

## The European Union's ENPI Programme for Ukraine

Support for the implementation of the EU-Ukraine Association Agreement / A4U Project

Project Identification No.:  
EuropeAid/137074/DH/SER/UA  
Contract N: 2015/370-128

### **A4U Guidelines N6**

### **(Quick) Guide to Ex-ante Policy Impact Assessment**

Prepared by T. Draskovics, STE of the A4U EU Project. It reflects views of the STE only and not the official position of the Project, let alone the EUD. (Key expert: Dr J. Zakonyi)

January 2018



This project is funded by  
the European Union



A project implemented by Consortium led by  
GFA Consulting Group GmbH



Funded by  
the European Union



Implemented by a  
Consortium led by GFA  
Consulting Group

---

## (Quick) Guide to Ex-ante Policy Impact Assessment

Developed by: Tibor Draskovics, A4U STE

February 2018

Table of content

- Quick Guide to ex-ante Policy Impact Assessment** ..... 1
  - List of abbreviations ..... 4
  - What is ex-ante Policy Impact Assessment? ..... 5
  - What is the Quick Guide aiming to? ..... 5
  - What are PIA basics? ..... 6
  - How to better fit PIA in the “RIA culture”? ..... 7
  - PIA Steps ..... 7
- 2. Setting Objectives ..... 11
- 3. Identification of Policy Options ..... 12
- 4. Impact Assessment of Policy Options ..... 15
  - 4.1 Fiscal Impact Assessment ..... 16
  - 4.2 Administrative Impact Assessment ..... 17
  - 4.3 Economic Impact Assessment ..... 18
  - 4.4 Social and Poverty Impact Assessment ..... 20
  - 4.5 Environmental Impact Assessment ..... 21
  - 4.6 Assessment of Risks and Uncertainties ..... 22
- 5. Comparison of Policy Options and Selection of the Best One ..... 23
- 6. Consultation Process ..... 24
  - 6.1 Consultation stages ..... 24
  - 6.2 Consultation within the CMU ..... 26
  - 6.3 Consultation outside of the CMU ..... 26

## List of abbreviations

<b>AIA</b>	Administrative Impact Assessment
<b>CMU</b>	Cabinet of Ministers of Ukraine
<b>EC</b>	European Commission
<b>EIA</b>	Economic Impact Assessment
<b>EnIA</b>	Environmental Impact Assessment
<b>FIA</b>	Fiscal Impact Assessment
<b>MTB</b>	Medium Term Budget
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PIA</b>	Policy Impact Assessment
<b>RIA</b>	Regulatory Impact Assessment
<b>RoP</b>	Rules of Procedures of CMU
<b>SMART</b>	Simple Measurable Acceptable Realistic and Time Bound
<b>SME</b>	Small and Medium Enterprise
<b>SMCU</b>	Secretariat of Cabinet of Minister of Ukraine
<b>SPIA</b>	Social and Poverty Impact Assessment

# Introduction

---

## What is ex-ante Policy Impact Assessment?

Ex-ante Policy Impact Assessment (hereafter PIA)<sup>1</sup> is an analytical process, conducted at the early stages of policy-making exercise. It comprises a set of logical steps to support the decision-making process by providing evidence-based policy alternatives, forecasting and listing their potential impacts. PIA does not replace the decision-making process but rather informs it in a participatory manner, enriching the substantiation of the best policy option.

It should be noted that this Quick Guide addresses the entire PIA process, which starts from problem definition, objectives' setting and options identification, informing the core step of PIA process – options impact assessment. Therefore, **there should not be confusion between comprehensive PIA, which is described in this Quick Guide and one of its stages – impact assessment.** The sections below will make this distinction clear.

The Public Administration Reform is progressing in 2017-2018. One of the focus areas is the renewal of the policy-making (policy analysis) process. Significant steps have been so far by establishing Directorate Generals in some ministries, the Rules of Procedures of the CMU is under review with the same purpose, trainings are planned for civil servants to support the intended change.

Although, most concepts and instruments of modern policy-making had been introduced (even supported by legislation) in the Ukrainian public administration many years ago, the scope of application has been very limited.

## What is the Quick Guide aiming to?

This Quick Guide is in line with EC Impact Assessment Guidelines<sup>2</sup> and the SIGMA Principles of Public Administration<sup>3</sup>. It is tailored to address the current needs and capacities of the Ukrainian public administration. That is not replacing the existing or planned legislations or more comprehensive manuals, training materials. **It is meant to be a helpful tool for civil servants who are required to develop draft policies and/or impact assessments.**

Mostly PIA is meant to answer two crucial questions: 1. Is the planned CMU intervention justified? 2. Which are the best ways to solve the problems and to achieve the objectives? To help civil servants answering these two questions the Quick Guide provides a range of PIA instruments and techniques that could be used in various cases, depending on the type and complexity of the assessed public policy. **Therefore, PIA as a process could be used in developing different**

PIA is a widely used tool that provides decision-makers with valuable empirical data and a comprehensive framework in which they can assess their options and the possible consequences of their decisions

PIA is a logical analytical process leading to the best solution in tackling problems

---

<sup>1</sup> “Ex-ante” in terms of policy impact assessment means the assessment conducted prior to take decision on policy interventions (origin: Latin).

<sup>2</sup> European Commission Impact Assessment Quick Guidelines, issued on 15 January 2009.

<sup>3</sup> <http://sigmaweb.org/publications/Principles%20-ENP-Eng.pdf>

**kinds of policy documents such as strategies, programs and Policy Concepts<sup>4</sup>. It is a general analytical approach that should be adjusted to the type and nature of the policy document.**

It is important to note that PIA is not a science, but rather an art. Therefore, instead of rigid requirements, civil servants can choose the way to justify the policy options, as long as the substantiation is evidence-based. Techniques that are more sophisticated would be applied for complex policy interventions, whereas for those policies, which have limited fiscal implications or minor impacts would suffice to check against some questions provided for each PIA step.

**The instruments/tools provided by this Quick Guide can also be used in the process of the implementation of the AU-EU Association Agreement.** Although in these cases some steps can be easily skipped, e.g. the objectives are usually set by the agreement or by the relevant EU legislation, the development of details of the implementation still require other steps of PIA. **PIA can and should be used creatively!**

### What are PIA basics?

Regarding PIA, CMU strategies, programs and plans are: i) sources for identification of public policies requiring PIA and ii) platforms for integrating PIA findings, mainly selected policy options. Legal documents are only one of the types of instruments to implement the selected policy options. Measures to prepare specific pieces of legislation should be ideally included in the CMU planning documents only after conducting PIA.

