementation costs to the government. Assess qualitatively other economic costs, such as effects on innovation, market opportunities, and competition. Use consistent measures for each option so that they can be easily compared.</p>			
<p><b>6. Consultation:</b> If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation. If this IA is prepared after consultation, summarize key comments and responses.</p>			
<p><b>7. Recommendation:</b> What is the recommended policy and why will it produce more benefits at lower cost than other options? How do the expected benefits of the recommended action compare to the government goals set out in Section 2?</p>			
<p><b>7. A. What are the costs to government of the recommended policy? Dinar/year</b> _____</p>			
<p><b>8. The RIA concludes that the proposed policy can be enforced by government bodies. Yes/ No</b></p>		<p><b>9. The RIA contains a monitoring strategy to determine if the policy is effective after adoption. Yes/No</b></p>	
<p><b><u>Signature of responsible official</u></b> <i>This impact assessment reasonably explains the impacts of the proposed action. The recommended action is the most effective solution.</i> .....Date:</p>			



## Full Regulatory Impact Assessment (RIA) Summary Form

\*Note: This summary form should be attached to the RIA – it does not replace the RIA.

Ministry /Agency: _____	Title: _____	
Stage: Before consultation/after consultation		Date: _____
Contact for questions: Name and email of contact person		Telephone: _____

**1. Problem Definition.** Briefly define the problem or issues that justify government action. What are the causes of the problem? Will the problem get better or worse without government action?

**2. Goals:** State the government goals of the proposed action in concrete and measurable terms, with a clear timeline for achieving the benefits.

**3. Options.** List and briefly describe the options that were considered to solve the problem. Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.

**4. Benefits:** Compare the likely benefits of the options considered. **For each option, describe, using a measurable metric, any significant potential economic, social and environmental benefits of taking action. Quantify in dinar/year the direct economic benefits for businesses. Use consistent measures for each option so that they can be easily compared. Compare benefits using the following table:**

Options	Economic benefits (in dinar/year)	Social benefits (in a measurable metric or qualitative)	Environmental benefits (in a measurable metric or qualitative)
Option 1. No policy change			
Option 2.			
Option 3.			
Etc.			

**5. Costs:** For each option, describe, using a measurable metric, any significant potential economic, social and environmental costs of taking action. Quantify in dinar/year the direct economic costs for businesses, including administrative burdens, and any major implementation costs to the government. Assess qualitatively other economic costs, such as effects on innovation, market opportunities, and competition. Use consistent measures for each option so that they can be easily compared. Compare costs using the following table:

Options	Economic costs (in dinar)		Social costs (in a measurable metric)	Environmental costs (in a measurable metric)
	All costs	Changes in administrative burdens in dinar		
Option 1. No policy change				





Option 2.				
Option 3.				
Etc.				

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6. Summarize any major costs to consumers in Jordan of these options in terms of price changes or less choice.

7. **If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation.**  
 If this RIA is prepared after consultation, summarize key comments and responses.

8. What solution is recommended? Use the table below to compare options, and indicate which option seems best.

Options	Summary of Major Benefits	Summary of Major Costs	Compare benefits and costs. Which option produces more benefits at minimum cost?
Option 1:			
Option 2:			
Option 3			
.....etc			

8.A. What are the costs to government of the recommended policy?  
 Dinar/year \_\_\_\_\_

9. The RIA concludes that the proposed policy can be enforced by government bodies. Yes/ No	10. The RIA contains a monitoring strategy to determine if the policy is effective after adoption. Yes/No
---	---

**Signature of responsible official**

***This impact assessment reasonably explains the impacts of the proposed action. It justifies the need for government action, and the recommended action.***

Signed by the responsible official:  
 \_\_\_\_\_ Date:



## Annex 2: References for preparation of the Full RIA

The Full RIA has 9 sections that are more detailed and quantified than the Standard RIA. Many of the techniques used in quantified impact assessment require more expertise and training is usually available among general policy analysts. When you carry out a Full RIA, you should contact the RIA Unit in your ministry and determine how best to assemble the expertise needed.

