



# MANUAL ON REGULATORY IMPACT ASSESSMENT

**SHORT VERSION** for the public service use  
in the Republic of Armenia

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of the Republic of Armenia



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# 1. Why should this manual be read? How the manual works?

Developing of regulatory impact assessment (or Ria) of draft legal acts is a part of the structural reforms program of the Government of the RA aiming to improve national competitiveness. The legal basis for Ria was created in 2008 by introducing amendments in the Article 27.1 of the Republic of Armenia Law on Legal Acts and by establishing a mandatory requirement for conducting regulatory impact assessment of the draft legal acts. This provision came into force on January 1, 2011. Currently in Ria is conducted in 7 sectors by 6 ministries; The Ministry of Economy, The Ministry of Justice, The Ministry of Labour and Social Affairs, The Ministry of Healthcare, The Ministry of Finance and The Ministry of Nature Protection.

To be able to fulfil their legal obligations in the field on impact assessment Armenian civil servants need to be familiar at least with the basics of Ria. The objective of this brief manual is to present that basic information in a nutshell. The manual also aims to support the implementation of the RIA concept paper by describing the different types of impacts and providing tools for identifying these impacts as well as methods for their analysis. Details and background information on the RIA are available in the longer version of the manual.

## 2. The impact assess

### 2.1. The impact assessment process and regulatory impact assessment

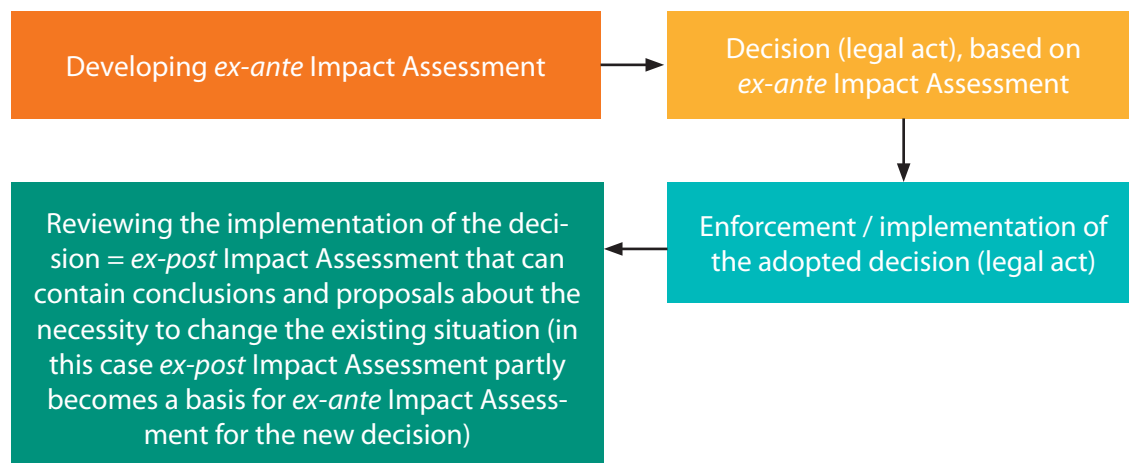
Impact Assessment (IA) is a tool which helps to assess the potential (*ex-ante* stage) or already created (*ex-post* stage) consequences – benefits, costs and effects – of a policy or a regulation. Thereby IA is an instrument that helps:

- 1) to inform politicians and public administration itself about the consequences of decisions **before adoption** of a policy, regulation, or legal instrument;
- 2) to inform politicians and public administration itself about the consequences of decisions that **have already entered into force**;
- 3) **to give appropriate information** about the consequences of potential or already performed Government's intervention **to the society, its specific interest groups and stakeholders**.

The general aim of IA is to assist governments in making their policies more efficient. IA supports the process of policy-making by providing valuable empirical data to policy decisions.