Although, as it was mentioned above, PIA is a process, which could be conducted for various types of policy documents, **this Quick Guide will specifically address the Policy Concept<sup>5</sup> that will embed PIA findings.** The Policy Concept focuses on some specific, policy issues that have not been sufficiently developed in strategies or programs or for which the CMU did not find solutions yet. In other words, Policy Concepts cover the gaps from other overarching policy documents and reflect the evidence-based solutions following precisely PIA requirements.

For example, an Education Strategy might cover all education levels and have objectives and activities to address most of the problems faced in the education system, but might not have clear solutions for some issues, such as how to increase teachers' performance, how to incentivise school enrolment, etc. For these specific issues, for which the CMU doesn't have the response yet, a Policy Concept, which will reflect detailed problems' definition, objectives to be reached, possible options

PIA is an analytical process to be considered for preparation of various policy documents

Policy Concept is a new policy document which will embed PIA, conducted for specific policy issues for which concrete solutions were not found and analysed yet

Policy Concepts have to be planned by line ministries, in cooperation with PPS, drawing from existing capacities and policy needs

PIA and RIA are similar in terms of approach and steps, but differ on the scope of analysis and location in policy-making process – PIA is always preceding RIA

---

<sup>4</sup> Action Plans are not included, because of their activity-oriented nature, which is by definition not the same as the analytical narration required by PIA. However, actions plan might contain activities that derive from PIA or include actions that plan future PIA to be developed for certain policies.

<sup>5</sup> Policy Concept in this Quick Guide means a document summarizing the suggested course of CMU actions for solving a problem or a set of problems (regardless the name/title used).

and their impacts would be developed. The structure of the Policy Concept mostly follows the sequence of PIA steps (see in sections below).

### How to better fit PIA in the “RIA culture”?

Evidence-based policy-making is not new in Ukraine. The Regulatory Impact Assessment (RIA) was introduced as a tool to substantiate the legal drafts (exclusively laws) that have impacts on businesses and citizen more than a decade ago.

The introduction of PIA is not going to alter RIA process. It instead supports RIA through assessing **at the early policy-making stages**: whether legislation is needed or are there other, non-regulatory instruments that could better address the problem. In case the legal tool proves to be the optimal policy choice according to PIA, its findings will inform the RIA report and subsequently the legal draft. Therefore, drafting RIA Reports will become an easier task, with PIA findings in place.

These two assessment processes could naturally complement each other, as they are applied at different stages of the policy-making process, though the logical steps and the associated tools are mainly the same.

### PIA Steps

Ex-ante Policy Impact Assessment includes five consecutive steps, namely:

1. Problem Definition
2. Objectives Setting
3. Identification of Policy Options
4. Impact Assessment of Policy Options
5. Comparison of Policy Options and Selection of the Best One

PIA steps (at the level of line ministries) can be illustrated as follows:

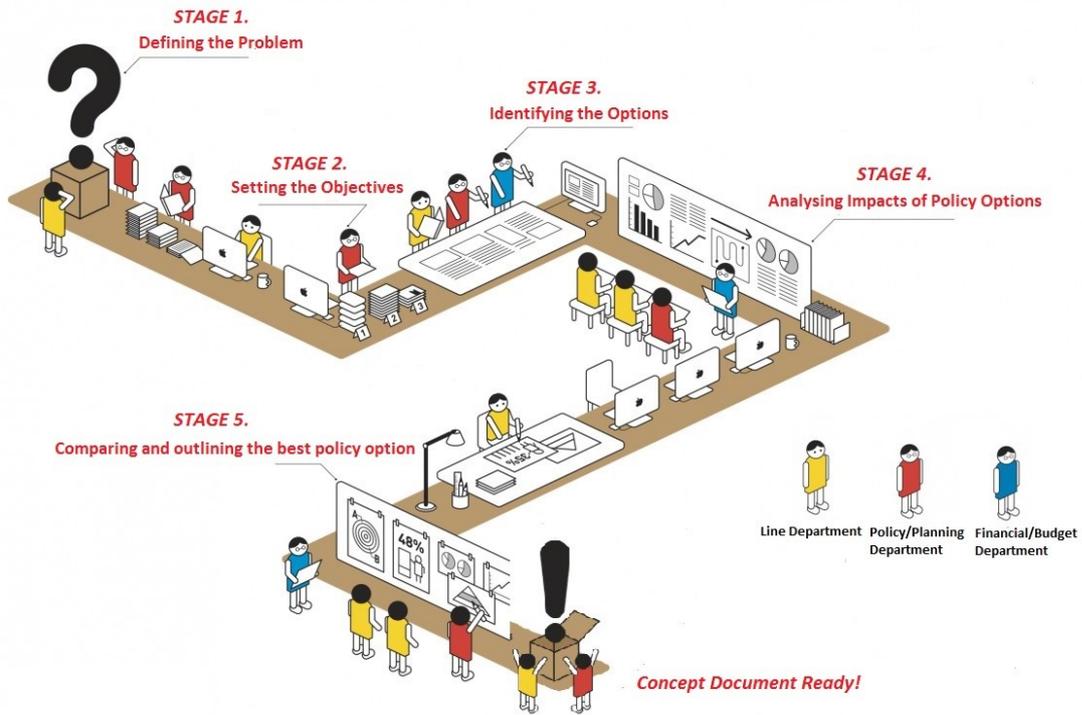


Figure 1. Policy Impact Assessment Steps

Before starting planning PIA, the following should be remembered:

1. The sequence of these five steps is important, however PIA is an **iterative process** – findings generated at a certain PIA stage could suggest making a step back and revising the findings in the previous PIA stages.
2. PIA steps must be followed properly, with the **level of analysis and tools used chosen on the capacity** of the institution – in some cases it will be sufficient answering precisely the questions inserted in each PIA step and use qualitative tools and when capacities are higher the quantitative tools will be used
3. **Notification** of stakeholders at the beginning of PIA process and **consultation** throughout entire PIA exercise are critical (see details in the sections below).
4. **Data** - primary and secondary, qualitative and quantitative are key for better policy substantiation.
5. The whole PIA process should be always adjusted to the specific issue it is linked to. Thus, the depth and complexity of the PIA should be in line with the complexity of the issue. The principle of **proportionality** is to be considered carefully for not wasting time and energy when that is not necessary.

Overall, PIA should be considered necessary for the following types of public policies:

1. **Public policies that introduce significant changes.** These include new reforms or systemic changes to address critical areas (for instance, in the education sector, social welfare, health services etc.).
2. **Public policies that relate to transfers to citizen.** An example would be the public policies to support certain categories of population, such as poor, unemployed, disabled etc. that involve major budget costs.
3. **CMU interventions in the business environment.** These include public policies, such as reduction or increase in the tax rates, provision of subventions etc., which might imply significant fiscal costs and/or compliance costs.
4. **Long-term investment projects.** Road rehabilitation and construction, creation of regenerative energy production plants etc. have significant implications on the budget, economy, welfare and environment.