Below, references are given for each section of the Full RIA. These references give you a good sense of how to proceed with each section. Some of the sections of the Full RIA can be carried out using this Manual as the sole reference, since the Standard RIA and the Full RIA are identical in those sections. For other sections, more detailed guidance is needed. The two main sources used here are:

- European Commission (SEC(2009) 92), **IMPACT ASSESSMENT GUIDELINES**, 15 January 2009, and **ANNEXES TO IMPACT ASSESSMENT GUIDELINES**, both found at [http://ec.europa.eu/governance/impact/key\\_en.htm](http://ec.europa.eu/governance/impact/key_en.htm)
- United States Office of Management and Budget, September 17, 2003, **Circular A-4, Regulatory Analysis**, found at <http://www.whitehouse.gov/omb/circulars/a004/a-4.html>

### **1. Problem Definition. Briefly define the problem or issues that justify government action. What are the causes of the problem? Will the problem get better or worse without government action?**

See in this manual, Section 1: How to Define the Problem

See also:

- European Commission **IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 5. WHAT IS THE PROBLEM?**, p. 20.

### **2. Goals: State the government goals of the proposed action in concrete and measurable terms, with a clear timeline for achieving the benefits.**

See in this manual, Section 2: How to state goals as performance measures

See also:

- European Commission **IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 5. 6. WHAT ARE THE POLICY OBJECTIVES?**, p. 25.

### **3. Options. List and briefly describe the options that were considered to solve the problem. Include at least one non-regulatory option. Always include a performance-based option as an alternative to a “command” regulation.**

See in this manual, Section 3: How to identify and state options



See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 7. WHAT ARE THE POLICY OPTIONS?, p. 28.
- United States Office of Management and Budget, September 17, 2003, Circular A-4, see *Market Failure or Other Social Purpose*, p. 4 and Section C. Alternative Regulatory Approaches, p. 7.

**4. Benefits: Compare the likely benefits of the options considered.**

See in this manual, Section 4: Identifying benefits of policy.

The Full RIA adds more detail and quantification to the Standard RIA. The table below should be completed showing the economic, social, and environmental benefits for each option. As in the Standard RIA, the economic cost should be presented in monetary terms, while social and environmental benefits should be presented in a comparable and measurable metric across all options.

Options	Economic benefits (in dinar)	Social benefits (in a measurable metric or qualitative)	Environmental benefits (in a measurable metric or qualitative)
Option 1. No policy change			
Option 2.			
Option 3.			

See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 7. WHAT ARE THE LIKELY ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS?, p. 30.
- United States Office of Management and Budget, September 17, 2003, Circular A-4, Section D. Analytical Approaches, p. 9.

**5. Costs: Compare the costs of the options considered. Summarize quantitatively and qualitatively any significant economic, social and environmental costs of the options considered. Quantify costs to businesses and government, as well as administrative burdens. State if the costs are minor or major.**

Compared to the Standard RIA, the Full RIA has a much more quantified approach. In Full RIAs, which will have a significant effect on economic costs, quantification of costs will permit much more precise design and targeting of the regulation, which can have a much larger effect on reducing costs while maintaining or even increasing benefits.

Completion of the following table is mandatory in the Full RIA. This table will permit you to compare costs across options, and to compare costs with the benefits estimated in Section 4.



Options	Economic costs (in dinar)	Social costs (in a measurable metric)	Environmental costs (in a measurable metric)
Option 1. No policy change			
Option 2.			
Option 3.			
Etc.			

This RIA guide does not cover full quantification methods, since they can become quite complex, and involve discounting, sensitivity analysis, risk assessment, and monetization methods. The RIA team should engage an expert to assist, and consult, at <http://iatools.jrc.ec.europa.eu/bin/view/IQTool/WebHome.html>, the RIA Tools site of the European Commission. This site is described as:

RIA TOOLS is an online platform that provides Commission policy actors and impact assessment practitioners throughout Europe with a repository of guidance, information and best practices for the impact assessment of new policies and legislative measures. RIA TOOLS provides experts and non-experts with guidance on the main steps to be followed to perform an impact assessment. It contains an inventory of social, economic and environmental impact indicators. It also offers a comprehensive picture of the qualitative and quantitative tools available for the analysis of policies impact as well as access to up-to-date databases.

See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 7. WHAT ARE THE LIKELY ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS?, p. 30.
- European Commission IMPACT ASSESSMENT GUIDELINES. PART III: ANNEXES TO IMPACT ASSESSMENT GUIDELINES, pp. 28-74.
- United States Office of Management and Budget, September 17, 2003, Circular A-4, Section D. Analytical Approaches, p. 9.