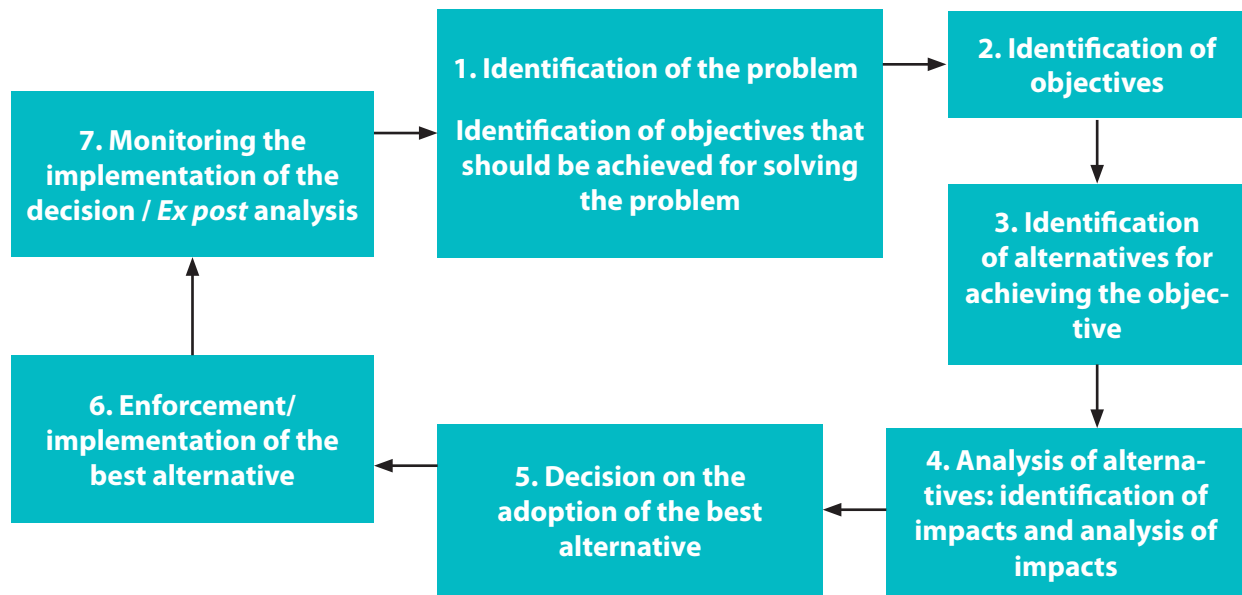
IA should be carried out from the very early stages of identifying a policy challenge, throughout the development of policy options, as well as public consultations and final decision-making (all that applies to *ex-ante* stage). Besides, IA can be also applied in order to review the practical implementation of already made decision and its consequences (that refers to *ex-post* stage). However, in practice there can be situations when it is hard to separate where *ex-post* stage of IA becomes already *ex-ante* stage of IA (see Figure No.1).

Figure No.1. Mutual link between *ex-post* and *ex-ante* Impact Assessment



The **Regulatory Impact Assessment** (RIA) process is carried out to analyse specifically the impacts of new and/or already existing regulations. RIA consists of consecutive steps which form a circle (see Figure No 2).

**Figure No.2. Regulatory Impact Assessment process**



The RIA process corresponds with the process of adopting a legal act:

- 1) Identification of the problem, objectives and alternatives for achieving the objective are carried out during the initial analysis when the need to regulate is determined;
- 2) Analysis of alternatives encompasses analysis of both regulative and non-regulative alternatives. If the regulatory alternative is the most suitable, the results of the analysis form the basis for the elaboration of the legal act and the corresponding regulatory impact assessment submitted to the other ministries and consequently to the Government/Parliament for adoption;
- 3) The Government/Parliament adopts the legal act as the best possible alternative for achieving the pursued objectives;
- 4) The legal act is implemented / enforced;
- 5) After the implementation the effects of the legal act are assessed and analysed, if new problems are identified or the old ones are not solved, the process starts all over again.

! Consultation with stakeholders should take place throughout the process.

**NB! Chapter 6 of the manual includes the description of the consultation process.**

## 2.2. Steps of the impact assessment process

It is possible to identify certain general steps of the IA process. This chapter describes each step and also includes references to the appropriate methods described in the ensuing chapters of the manual thereby serving also as a roadmap to regulatory impact assessment.

### 1. Identification of the problem

At the very beginning it is critical to define the existing problem. A good definition should:

1. describe the nature of problem in clear terms and support the description with clear evidence;
2. identify clearly the drivers or underlying causes of the problem;
3. set out clearly who is most affected by the problem (actors, sectors, social groups); identify the size/amount/scale of affected actors, sectors or social groups;

4. describe the nature of the impact on each above-mentioned actor/sector/social group. Identify how large are these effects. Identify how long will these effects persist;
5. describe how the problem has developed over time and how already existing policies affect it;
6. describe how the problem is likely to develop in the future without any action from the Government (identify clearly assumptions, risks and uncertainty involved);
7. if relevant, describe possible international aspects that influences the problem and its possible development in the future.

## PRACTICAL IMPLEMENTATION in ARMENIA

**The step 1 or identification of the problem (or several problems) takes place within the Procedure 1 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”**

### 2. Identification of objectives

After identifying the problem, it is time to identify the desirable objective. The objective is the main aim of the policy to be implemented. It is important to distinguish between the “ends” and “means” of the policy. The objective has to be the “end” outcome which the government wants to achieve! And the “end” should not be confused with the “means” which are only the possible ways how to achieve your objective!