If many efforts are devoted to establishing PIA, which lacks some of its essential elements, it might well be that these energies are partially or totally misdirected, and PIA becomes a box-ticking exercise or an administrative burden to civil service with no real informative value to decision makers.

The ambition to conduct PIA should be laudable, but the type of policies subject to PIA must be selected with caution

# 1. Problem Definition

---

Detailed and precise problem description allows defining the most appropriate policy options and conduct a sound impact assessment of each option. Problem definition is the first mandatory step in PIA that is reflected in various ways in policy documents (e.g. in strategies and programs problem definition might be summarised in the “situation assessment” section).

This PIA step is about understanding **causes, consequences, nature and magnitude** of the problem as well as defining the **affected groups**. Mainly this PIA step is about explaining why it is a problem, why the existing or evolving situation is not sustainable, and why public intervention may be necessary.

Distinguishing between problem’s causes and effects is crucial to set proper objectives (responding to problem effects) and define the right policy alternatives (responding to problem causes). Without precise distinction of the two, the suggested policy option will not be able to address the “root” of the problem. Thus, cannot be effective. Annex 1 illustrates an example of “Problem Tree” analysis, which is the most frequently used tool for definition of the problem, its underlying causes and effects.

Regarding problem formulation, it should not be formulated as “lack of something” (e.g. lack of law, lack of money etc.), as this iteration could bias the identification of objectives and the choice of policy instruments. On the other hand, it should be sufficiently specific and reflect the causes rather than the symptoms.

Precise definition of the problem is the most critical step of the PIA process as it allows setting appropriate objectives and determining the best policy instrument

Distinction between the core problem, its underlying causes and consequences should be clearly made

## Key Questions to Define the Problem

- ❖ Why does the problem exist? Isn't the problem confused with an effect that it produces?
- ❖ What are the causes that generate the problem?
- ❖ What is the problem's trend? Is it a growing problem? Is the reason known? Are there numbers to confirm this?
- ❖ Who is affected by this problem? Who benefits of it and who is infringed? Are there directly and/or indirectly affected groups by this problem? Are there numbers to confirm this?
- ❖ What is the current public policy that tackles the problem? What specific laws and bylaws are applied? What does work and what does not work? Why?
- ❖ Why is there a need for government intervention? How significant is this problem? Is government intervention necessary? Why Government intervention is the best option for resolving the problems?

## 2. Setting Objectives

The **objectives are responses to the problems defined** in the first PIA step. Without a clear understanding of what a future policy is supposed to achieve, it is difficult to identify choices, and even more challenging to compare policy options. Objectives provide the only effective criteria for assessing the success or failure of the proposed policy options. Without clear objectives, it is also impossible to monitor implementation of the policy and to evaluate whether it has produced the desired effects.

Objectives can be **general, specific and operational**. While general objectives could (but ideally shouldn't) be formulated as some "wishes" (e.g. *improve business environment*) the specific and operational objectives must be sufficiently detailed and measurable, in other words, **SMART** (Specific, Measurable, Acceptable, Realistic and Time-bound). For instance, to improve the business environment the CMU might plan to: *reduce the corporate income tax from 40% in 2014 to 35% in 2016 or reduce the costs associated with business registration from 10 000 Hryvnas in 2014 to 1 000 Hryvnas in 2016.*

In the process of setting objectives, it is essential to bear in mind that they would serve as a benchmark for the monitoring exercise. Therefore, a set of indicators should be considered to support further monitoring, specifically:

- **Input indicators** measure the resources needed to achieve the objectives. These are people, money and time necessary to obtain outputs.

The objectives should be directly related to the problem identified in the previous step, its root causes and consequences

Different types of objectives have to be considered and quantification is a must to inform implementation, monitoring and evaluation

Different types of indicators to measure the progress in reaching objectives have to be considered

- **Output indicators** measure the activities carried out to achieve the objectives. These may be the number of textbooks elaborated and distributed, or kilometres of road built or repaired.
- **Outcome indicators** measure the direct and immediate results of actions carried out to meet the objectives, such as changes in behaviour, skills, abilities or performance. Examples of such outcomes are the trains and buses that fit the schedule, the reduced number of road accidents and the increased rate of school graduation.
- **Impact indicators** measure the effect of a public policy or instruments, such as increasing or decreasing the level of literacy, competitiveness, longevity, water or air quality etc.

### Key Questions for Setting the Objectives

- ❖ What are the objectives of the proposed intervention? What effects we want to achieve?
- ❖ Is the objective relevant in the context of national public policy documents? What is the link between objective and CMU priorities?
- ❖ What measures will lead to achieving the expected results of public policy? How will we know if the results are achieved or not?
- ❖ What measures will lead to achieving the expected results of actions? How will we know if the behaviour has changed?
- ❖ What measures will lead to the expected impact of public policy?

## 3. Identification of Policy Options

That is the stage of PIA when the possible solutions for solving the problem and meeting the objectives are identified and where potential policy instruments are described. In other words, for every problem, there is more than one solution or approach. Considering a wide range of policy options will enable PIA authors thinking 'out of the box'.

Policy options must be closely linked both to the causes of the problem and to the objectives. Options must have an appropriate level of ambition in the light of constraints such as compliance costs or considerations of proportionality.

Overall, state intervention could have various magnitudes.

- major** – creation of a new system, repeal of existing legislation and drafting new legislation.
- moderate** - building new components of the existing system, substantial amendment of existing legislation and.
- minor** - improving the current situation by adjusting some elements of the existing system, slight modification of the law.

It is important to identify a range of alternative options that ideally are mutually exclusive

Theoretically all policy options identified have to reach 100% the objectives, in real life this not always achievable

The magnitude of policy options depends upon the complexity of the problem and/or availability of resources, bearing in mind the leading proportionality principle.

It is important to note that policy options are either state intervention or *status quo*; the latter assumes non-involvement in the existent situation. It is critical to make sure that other policy options are real alternatives to the “*status quo option*” and among themselves. For instance, for a policy where no investment was done so far, some policy alternatives that differ only regarding the amount of money spent (i.e. more money – more policy outcomes) is not acceptable. Also, it should be avoided to “invent” policy options along with the preferred option in order just to tick the box.

From the practical point of view, it is necessary to limit the number of options that are to be analysed. Ideally, there should be not less than three, including the “*status quo option*”, the latter, although it may not be a preferred option, is a useful benchmark for comparison against other identified options.

Civil servants developing the Policy Concepts should also consider policy options that are alternatives to “traditional” regulatory instruments. They may be selected from a variety of economic, information and organisational tools and coercive, restrictive or incentivising instruments. Broadly, there are four types of public policy instruments that must be considered in identifying the policy options:

1. **Informative instruments** (information, awareness and education campaigns etc.).
2. **Financial Instruments** (provision of grants, guarantees, transfers etc.).
3. **Administrative instruments** (setting-up institutions, assigning managerial, coordination, advisory roles etc.).
4. **Regulatory instruments** (traditional prescriptive legislation, self-regulatory mechanisms, performance-based regulation).