**5.A. Summarize any major costs to consumers in Jordan of these options in terms of price changes or less choice.**

Analysis of impact on consumers is required only in a Full RIA, since it is difficult to do, as discussed in the previous section. If impacts on consumers are significant, and the effects on price, quality, or access to specific goods and services can be assessed, such impacts SHOULD be assessed. The reason is that there might be important distributional or inflationary consequences, or issues requiring political attention, such as increases in costs of basic services such as transportation or water. Other important impacts on consumers might be less choice, or lower quality of goods or services available to them. In other cases, the important impact on consumers will be opportunity costs. For example, a ban on GMO



foods will increase the cost of grains, fruits, and vegetables in Jordan, relative to no ban, and the forgone benefits of lower prices should be assessed in the RIA.

Caution is required, however. If the RIA already estimates direct costs on the business sector, then some costs to consumers will include business costs that are passed through in the form of higher prices. In these cases, counting BOTH direct costs to businesses AND costs to consumers as higher prices will double count those costs.

There is no clear methodology for assessing impacts on consumers, since the mode and type of impact differs from case to case. The safest approach is to use the advice of the European Commission's RIA guidance as a checklist in the consultation process to identify any important impacts, and then to determine what quantitative analysis is best suited to that particular impact. The participation of RIA experts is recommended in these cases. The Commission's advice is as follows:

In many cases proposals affecting the working of markets and the activities of firms give rise to indirect impacts on households. In others, households may be directly affected by proposals. In this context, consideration should be given to the question of whether the in proposal is likely to:

- Affect the prices for products and services consumers have to pay? If so, which ones are concerned and by how much will prices rise?
- Affect the range/quality/safety of consumer products and services?
- Affect data protection?
- Affect (disposable) household income and wages?
- Affect the level of consumer protection?
- Affect pensions or asset holdings?
- Make it easier or harder for households to borrow or save money, for example through
- Access to financial services?

See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II: KEY ANALYTICAL STEPS IN IMPACT ASSESSMENT, 7. WHAT ARE THE LIKELY ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS?, p. 30.
- European Commission IMPACT ASSESSMENT GUIDELINES. PART III: ANNEXES TO IMPACT ASSESSMENT GUIDELINES, pp. 28-74.
- European Commission, Handbook to assess consumer detriment, at <http://ec.europa.eu/consumers/strategy/docs/cons-detriment-handbook.pdf>

**6. If this RIA is prepared before consultation, summarize the key questions for consultation. Identify the key stakeholders who will be significantly affected by this issue. State the planned schedule for consultation. If this RIA is prepared after consultation, summarize key comments and responses.**

See, in this manual, Section 6. Consultation Request/Summary.



See also:

- Council of Ministers (2009) A Manual for Stakeholder Consultation
- European Commission IMPACT ASSESSMENT GUIDELINES. PART III: ANNEXES TO IMPACT ASSESSMENT GUIDELINES, pp. 13-17.

**7. What solution is recommended? Use the table below to compare options, and indicate which option seems best.**

See, in this manual, Section 7. Presenting Recommendations

The Full RIA will follow the same presentation as the Standard RIA, but the Summary Table will include quantitative information on costs and benefits, rather than qualitative descriptions and summary metrics such as plusses or minuses. This section should conclude with a summary table that compares, either qualitatively or quantitatively, the costs and benefits of each option. A model summary table looks like this:

**Summary Table for Section 8.**

Options	Economic benefits (against performance goals)	Economic costs	Social benefits (against performance goals)	Social costs	Environmental benefits (against performance goals)	Environmental costs
Option 1: No policy change						
Option 2:						
.....etc						

See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II, Section 9: HOW DO THE OPTIONS COMPARE? pp. 44-45.

**7. A. What are the costs to government of the recommended policy? Dinar/year \_\_\_\_\_**

See, in this manual, Section 7.A. Identifying costs to government

**8. The RIA concludes that the proposed policy can be enforced by government bodies. Yes/ No**

In this section, the RIA should discuss if the recommended option is enforceable, and how compliance will be obtained. This section should discuss the potential problems with compliance, and assess the likely impact of different enforcement regimes. Achieving full compliance is not always possible, at least at a reasonable cost, and the RIA might anticipate some level of non-compliance.