#### EXAMPLE

**Government wants to reduce the number of deaths due to smoking = the “end”. Increased tax on cigarettes with the intention behind that people will buy less cigarettes = the “means”**

#### SMART OBJECTIVE

**A good objective should be Specific, Measurable, Achievable, Realistic and Timely (SMART). If possible, it is always advisable to describe the objective in quantitative terms (e.g. numbers) thereby it becomes possible to measure the success of achieving the objective.**

## PRACTICAL IMPLEMENTATION in ARMENIA

**The step 2 or identification of objectives takes place within the Procedure 1 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”**

### 3. Identification of alternatives

Once the objective is defined, it is possible to identify the main alternatives (e.g. means) that could enable to attain the target. It is advisable to identify as many different practical ways of achieving the objective as possible. This will enable you to identify the best possible option.

*Some tips for identifying alternatives:*

- a) alternatives should be clearly related to the objectives and should be proportionate (with as little negative side-effects as possible and reaching the objective should be more important than the negative side-effects);
- b) one of the proposed alternatives should also be so called ‘doing nothing’ option (in other words – option that would offer to maintain the *status quo*);
- c) avoid presenting only the ‘doing nothing’ (*status quo*) option, the ‘extreme’ option (that kind of option which is clearly unrealistic to implement due to certain circumstances – lack of resources, lack of political support, etc.) and the preferred option;
- d) narrow down the options by screening them for technical and other constraints, and by assessing them against criteria of effectiveness and efficiency;
- e) explain clearly the reasons for excluding certain options from further analysis.

A special attention should be paid to **non-regulatory alternatives**. Often the problem can be solved more efficiently without a legal act. Sometimes regulation can contain a risk of not achieving the objective, as well as the risk of creating additional cost for entrepreneurs or for society as such in order to fulfil the obligations of the regulation.

### EXAMPLE

Here is the list with possible non-regulatory, as well as regulatory measures (possible alternatives) that can be used to achieve the necessary objective:

- a. 'doing nothing'
- b. better funding or the same funding, only used/managed more efficiently;
- c. raising public awareness;
- d. increase efficiency of current legislation (incl. the aspect of controlling the execution of already existing legislation);
- e. deregulation;
- f. new regulation or amendments in already existing regulation.

In order to decide, if regulation is the best form of government intervention, some countries use so called 'threshold tests' that include several criteria helping to decide, whether regulation would be really necessary. However, these criteria should be perceived critically because in reality the necessity for public intervention can be created by the combination of several reasons. The main reasons for government's intervention may include the following:

- a) market failure (for instance, market prices do not reflect the reaccosts and benefits to society; insufficient supply of public goods; missing or weak competition; missing or incomplete markets; information failures, such as imperfect information or lack of access to information for consumers);
- b) regulatory failure (for instance, already existing regulation that appears not to be in public interests; inadequately defined legal framework; unintended consequences resulting from already existing public intervention);
- c) social objectives and public-interested redistribution of resources (especially with the reference to equity issues);
- d) hazard or risk on health and/or safety of the society.

### PRACTICAL IMPLEMENTATION in ARMENIA

The step 3 or identification of alternatives basically takes place within the Procedure 1 indicated in the Annex 1 "Sequence of the RIA Fundamental procedures in Armenia"

But it is possible that some new alternatives emerge also during Procedures 2-3 indicated in the Annex 1 "Sequence of the RIA Fundamental procedures in Armenia"

#### 4. Analysis of alternatives: identification of impacts and analysis of impacts

Once you have identified all the possible alternatives, their impacts have to be:

- a) identify alternatives' potential impacts and their significance ;
- b) analyse and mutually compare alternatives and their potential impacts.

Initially it is important to identify all the possible impacts of the alternatives which can occur. After that it is possible to identify which impacts are likely to be significant and might need additional deeper analysis which is then possible using different methods.

**NB!** Chapter 4 of the manual describes the methods for identifying impacts and their significance.

**NB!** Chapter 5 of the manual describes the possible methods which are considered by the authors the most relevant to Regulatory Impact Assessment and decision-making support (Cost Benefit Analysis, Cost Effectiveness Analysis, Standard Cost Model and Multi-Criteria Analysis).

**NB!** Annex 2 includes questionnaires which can be used for identifying impacts in different fields.

## PRACTICAL IMPLEMENTATION in ARMENIA

The step 4 or analysis of alternatives takes place within the Procedure 1 – 3 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”.

## PRACTICAL IMPLEMENTATION in ARMENIA

The results of previously described IA steps 1 – 4 (identification of problem, objectives, alternatives, as well as analysis of alternatives) can be briefly summarized using Tables that can be seen in Annex 2 or in Annex 3.