It is very important to note that although most of the decisions taken by policy makers may require drafting a legal act, not all acts contain some regulatory provisions. Therefore, the administrative instruments should not be confused, for example, with the regulatory ones; the former might be embedded in a legal act, but they do not contain regulatory norms or rules, which could be found in regulatory instruments.

The PIA process from the decision for drafting the Policy Concept until its implementation depending on the types of instruments used is illustrated in the Figure 4 below. The diagram reflects the place of RIA in the policy-making process, to better understand the correlation between RIA and PIA. It is important to mention that if no PIA was made, a standard RIA process is applicable (for legislation, as it stays now) and if RIA follows PIA, the latter will be simplified regarding procedural requirements.

There is a range of policy instruments to tackle the defined problem and the set objectives

Although regulation is often considered the most appropriate instrument, it should not be automatically the only choice in all circumstances

The identification of options starts from thinking large and draw up an extensive list of possible options and narrow it down, bearing in mind the following:

- **All policy options must be realistic.** PIA authors should avoid the trap of considering only the 'no new action option', the 'preferred option', and an 'extreme option', which is not credible.
- **Even if an option seems to be a clear front-runner, other promising options should not be excluded outright.** It is important to consider how the impacts of this 'front-runner' will vary if key parameters change, e.g. allowing more time for objectives to be met or aiming for ambitious objectives.
- Where legislation is already in place, **better enforcement and implementation** should always be considered, perhaps with improved guidance.
- **Where legislation is already in place, a 'doing less' option could be considered.** If existing measures do not produce the desired effects, creating a new instrument may not be the best remedy. Streamlining, simplifying or even repealing the current legislation might provide better results.
- **Policy options that can count on considerable support have to be examined closely,** bearing in mind that public and/or political support alone cannot be the sole determining factor in defining and analysing alternative options. On the other hand, policy options that do not have considerable help from a certain sector should not be discarded too quickly.
- **Policy options should be 'complete' and sufficiently well developed.** It is important avoiding 'bundling' individual elements/sub-options of different options into a 'preferred' option after the analysis, as this makes it difficult to assess the impact of the preferred option against the baseline.

#### Key Questions for Identifying the Policy Options

- ❖ Have all possible alternatives been considered? Has the option „no intervention” been examined?
- ❖ Have there been examined other options than those regulatory?
- ❖ What are the best options to solve the problem?
- ❖ Do options use a regulatory tool, has its application and, where appropriate, sanctions been examined?
- ❖ Have incentives been examined along with restrictive options?
- ❖ Can the civil society, private sector and donors be involved in the implementation process or the problem can be solved only with CMU efforts?

## 4. Impact Assessment of Policy Options

---

The next step, which is the most demanding and important, is the assessment of various impacts of the identified policy options. The purpose of this PIA stage is to determine the strengths and weaknesses of **all** policy options that are considered through the comparative assessment of the following types of impacts:

1. Fiscal Impact Assessment
2. Administrative Impact Assessment
3. Economic Impact Assessment
4. Social and Poverty Impact Assessment
5. Environmental Impact Assessment

It is important to mention that all policy documents require conducting impact assessment. However, strategies and programmes covering some specific sectors/topics might not need to include all these five types of impact assessments (e.g., a Strategy on education would not require environmental impact assessment). Following the overall Quick Guide approach, below the focus will be on the impact assessment required for the Policy Concept.

The depth of impact assessment may vary depending also on the types of policy options, data availability and civil servants' capacity, bearing in mind, of course, the proportionality principle. **All options have a cost** that is covered either from the budget or by donors, or by some companies (e.g. in Public-Private Partnerships) and contractors. **However, some options, depending on their nature could have no administrative, social, economic or environmental impact.** If the option does not have certain impacts, this should be explicitly mentioned and elaborated thoroughly in the Policy Concept.

It is important to note that each option involves an uneven **distribution of costs and benefits to society**. Some individuals, groups, regions or sectors will benefit more, other less. The likely impacts of specific options may be ambiguous - some layers of population may bear the costs, others could benefit, while others may not be affected at all by the policy option. For example, the increase of individual taxes will help raising budget revenues, which could lead to increased transfers to some industries/sectors or groups but will represent a cost to taxpayers.

The **cost** of a policy option covers the needs to perform actions and to meet the objectives. For instance, as far as a state investment project is concerned, the cost is the state's investment that will subsequently bring benefits. Costs can be **direct** or **indirect**. Fiscal impact analysis estimates the direct costs of policy options. At the same time, economic impact assessment, addressing compliance costs refers to indirect costs estimation, which are not borne by authorities or those who benefit from the policy option, but rather by other categories that must comply with

The impact assessment of each of the policy options, including status quo is a crucial PIA step

This step helps to supply information about likely impacts across five main policy dimensions, as well as potential trade-offs and synergies

Some policy options might not have certain impacts, therefore the principles of proportionality are especially relevant for this PIA step

If some policy options clearly do not have any specific type of impact among these five, it should be mentioned and elaborated thoroughly in the Policy Concept

It is important to assess the likely direct and indirect impacts of the policy options and their distributive effects across society

it. For example, tightening work security in companies imposed by the CMU new rules will have a cost borne by employers, whereas employees will benefit from it by avoiding accidents and injuries at the workplace.

The **benefits** of a policy option are closely linked to its objectives. For example, if the objective is to reduce air pollution, a successful policy would aim for benefits expressed regarding clean air and reduced pollution. Benefits can be **tangible** and **intangible**. Estimating the level of corruption, freedom of speech or judicial independence is not an easy task - the benefits of policies in these areas are difficult to determine. These benefits are intangible, unlike tangible benefits, such as the level of exports, number of beneficiaries etc.

Below are described the requirements for all five types of impact assessments to which each policy option, including status quo should be subjected.

#### Key Questions for Impact Assessment

- ❖ What will achieve each proposed intervention? What will be the consequences (positive and negative)?
- ❖ What is the magnitude of the effects? When the impact will occur? In some situations, long-term benefits outweigh the short-term risks and costs.
- ❖ Will there be some effects/consequences/results disproportionate for any specific population group? Will this affect the successful implementation of each of the policy options? What measures will be taken to minimize these risks?
- ❖ What are the indirect consequences (positive and negative) of each option? What are the costs and benefits (tangible and intangible) of each option? Has it already been agreed upon these resources? Are they higher than authority's budget?