Where compliance might be a problem, the RIA should consider alternative methods of enforcement. For example, if risks are low, the enforcement scheme might be light-handed,





checking compliance on a small proportion of companies or doing market audits. Levels of scrutiny can be varied according to risks of non-compliance and according to the characteristics of the firm, such as by size. Another option is self-assessment, perhaps accompanied by reporting, or third party certification.

The European Commission has developed the following checklist to help RIA analysts assess compliance difficulties and develop strategies:

The following questions will help you to identify potential obstacles to compliance by the group whose behavior is meant to change, and any incentives that might increase compliance: **Are the requirements of the options simple and easy to understand?**

Inaccessible and incomprehensible rules will reduce compliance, particularly for SMEs, which may lack time and resources to deal with large volumes of complex rules.

**Would the target group be able and willing to comply?**

This may depend on the following:

- **Compliance costs**, including administrative burdens, may affect overall compliance rates, in particular for SMEs.
- **Overly complicated and technical regulation** may not be properly understood. Moreover, it may appear not to have any clear purpose, leading to a loss of confidence in the regulators and a tendency to evasive behavior.
- **Coherence** with existing market practices or cultural norms may help raise compliance rates.
- **Prior consultation** builds in a sense of 'ownership', or at least understanding, of the rule and can ease compliance concerns.
- **Co-coordinating implementation with regulatory authorities** can improve awareness and understanding.
- **Networking and co-ordination between Member State authorities** can be required for the effective application of the law.
- **Rigorous monitoring arrangements, appeal mechanisms and sanctions for non-compliance** can be expected to increase compliance rates and be more effective than the Commission being called on to intervene.
- **Providing information and other support measures** can affect the ability of the target group to comply with the rule.

See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II, Section 8.6 Assessment of transposition and compliance aspects pp. 42-43.

### **9. The RIA contains a monitoring strategy to determine if the policy is effective after adoption. Yes/No**

Since the policy analysis will already have identified performance measures in Section 2, this section consists of identifying the broad outline for possible monitoring and evaluation arrangements against those performance measures. The RIA should make arrangements for monitoring and evaluating the implementation methods identified, including the effectiveness of the proposed enforcement regime, and for collecting reliable data on compliance levels.

The evaluation or review should include consideration of whether the costs and benefits in the original RIA were correct, and the extent to which the 'solution' did actually solve the problem. In the longer term this information should feed back into the policy making process.



See also:

- European Commission IMPACT ASSESSMENT GUIDELINES. PART II, Section 10. ARRANGEMENTS FOR FUTURE MONITORING AND EVALUATION, pp. 48-49.
- European Commission IMPACT ASSESSMENT GUIDELINES. PART III: ANNEXES TO IMPACT ASSESSMENT GUIDELINES, Annex 13. Indicators, Monitoring and Evaluation, pp 75-77.
- For evaluation, see the guide 'Evaluating EU Activities' at [http://ec.europa.eu/budget/documents/evaluation\\_en.htm?go=t8#table-8](http://ec.europa.eu/budget/documents/evaluation_en.htm?go=t8#table-8)



### Annex 3: IAs on Websites

There are now a number of web pages on which governments place their impact assessments. A list of the sites is included below:

European Commission Legislative & Work Programmes (incl. list of proposals subject to Impact Assessment)

[http://ec.europa.eu/governance/impact/practice\\_en.htm](http://ec.europa.eu/governance/impact/practice_en.htm)

US Government

<http://www.regulations.gov/fdmspublic/component/main>

RIA Database of AEI-Brookings

<http://www.aei-brookings.org/publications/index.php?tab=topics&topicid=56>

México COFEMER (in Spanish)

<http://www.cofemermir.gob.mx/>

UK Department for Business, Enterprise & Regulatory Reform (BERR)

<http://www.berr.gov.uk/bbf/better-regulation/index.html>

New Zealand Ministry of Economic Development.

<http://www.med.govt.nz/buslt/compliance/risbccs/bydate.html>

Australia Office of Best Practice Regulation

<http://www.obpr.gov.au/ris/examples/index.html>

State of Victoria, Australia

<http://www.vcec.vic.gov.au/CA256EAF001C7B21/0/8EC98DC03CC3F798CA256F8B0076A015?OpenDocument>

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