### 5. Decision on the adoption of the best alternative

## PRACTICAL IMPLEMENTATION in ARMENIA

The step 5 or decision on the adoption of the best alternative takes place within the Procedure 4 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”.

### 6. Enforcement/implementation of the decision (the best alternative)

## PRACTICAL IMPLEMENTATION in ARMENIA

The step 6 or implementation of the adopted decision takes place within the Procedure 5 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”.

### 7. Monitoring the implementation of the decision / *Ex post*-analysis

*Ex-post* analysis can be carried out using the same methods which were used during the *ex ante* analysis (e.g. Standard Cost Model, Cost Benefit Analysis, Cost Effectiveness Analysis, Multi-Criteria Analysis). The only difference is that during *ex ante* analysis the data about impacts and their significance was based on predictions while during *ex post* analysis it is possible to use data obtained from practice (the implementation process). *Ex post* analysis can serve as a basis for the new IA process (including aspects of new *ex-ante* analysis).

## PRACTICAL IMPLEMENTATION in ARMENIA

The step 7 or monitoring the implementation of the adopted decision takes place within the Procedure 5 indicated in the Annex 1 “Sequence of the RIA Fundamental procedures in Armenia”.

## 3. How to identify impacts and their significance?

The identification of impacts and their significance encompasses finding answers to three questions: *what, who and how much?*

- **What?**
  - What is the purpose, objective of the proposed solution? → to solve a problem, improve or develop some sectors, etc.
  - What will change due to the proposed decision? → should be related to the purpose of the proposed solution.
- **Who?**
  - Who will be benefitting or bearing the costs of the proposed decision?
  - Identification and quantification of different target groups – total economy, specific sectors, persons, enterprises, households or geographic regions, etc.
- **How much?**
  - How big is the additional cost or benefit (for different target groups)?
  - Is it too much or not enough? → comparison with total costs or revenues or profits, other sectors or countries.

For identification and quantification of potential impacts checklists, key questions and indicators are helpful tools. General indicators can be divided into more detailed sub-indicators. There are some general indicators, but usually case-specific indicators are more informative and thus valuable. Also, general indicators sometimes can be more useful for ‘preliminary’ or ‘light’ impact assessment, while sub-indicators are more directly linked to draft legal act under observation.



## Procedural cycle for identifying impacts

First estimation of possible impacts caused by the proposed decision is given using **check-list of impacts**. Check-lists exist for the following impact areas:

- 1) Socio-economic impacts (including administrative cost, competition, small and medium size entrepreneurs and social affairs);
- 2) Impacts on Health;
- 3) Environmental impacts;
- 4) Impacts on Corruption;
- 5) Impact to arrangement of state establishments and to the state budget.

## 4. How to analyze impacts?

In order to carry out an Impact Assessment, the most appropriate methodology for assessing the impacts should be chosen. The choice of methodology is determined by many factors which can be external (limited financial resources, time, specificity of the field), or internal (knowledge and experience of the assessors).

*Qualitative methods* aim to arrive at statements, assumptions or hypotheses based on empirical observation or data. *Quantitative methods* aim to verify if a certain statement, assumption (a hypothesis) holds true in the real life and according to empirical data.

*The most common qualitative methods are:* (a) expert methods (Delphi method, expert interviews, expert panels, expert polls etc.), (b) other participative methods (brainstorms, focus groups, interviews, stakeholder analysis), as well as (c) methods that analyze particular events, processes or organizations (case studies, analogies, comparative studies, best practices, SWOT analysis, multi-criteria analysis).

*Quantitative methods* are divided in descriptive and inferential methods. Descriptive methods describe collected data using frequencies, central tendencies, dispersion and, of course, correlation. Inferential statistics draw conclusions or make predictions about larger groups based on smaller samples using probability studies.

*Qualitative data* is information that cannot be displayed in numbers and holds subjective opinions or judgments. Conversely, *quantitative data* are measurable in time, can be expressed in numbers, can represent a larger group through a smaller sample and, after gathering, quantitative data can be used repeatedly and for various purposes.

The very basic idea behind assessing impacts is to conclude what “good changes” and what “bad changes” can happen if the proposed Government’s decision is to be adopted. How it was shown in the Chapter 3, the question is to assess how big these potential “good changes” or “bad changes” can be. Also, Chapter 3 showed that potential changes can be related to different sectors – for instance, changes in social situation or changes in environment (see also Annex 3).