#### 4.1 Fiscal Impact Assessment

Fiscal Impact Assessment envisages the impact of policy options on the (annual) budget and Medium-Term Budget (MTB), notwithstanding the latter is only being accommodating in the budgetary process. It is particularly important for PIA authors to be aware of budgetary implications of all policy options, and to attempt adjusting the policy options within existing budget ceilings.

It is important to mention that notwithstanding the type of the policy document, this is the only type of impact that is compulsory and costs (and generated revenues) of all policies should and could be estimated. However, for the strategies and programs the cost might not be as precise as for the Policy Concept (to which this section greatly refers), because of the broader scope the former has.

**It is critical that the CMU be aware of the budgetary implications of all the options under consideration (even beyond three years' period long-term policies), so that the option that is approved is either affordable within existing allocations or is of high enough priority and benefit to justify reallocating funds to ensure implementation.**

The Ministry of Finance regulates the detailed methodology of Fiscal Impact assessment. That is to be followed, however its scope might not be broad enough.

## Key Questions for Fiscal Impact Assessment

- ❖ What will be the effect of the implementation of the policy option on the national budget?
- ❖ What will be the effect of the implementation of the policy option on international financial obligations of the state?
- ❖ What will be the costs of introducing the changes brought about by the implementation of policy option (setting up new institutions, restructuring of the existing institutions and training of civil servants) expressed in capital costs, current tangible costs and wages?
- ❖ Will additional funding be needed and from what source? Is it possible to finance expenditure through the redistribution of the funds already available?
- ❖ What will be the effect of the implementation of the policy option on the expenditure of other institutions?

### 4.2 Administrative Impact Assessment

PIA authors should also consider the administrative implications of policy options (i.e. considerations whether new legislation, creation of public bodies, adjustments to the planning documents, changing existing functions etc. are needed).

The Administrative Impact Assessment includes considerations on both immediate and long-term issues, which do not seem evident at first sight. This assessment is critical for planning organisational needs and resources for implementing policy options. By including detailed implementation needs in the Policy Concept may raise the cost of policy options, reduce their efficiency, create delays, and even affect implementation due to the overall reluctance to accept change. However, these implementation needs will support risk mitigation and will increase feasibility of the policy options.

Specifically, the Administrative Impact Assessment includes consideration of the following aspects:

- New legislation or amendments to existing regulation and/or additional regulations to the existing ones. It is important to analyse the likelihood of smooth introduction of legislative changes and the possibility of behavioural change of targeted groups and whether they are going to trigger unintended consequences. For example, increasing taxes on tobacco items, in addition to rising prices on cigarettes and reducing the number of smokers, might encourage smuggling, which would require administrative interventions to counteract.
- Enforcement mechanisms of the policy choices that might be needed - sanctions, penalties, disciplinary, civil, administrative or criminal responsibility.

When conducting Administrative Impact assessment, it is important to reflect upon legal, institutional and human resource implications of the policy options

AIA is about analysing the feasibility of all policy options and considering all required activities for implementation

- Organizational arrangements and associated requirements – involvement of subordinate agencies, local CMU bodies, NGOs etc.

Policy options should not be excluded due to high administrative implications, but instead, it would be advisable to identify counter-measures that would remove the high administrative burden. These considerations are critical, particularly given the need to prepare the action plan for the preferred policy option and the monitoring and evaluation framework.

The AIA (together with Economic Impact assessment) is closely linked to the concept of “Better regulation” and can support to achieve the goals for reducing the “Red tape”, the unnecessary administrative burden on citizens and businesses.

#### **Key Questions for Administrative Impact Assessment**

- ❖ Will the policy option introduce a new system of administration or whether this sector is partly regulated by legal acts already in place?
- ❖ Are the existing public administration institutions capable of implementing each policy option?
- ❖ What restructuring (expansion, restructuring, elimination, changes of functions/subordination, improvement of tangible assets, etc.) shall have to take place within the already functioning institutions of public administration and what is the timeframe of the implementation of the restructuring?
- ❖ To what extent training is needed for civil servants and the employees working according to the employment contracts in the institutions of public administration? Who will be responsible for the training of civil servants or employees working according to the employment contracts in the institutions of public administration?
- ❖ How many more civil servants or employees working according to the employment contracts in the institutions of public administration will be hired to implement the policy option?
- ❖ What new institutions will need to be set up and how much time will it require to implement the policy option and ensure its subsequent enforcement?
- ❖ Is the policy option in compliance with the provisions of the Constitution of the Republic of Ukraine, international treaties, existing policies, national legislation and legal acts subordinate to the laws?

### 4.3 Economic Impact Assessment

A large part of public policies developed and implemented by the CMU has impact on the economy. Many state interventions can foster or impede business creation and development, which ultimately is reflected in the country's competitiveness and economic growth. Unlike the Fiscal Impact Assessment, which estimates budgetary implications of the policy choices, the Economic Impact Assessment estimates the costs and benefits of policy options on the economy in general and economic agents.

In this step of the Policy Concept authors should look at the policy choices' impacts on competitiveness, productivity and competition. For example, increased subsidies to the wine sector could contribute to increased competitiveness of wine production, the resources being

invested in upgrading and improving the quality of wines. At the same time, this policy choice could be sensitive - providing grants to a sector may lead to placing this sector in more favourable conditions than other sectors not covered by grants, thus creating market distortions and unfair competition (let alone state aid issues).

Impacts on companies, especially on small and medium enterprises is significant because these constitute the foundation of a healthy economy in the country. Therefore, any intentional or unintentional impact of the policy options on SMEs production, technological development, innovation etc. should be considered.

Businesses and citizens are subject to various requirements and obligations derived from the requirement to comply with a policy. It is therefore important to examine the effects of policy options on individuals and businesses and whether these impose an unnecessary administrative burden. To assess compliance costs, PIA authors should identify the relevant activities, which citizens and/or companies must perform in connection with each option.

There are two main types of **compliance costs** that must be considered in conducting Economic Impact Assessment: a one-time cost and recurring costs.