Usually there are two main terms used when talking about potential changes. These that leave positive consequences are called “benefits” and these that leave negative consequences are called “costs”. In other words, impact analyse is about **identifying benefits** (what society or specific its group will obtain from the proposed Government’s solution) **and costs** (what society or specific its group can potentially lose or suffer from). And, if necessary, comparing them in order to conclude, whether society or specific its group will rather benefit or lose from the adoption of the proposed Government’s solution.

Impacts can be assessed using different methods and in this Chapter below we offer a few of them (Cost Benefit Analysis, Cost Effectiveness Analysis, Multi-Criteria Analysis and Standard Cost Model) for your consideration. However, it has to be emphasized that this is far from being a comprehensive list of methods.

### 4.1. What kind of costs can occur with a regulation?

Generally speaking, there are many different ways how to classify costs deriving from regulations. Basically there are **3 types of costs** (see also Figure No.3):

- 1) **direct financial costs** – these are costs that derive from regulatory requirements to transfer a concrete amount of money to governmental authorities. For instance, these can be taxes, fees for applying for a licence, and administrative charges;
- 2) **compliance costs** – these are all the costs of complying with regulation, with the exception of direct financial costs and long term structural consequences. In other words, all costs that are not direct financial costs or long term structural costs would be compliance costs.

**Compliance costs** are divided in **2 groups**:

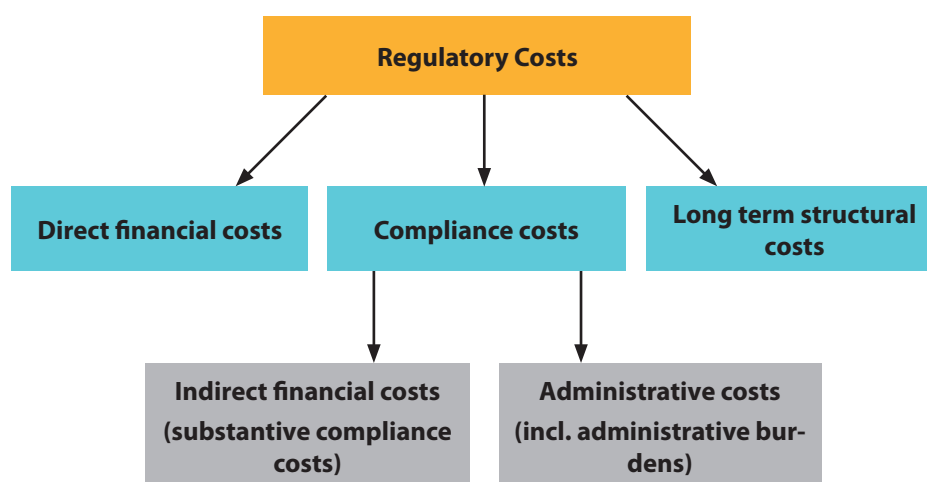
- a) **indirect financial costs** OR **substantive compliance costs** – these are costs that derive from regulatory requirements to operate business in certain way thereby creating a situation when entrepreneur has to dedicate some kind of resources in order to provide that business has been run accordingly to regulatory requirements. For instance, indirect financial costs are created when regulation demands to install filters in accordance with environmental requirements;
- b) **administrative costs** (incl. administrative burdens) – these are costs that derive from regulatory requirements to collect and to give away (or to keep) information about different aspects of running business. For instance, administrative costs are created when regulation demands to submit information about employees who are working for respective enterprise. In other words, administrative costs = costs of giving information.

**NB!** Administrative costs are created not only when this information has to be submitted to governmental authority – administrative costs are created also when entrepreneur has to give information to third party (not only public authority but also other actors of private sector, e.g. private banks), if this requirement is determined by regulation.

**NB!** Administrative costs are created not only when this information has to be submitted – administrative costs are created also in such a situation when regulation requires simply collecting information and keeping it in order to be ready to present it upon request (e.g. in case if inspection arrives): there is no aspect of submitting information however this information still has to be collected and prepared in necessary form thereby this kind of activity also creates administrative costs.

- c) **long term structural costs.**

**Figure No.3. Classification of regulatory costs**



## 4.2. Specific methods for impact assessment

### 4.2.1. Standard Cost Model

In order to understand completely the content of this chapter, it is highly suggested to become familiar with the content of the **chapter 4.1.** “What kind of costs can occur with a regulation” which explains the terms ‘administrative costs’ and ‘administrative burdens’.

#### Formula of SCM

Accordingly to SCM a specific formula is used in order to assess administrative costs deriving from regulations. The SCM assessment means that resources necessary to fulfil regulatory requirements demanding to provide information are expressed in monetary terms.

SCM formula contains different variables and thereby shows an input of each variable into the final estimate of administrative cost. In that way SCM helps to understand in which direction it is more necessary and more useful to concentrate simplification measures because the formula allows seeing which variable is the most burdensome in monetary terms (within one year).

$$P = \text{Tariff} \times \text{Time} \times \text{Quantity} = \text{Tariff} \times \text{Time} \times (\text{number of businesses} \times \text{frequency}),$$

where:

$P$  = administrative costs

$\text{Tariff}$  = wage costs + overhead for administrative activities done internally OR hourly cost for external service providers.

$\text{Time}$  = the amount of time required to complete the administrative activity.

$\text{Quantity}$  =

- the size of the population of businesses affected (number of businesses affected) and;
- the frequency that the activity must be completed each year.

### Structure of analysis using SCM

Method of SCM envisages that regulation is divided in smaller units. There are 3 levels of breakdown possible when analysing legal act accordingly to the SCM (see also **Figure No.4**).

First and the roughest level of analysis is ‘**information obligations**’ (IOs). In other words, SCM analysis starts with identification of information obligations in the respective legal act.

↓

After that each IO is analysed deeper in order to understand what kind of information an entrepreneur has to provide to fulfil each IO. This subdivision is called ‘**message**’ or ‘**data requirement**’.

↓

Then each ‘data requirement’ is analysed in details in order to obtain information about separate activities an entrepreneur has to do to provide respective ‘message’ information. This lowest level subdivision is called ‘**administrative activity**’.

↓

In fact, SCM formula then is used to calculate the administrative cost of each lowest subdivision (‘administrative activity’).

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Thereby cost of several ‘administrative activities’ make a total administrative cost of one ‘data requirement’.

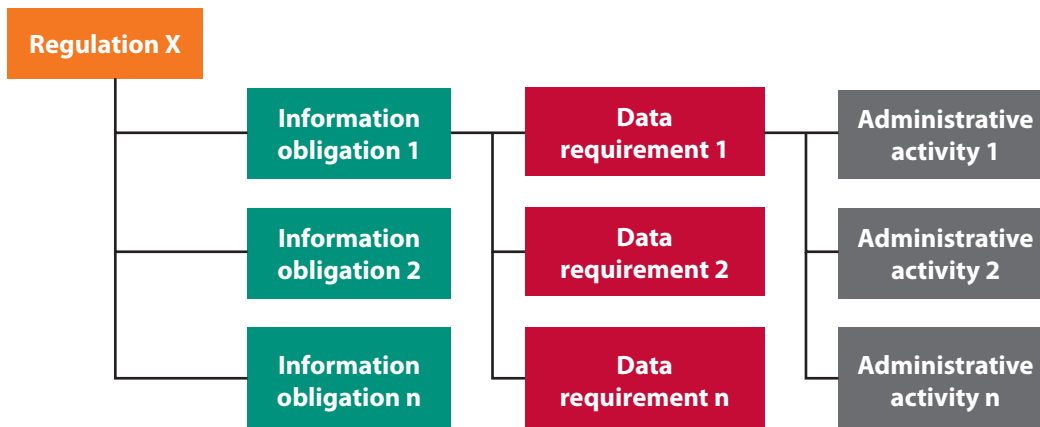
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The cost of several ‘data requirements’ make a total administrative cost of one ‘information obligation’.

↓

The cost of several ‘information obligations’ make a total administrative cost of respective legal act.

**Figure No.4. Analysis of the legal act using the SCM**



### 4.2.2. Cost-benefit Analysis (CBA)

Cost-benefit analysis is a method for organising information to help to make decisions about the allocation of resources. The power of this method as an analytical tool rests in two main features:

- costs and benefits are expressed as far as possible in money terms and hence are directly comparable with one another;
- costs and benefits are valued in terms of the claims they make on society and the gains they provide to the community as a whole, so the perspective is a ‘global’ one rather than that of any particular individual or interest group.

CBA can provide guidance on the efficient allocation of resources in areas where no markets exist to provide this information ‘automatically’.

**Main question of the CBA:** Whether and to what extent the expected benefits exceed expected costs?

**Objectives of the CBA:**

To determine whether the planned activity should be carried out, and if so, to what extent? To assess the financial costs and benefits that allow decision-makers to more easily choose between different alternatives.

**Plusses of the CBA:**

- a) transparency and clear responsibility
- b) existence of single unit of value in both cases, for expenditures and for revenues
- c) comparability – policy outcome is easy to connect to society's benefits, it is possible to compare a variety of programs based upon single basis.

**Minuses of the CBA:**

- a) conduction of full CBA is complicated and time consuming (especially computing income in monetary value, for example estimating the monetary value of human life);
- b) there is a risk of careless, naive or dishonest use of method;
- c) as long as the main emphasis of method is on economic efficiency, the method does not take into account the principles of equality and appropriateness.