There are some methods to conduct the EIA, like the “standard cost model”, the cost-benefit analysis, the cost-effectiveness analysis etc. Also, the World Bank Poverty and Social Impact Analysis also PSIA often requires the combination of a variety of complementary tools, some of which can also involve the integrated application of both social and economic methods.<sup>6</sup>

Analysis of Fiscal Impact allows estimating the costs and revenues of policy options on the budget

Analysis of Administrative Impact allows envisaging all implementation related aspects

Analysis of Economic Impact is meant for reflecting the compliance costs of policy options and their effect on the economy

Social and Poverty Impact Assessment shows the policy effects on those who are poor or are at risk of falling into poverty

Environmental Impact Assessment is relevant for a range of policy options on infrastructure, agriculture and energy that affect the environment and health

---

<sup>6</sup> Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:22186262~menuPK:1108016~pagePK:148956~piPK:216618~theSitePK:490130~isCURL:Y,00.html>

## Key Issues to Address in Economic Impact Assessment

- ❖ On overall business environment and/or different business sectors
- ❖ On businesses: how much additional non-recurring costs (for capital, training, and other purposes) will be required; to what extent their current expenses will increase?
- ❖ On businesses: how will this affect future investment decisions and the development of production and services; what impact is expected on business enterprises in other sectors?
- ❖ On competition among enterprises in external and/or internal market
- ❖ On general productivity (output, returns, etc.)
- ❖ On introduction of innovations in enterprises
- ❖ On general export opportunities (export market in geographical terms)
- ❖ On the development of small and medium enterprises in quantitative terms
- ❖ On the profitability of a sector and/or enterprises according to different groups on consumer rights
- ❖ On the purchasing power
- ❖ On changes of production input
- ❖ On the indexes of prices of goods and services
- ❖ On the use of production capacities
- ❖ On the skills (qualifications) of labour force

### 4.4 Social and Poverty Impact Assessment

The primary purpose of the SPIA is to identify policy options' impact on individuals or groups of persons who are in difficulty or whose situation could be worsened in case of policy intervention.

The affected groups are in many cases vulnerable groups, such as single parents, families with many children, older adults, groups living on various allowances (unemployed, people with low incomes), disabled people, rural or urban minorities, homeless etc. However, consideration for other categories of people that are not vulnerable but could be affected by the policy options is also important. In assessing the impacts, attention should be paid to those who face multiple disadvantages, such as large families with low income and unemployed persons.

Several sectors/areas would more likely require consideration of SPIA - education, health, housing, employment etc. Most sensitive to this kind of impact are social policies, which are also called re-distributive. For example, the public policy on providing targeted compensations aims at supporting vulnerable groups. But that may also create inclusion errors, such as helping people who, although belonging to a particular targeted category, are not poor, or to exclusion errors, such as the omission of certain persons who are not part of the established groups, but are poor. In this context, it is necessary to reconsider the public policy, so that these errors are omitted.

Economic policies could also generate social impacts. For example, the decision to build a railway may lead to increased employment, and, thus, to lower unemployment, but at the same time, could force households, which are located along the railway to change their residence.

Gender Impact Assessment could also be considered because gender inequalities, their causes and consequences are not always apparent, but can create serious problems if not addressed

in advance. The depth of Gender Impact Assessment depends on the type of policy option<sup>7</sup>. The preliminary test for determining the need for a more in-depth analysis of gender impact refers to an answer to a crucial question: Does the policy option have differential impact on women and men? If the option generates a gap of at least 20% for/against women or men, then it is necessary to conduct a full gender analysis. More relevant information on the Social and Poverty Impact Assessment could be found in EC Guidance for Assessing Social Impacts and WB Poverty and Social Impact Assessment Toolkit<sup>8</sup>.

#### Key Issues Addressed in Social and Poverty Impact Assessment

- ❖ On different social groups (socially vulnerable people, the youth, young families, children, the elderly, etc.)
- ❖ On labour market and employment (changes in unemployment rates, redundancy, jobs lost or newly created, requirements set by the labour exchange for training or upgrading of qualification, etc.)
- ❖ On equal opportunities (equal employment opportunities of men and women, the opportunities for the disabled to participate in different sectors of public life, etc.)
- ❖ On labour relations and labour conditions
- ❖ On the dialogue between social partners
- ❖ On consumer prices and residents' income and expenditure in real terms
- ❖ On poverty level
- ❖ On social exclusion and inclusion
- ❖ On social situation in different regions
- ❖ On social benefits and their financing possibilities
- ❖ On the budget of social insurance fund
- ❖ On social support system and access to social support

#### 4.5 Environmental Impact Assessment

Many policy options have no impact on the environment or have little impact. There are, however, policy options, particularly in industry, agriculture, energy and transport sectors, which may have a significant impact on the environment.

Assessing the environmental impacts is important through the lenses of the policy effects on people's health and sustainability in a broader sense. European Commission differentiates

---

<sup>7</sup> Gender impact assessment relates to gender mainstreaming agenda. This type of analysis requires sex-disaggregated data. If the proposal relates to more target groups as well as to daily lives of the public with existing differences between men and women, it is likely that gender IA is required.

<sup>8</sup> Sources: [http://ec.europa.eu/smart-regulation/impact/key\\_docs/docs/guidance\\_for\\_assessing\\_social\\_impacts.pdf](http://ec.europa.eu/smart-regulation/impact/key_docs/docs/guidance_for_assessing_social_impacts.pdf) and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPSIA/0,,contentMDK:20466271~menuPK:1108016~pagePK:148956~piPK:216618~theSitePK:490130,00.html>

between environmental assessment undertaken for individual projects such as a dam, motorway, airport or factory ('Environmental Impact Assessment') or plans, programs and policies ('Strategic Environmental Assessment')<sup>9</sup>. More relevant information for conducting Environmental Impact Assessment could be also found in the WB Environmental Impact Assessment Sourcebook.<sup>10</sup>

### Key Issues Addressed in Environmental Impact Assessment

- ❖ On air, water, resources of wildlife and inanimate nature (forests and earth entrails), ecosystems, landscape and biological diversity
- ❖ On people and their health
- ❖ On immovable cultural heritage
- ❖ On recreational resources
- ❖ On the use of territories; is it in line with the requirements established for the use of territories?

#### 4.6 Assessment of Risks and Uncertainties

In conducting PIA, civil servants tend to believe that there will be a relative stability within public administration during the implementation of the public policy. In reality, however, unforeseen or foreseen events or circumstances may emerge. Risks and uncertainties must be considered by PIA's authors. The risks are those situations where probabilities can be set for an event to happen and uncertainties are those situations, in which probabilities are not known. For example, drought is a risk for agriculture, because its possibility is known and is very high. However, the losses caused by drought may be only assumed, being highly uncertain. Analysis of risks and uncertainties should be crosscutting at all PIA steps.

Assessments covering only the immediate future, such as the next year's budget, may be more accurate, but could result in "short-sighted" decisions. However, for most policy choices, the nature and magnitude of impacts cannot be predicted with certainty, especially when they cover a longer period.

The analysis of acceptability and feasibility of an option can be based on quite real assumptions and estimates, which however are not entirely accurate. These may be optimistic or unduly pessimistic. For example, assessing the capacity to assimilate the economic subsidies may be underestimated, and estimating the number of families who bring their children for vaccination may be over-estimated. Also, risks might include considerable resistance from the companies identified during consultations, lack of funding planned from donors, reluctance of the CMU to uptake the commitment or Parliament to adopt necessary legislation.

It is useful for decision makers to know how much confidence to put in an estimate, or how much the reality might vary from the estimate put forward. These are generally qualitative assessments that need to be introduced into the analysis of options. Civil servants who are unaccustomed to

<sup>9</sup> Both have elaborated methodologies that can be found on the web site of the European Commission <http://ec.europa.eu/environment/eia/home.htm>

<sup>10</sup> Sources: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=EN> and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTENVASS/0,,menuPK:407994~pagePK:149018~piPK:149093~theSitePK:407988,00.html>

giving policy advice may find themselves providing unduly pessimistic assessments, to avoid responsibility for reform proposals. Alternatively, those who are attempting to promote a preferred policy option will be tempted to provide very optimistic estimates, for example of compliance or revenues.

The method of developing “optimistic” and “pessimistic” estimates will depend upon the circumstances of each case and will call for judgement by the civil servant based upon the information that is available as part of the impact assessment process. These alternative scenarios will help the decision makers see the range of possible effects. It will be essential, therefore, for civil servants to collect as much reliable evidence as they are able about the population groups at whom this proposal is directed.

Comparing options after analysing their possible impacts allows consideration of the strengths and weaknesses of each of the policy options

This stage leads to the conclusion to be drawn that one option stands out above the others

However, the final decision on whether, and how, to proceed is a political one

## 5. Comparison of Policy Options and Selection of the Best One

---

The last PIA step refers to the comparison of policy options to determine which will be the best option recommended to policymakers for approval. The purpose of this stage is to compare the strengths and weaknesses of each option to decide which one is most effective in achieving the objectives, having fewer or insignificant shortcomings. At the same time, PIA authors should bear in mind that there is no perfect policy option. All options have advantages and disadvantages.

There are several qualitative and quantitative techniques to compare options (Annex 1). An easy qualitative method that can be used by any public official is the Multi-criteria analysis, which allows assessing options considering the different types or aspects of the impact, each of them having their own weight. This method is especially useful in those cases when the impact of policy options is difficult to quantify or monetise.

The most important quantitative techniques are the cost-benefit analysis and cost-effectiveness analysis. The cost-benefit analysis is a comprehensive estimate of costs and benefits to society. This analysis is very suitable for policy choices that have a strong economic component – whose costs and benefits are tangible and can be quantified and monetised easier. For most public policies, costs and benefits, cannot be quantified and monetised, as required by traditional cost-benefit analysis. In these cases, an alternative is to apply cost-effectiveness analysis, which is only monetisation of costs, the benefits being translated into quantitative values, such as units and percentages. For example, the cost of increasing unemployment benefits can be monetised, and the benefits will constitute the number of unemployed people, the unemployment rate or the unemployment income growth rate, depending on the purpose of the public policy.

Overall, this PIA stage implies the comparison of the relevance, efficiency, effectiveness and sustainability of all policy choices developed in the previous PIA stages. However, a lot in this stage is about the **common sense** – the PIA authors must engage stakeholders into discussion and agree on the best policy option that is accepted by everybody (or most of the participants), notwithstanding which comparison criteria have been used.

The final decision about the option to pursue rests, however, with the political level. There may well be political considerations that could result in choosing a different than the recommended option.

An important, sub-step is to detail the practical steps for implementing the selected option, with a designation of who is responsible and a time frame for delivery and the monitoring and evaluation arrangements.

Systematic consultation is an integral part of PIA to increase democratic legitimacy and a broad representation of interests in the policy making process

**The steps in this stage could be summarized as follows:**

1. Consider all positive and negative effects of each option in relation to each other, regardless whether they are expressed in qualitative or quantitative or monetary terms
2. Outline the arguments for and against each option
3. Make comparisons among the options on each of the criteria and characteristics, such as benefits, fiscal impact, implementation, effect on the economy, effect on poverty, responses from stakeholders and risks and uncertainties.
4. Summarize key conclusions about each option that can be used to inform the Concept
5. Prepare the action plan for the implementation of the selected option and the monitoring and evaluation implications

## 6. Consultation Process

### 6.1 Consultation stages

Consultation allows producing high quality and credible policy documents, increases the legitimacy of the CMU among the citizen and leads to sounder decisions. Consultation process is required and regulated by current and drafted legislation, including the RoP.

But consultation is much more than “mandatory exercise” it is the interest of the policy/PIA author to collect information that would not be available otherwise, learn possible impacts only the affected stakeholders could identify and know opposing arguments early enough. Consultation is not just obligatory, but fundamentally useful.

It is not a one-off event, but a dynamic process consisting of four basic steps, specifically:

1. **Planning consultation at the early stages of drafting the Policy Concept.** Planning starts with developing a consultation plan, which will include the timeline for the consultation process, milestones and tools utilised to informing, consulting and engaging stakeholders in preparing the Policy Concept. The choice of tools is extensive, ranging from setting up working and expert groups to conducting focus group discussions, open debates, ad hoc meetings, consultation via internet, questionnaires etc. This diversity may result from differences in approach, different types of expertise, different institutional affiliations, theoretical vs. practical experience, or contrasting opinions over the assumptions underlying the policy.
2. **Conducting a stakeholder analysis and ensuring all important actors are engaged.** The stakeholder analysis allows identifying organizations, groups and individuals that are important or influential and could bring value added to the process<sup>11</sup>. The target groups range from public, a specific category of stakeholders that could be affected by the policy options or involved in implementation or designated individuals who could share knowledge and experience on the analysed topic.
3. **Ensuring stakeholders could provide feedback at all PIA stages.** The key is to make sure stakeholders have time for giving feedback and get clear and concise consultation documents that include all necessary information on the matter discussed. Ideally, stakeholders must be involved in debating the draft Policy Concept early in the preparation process, so that the feedback is generated for all PIA steps. However, if this is not possible, an extensive public consultation on the draft Policy Concept before submission to SMCU is required.
4. **Analysing stakeholders' contributions, providing feedback and describing the consultation process in the Policy Concept.** Besides collecting feedback, the responsible line ministry has to make sure inputs are adequately analysed, integrated in the draft and stakeholders are briefed whether their suggestions have been considered. The summary of the consultation process has to be included in the Policy Concept.

Stakeholders' analysis helps to identify the people, groups and organizations that play an important part in the policy formulation and implementation and may be either positively or negatively affected by the reforms or are able to influence the outcome of the reform by supporting or opposing it

There are mainly **two types of consultation**:

- Consultation with experts in line ministries and other organisations
- Consultation with external stakeholders

---

<sup>11</sup> More on stakeholder analysis technique could be found on the WB link:  
<http://www1.worldbank.org/publicsector/anticorrupt/PoliticalEconomy/stakeholderanalysis.htm>

## 6.2 Consultation within the CMU

As it was mentioned above, the consultation within the CMU is fully regulated by existing legislation. This section is based on current procedures but includes some additional consultation requirements that would accommodate PIA in the policy-making process.