**Steps of the CBA:**

1. **Analyze the problem and define the objective** of further analytical activities.
2. **Specify possible impacts** of planned interference considering the objective and target group. It is crucial to identify all possible impacts, including:
  - a) wanted and unwanted impacts;
  - b) direct and indirect impacts
  - c) material and immaterial impacts
  - d) internal and external effects to the target group
3. **Quantify important impacts (costs and benefits) in monetary terms (discounting).** Market price is usually the best indicator to assess values of cost and benefits.
4. **Convert costs and benefits into comparable form in time-scale.** The value of money changes over time in respect of interest expense. Interest is the cost of borrowing money. The value of money will change over time with reference to the opportunities to use the money for other activities.
5. **Compare costs and benefits.** Comparison can be made based on the net income or cost-benefit ratio.
6. **Conduct the analysis of sensitivity.** Sensitivity analysis is used when there is doubt about validity of data gathered in cost-benefit analysis.

### 4.2.3. Cost-effectiveness Analysis (CEA)

Cost-effectiveness analysis differs from CBA in that benefits are expressed not in money units, but in physical units (in CBA costs are expressed in money terms). Cost-effectiveness analysis is particularly useful in areas (such as health, accident safety and education) where it may be easier to specify benefits than it is to value them.

**Main question of the CEA:** How to achieve desired result with the lowest cost?

**Objectives of the CEA:**

To assess what action can achieve the desired objective with least cost. CEA is one part of the cost-benefit analysis, in CEA outcomes are assessed financially but revenue is measured in natural units.

**NB! Only the activities with similar objectives can be compared using this method.**

**Plusses of the CEA:**

- a) there is no need for accurate assessment of financial revenue, thus no complex methodologies has to be employed (willingness to pay, etc);
- b) enables to find out how to achieve maximum results in conditions of limited budget.

**Minuses of the CEA:**

- a) can not be used to compare activities with different objectives.

### Steps of the CEA:

1. Definition of objectives and impacts as in CBA (**sub-chapter 4.2.2.**).
2. Assessment of costs as in CBA (**sub-chapter 4.2.2.**). Benefits are not transferred to monetary units, instead they are measured in natural units.
3. It is possible to estimate the amount of money necessary to achieve the objective.
4. If necessary the sensitivity analysis can be carried out.

### 4.2.4. Multi-criteria Analysis

Multi-Criteria Analysis (MCA) is a decision-making support method that helps to assess the comparative suitability of alternatives from various aspects (criteria) by assigning weights to these criteria.

MCA can help to determine priorities or preferable policy alternatives in any field, and it is often used as an extension to CBA or CEA in order to take into account other factors that cannot be quantified or assigned monetary value, such as social justice or environmental preservation, for instance. Criteria are chosen and derived from the overall policy goal.