**The Policy Concept is an output of the line ministry.** In practical terms, it is drafted by one or more-line units of the responsible ministry. The main author is the sectorial unit/s, which deals with the matter addressed in the Policy Concept. To support the sectorial unit/s in conducting the fiscal impact assessment and define the legal implications the financial and legal units should also be involved in PIA process. Civil servants conducting impact assessments should report directly to a principal decision maker, which will allow the analysis to reflect political priorities and realities.

During the process of developing the Policy Concept, **the responsible ministry has to consult relevant CMU institutions**, mainly if the matter addressed is cross-sectoral. It is not practical to leave discussions with other line ministries to the final stages of PIA development, because as important findings could be missed.

Consultation with other ministries is an instrument of the broader coordination process. Policies while being developed should be coordinated with other policies already in the implementation phase or just being developed. Coordination means identifying links to other policies, potential conflicts or synergies and mutually aligning them for the optimal outcome. Even if the policies are not contradictory, the resources might not be enough for implementing all of them. In more practical terms: no policy could be developed in a “silo”, focusing on its “own” objectives, but should look at the “bigger picture”, at all policies that are or might be linked. If at the level of the responsible ministries cannot achieve the mutual alignment, the decision should be made according the dispute resolution process regulated by the RoP. The PIA itself is a useful instrument for identifying conflicts and synergies.

## 6.3 Consultation outside of the CMU

Consultation with external stakeholders is crucial to inform both targeted groups and experts about planned policy interventions, enrich the Policy Concept content, as well as check and informally validate the policy options. Existing legislation requires informing the public, consulting stakeholders and addressing claims.

The decision which organisations, groups and individuals (both affected and benefiting from planned policy intervention) outside of the CMU will be engaged in the consultation process will result from the stakeholders’ analysis (see step 2 of the consultation process).

It is essential to assess the capacity and willingness of stakeholders to express their views. When the stakeholders have been identified and categorized, it can be useful to evaluate them

Involving the external stakeholders at early PIA stages contributes to the improvement of the Policy Concept and prevents the critical views at the late elaboration stages

The Policy Concept is drafted by the sectorial unit of the ministry

It is advised to set-up an interministerial working-group for discussing the Policy Concept at each PIA stage

There are several ministries that must be obligatorily consulted in the process of developing the Policy Concept

according to their interests or to whether they will be positively or negatively affected by the policy options.

**The responsible ministry has to select from a range of consultation methods (see step 1 of the consultation process) that will be used to engage external stakeholders in discussing the Policy Concept.**

Depending on the nature of the issue the responsible ministry may go further than required by the regulations in consulting with the public. Largely there are two widely used method, namely:

1. Submitting the draft Policy Concept for notice-and-comments

The responsible ministry might most commonly use the notice-and-comment procedure, which takes the form of notifying stakeholders and/or the public of a proposal and inviting comments by a stated date. Written consultation can take different forms, depending on the nature of the policy. Whether widespread or restricted, written consultation needs to be based on a consultation document published by the responsible line ministry.

It is important to provide sufficient time for the notice-and-comment procedure. Too short a period for response affects the quality and usefulness of responses. Civil servants may complain that the timetable for policy-making does not allow longer consultations, but it is made much more achievable if a timetable is planned when the development of a policy begins, and time for consultation is built into the timetable.

2. Using deliberative consultation methods, such as workshops, public debates, focus group discussions etc.

Essentially, a deliberative mechanism is any meeting - workshop, roundtable, public meeting, or focus group -- at which policymakers meet with stakeholders or the public to hear their views directly. Their big advantage is that they allow for questions and dialogue: stakeholders and members of the public can ask questions of the civil servants (or the minister), who in return can ask the respondents to explain more deeply the reasons for their opinions. These can be valuable and revealing forms of consultation, but they usually take time and other resources to set up and implement.

Informal contacts with experts may provide quick results. These are often appropriate at very early stages in the policy process and for non-sensitive questions. On the other hand, plurality in the composition of working groups and committees encourages brainstorming about ideas, stimulates debate and leads to substantiated arguments and opinions. This range of views should result in a better-quality policy product and will add to the credibility of the process. It is important to remember, however, and to remind experts that they do not necessarily represent the public interest or the concerns of citizens. CMUs will, in the end, determine the balance of policy. Experts need to understand that the final decision will rest with political leaders, and that their advice may not be adopted in full or in part.

Consultation does not stop with getting feedback from external stakeholders but rather with considering the feedback, adopting it and notifying the external stakeholders about the adoption of the feedback, as well as responding to the suggestions that have not been adopted, justifying the decisions not to adopt certain feedback

Notwithstanding which consultation method is chosen, it is important to notify and involve the stakeholders at early elaboration stage (see step 3 of the consultation process). A simple way is to set up an e-mail notification system and e-mail policy groups, which improve communication. The notification system can be made public by having a list of issues on which a ministry is currently working available on its websites (and/or the CMU official site). In this way, external interest groups and experts are aware of the work and prepare themselves to participate in consultation at a later stage. This means that each time a line ministry intends to start work on a Policy Concept, it **notifies the stakeholders by sending out a brief bulletin**. That includes a summary, preferably no more than one page long with a description of the issue, proposal or problem being addressed and a preliminary time frame within which the work is to be conducted

**Once people have taken part in a consultation exercise, they will naturally want some feedback on the outcome.** Good feedback will tell those who were consulted the overall findings of the consultation and explains how these findings have been considered. A standard email or letter can be useful for this. And once the CMU finally agrees on its proposal and announces it to the public, the ministry should out of courtesy again notify this to those who responded to the consultation (see step 4 of the consultation process).

**In analysing stakeholders' feedback,** it is essential to:

- ❖ Identify the main issues that people see as significant (which may not be the same as the issues the ministry sees as important).
- ❖ If possible, try to identify the main reasons why people reacted to the policy option as they did.
- ❖ Focus on qualitative rather than quantitative responses. People who respond to consultation events are not necessarily representative of the population, so there is no point in striving for spurious precision (e.g. precise percentages for and against options), which are likely to be misleading. The important thing is to give some approximate idea of the overall balance of reactions from the public, for and against (e.g. approximately half of respondents were in favour, one third against and the rest expressed no preference).
- ❖ Be prepared for unexpected responses – for example those that raise issues not previously considered by the CMU. If these raise significant or substantial points, be prepared to change the outline structure that you had intended for your report to reflect them.
- ❖ Do not suppress information or try to "bend" the responses to fit into any preconceived solution. Consultation is valueless if it does not give an accurate picture of the views of stakeholders and the public.

The consultation process has to be summarized in the Policy Concept, therefore it is important to keep the track of the process from early stages

No matter what the result of the internal and external consultation was, the final decision lies with the political actors that have to endorse the preferred option and communicate it to the public