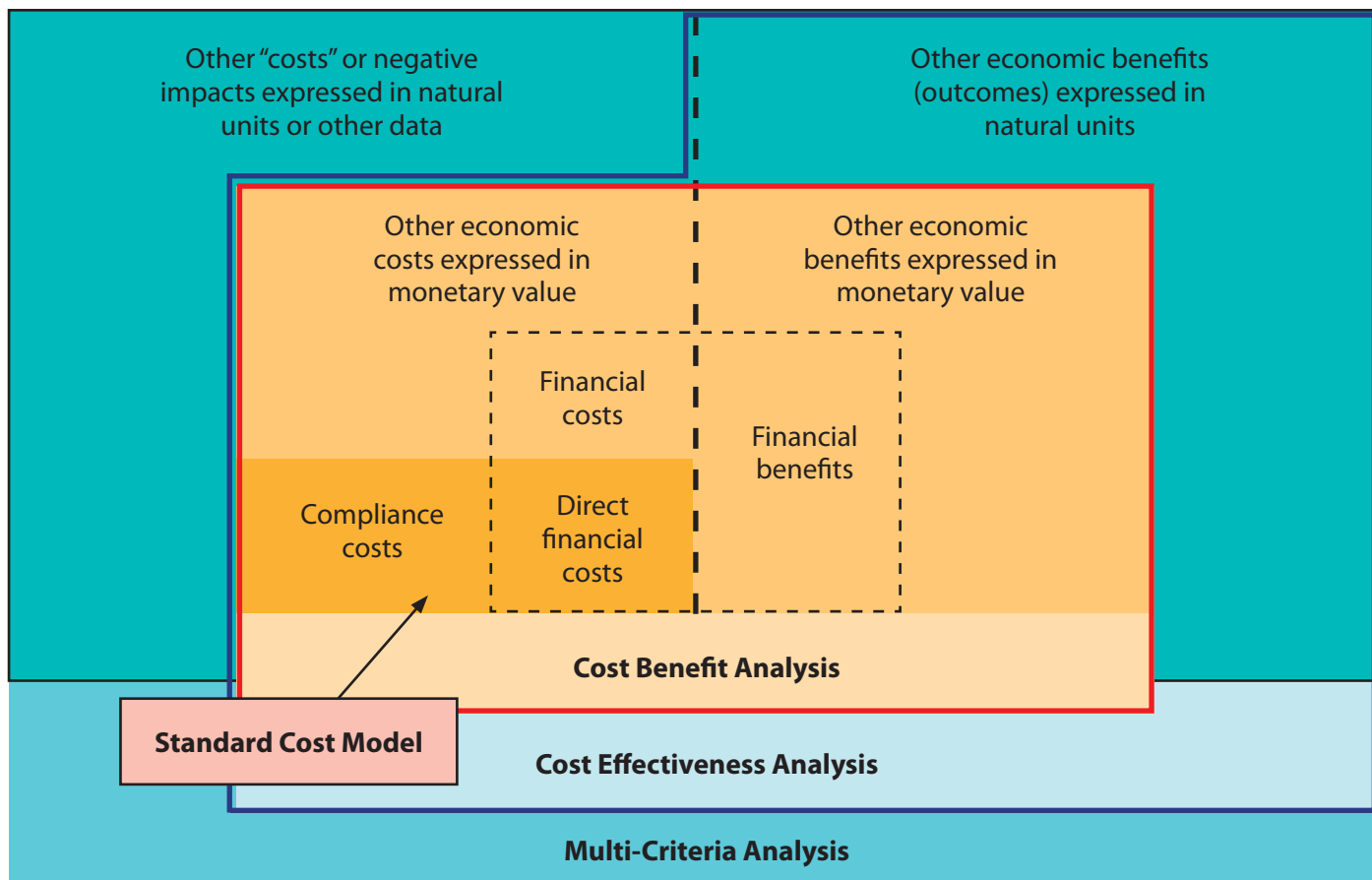
The main 3 steps of MCA are:

- 1) Defining the criteria and assigning weights of their respective significance (NB! The sum of all weights must not exceed 1 (or 10 and so on))
- 2) Carrying out assessment of each alternative's conformity with or effect on each criterion. Effect should be reflected on a unified scale, such as "1 – no effect, 2 – insignificant effect, 3 - minor or considerable effect, 4 – significant effect, 5 – major effect", for example.
- 3) Calculating total impact (effect x weight) of each alternative and comparing them.

The output of MCA can be one most preferred policy alternative, but in case of many alternatives it can result in a short list of policy options for further appraisal, or simply rule out policy options that are unacceptable.

### 4.2.5. Putting different methods in "one picture"

Taking into account the fact that impacts as well as methods for assessing them can be very different in their nature, as well as in their level of importance, it is necessary to understand how different types of impacts and methods can relate to each other creating a multidimensional "common picture". The below-seen picture offers a visualization of how specific benefits and costs relate to each other.



## 5. Consultations during Impact Assessment procedure

### 5.1. The concept of “consultations”

#### **? What do we understand with the term “consultations” in this Manual?**

With the term “consultations” we understand here intentionally organised process (official or unofficial) with the aim:

- 1) to obtain a feedback from the representatives of the civil society about proposed decisions;
- 2) to inform civil society about proposed decisions within the public administration / the Government / or the National Assembly;
- 3) to analyse the opinions expressed by the representatives of the civil society and to examine the possibility to take them into account during the decision-making process;
- 4) to show to the representatives of the civil society what was done with opinions they have expressed – in other words, to give an account, whether and how they were taken into account, and if they were not taken into account, explain, why.

#### **? Why it is important to inform society about decisions the public institutions are going to adopt →**

One of the fundamental conditions for democratic states is that people and businesses have right to participate in the decision-making process. Transparent decision making procedures increase trust towards administration and civil servants.

#### **? Why is it important to obtain a feedback from the society? Is it not enough that they have simply been informed about decisions public institutions are going to adopt? →**

The essence of RIA procedure is to maintain the adoption of evidence-based decisions and thereby stakeholders and representatives of the society can give the most appropriate information about the possible consequences of the proposed decisions. Civil servants do not necessary have enough practical knowledge of the field and consultation process helps considerably to fulfil this gap. Those who are in their daily life influenced by the decisions of the Government can provide information about possible side effects of the proposed decisions.

#### **? Why is it important to analyse the opinions expressed by the society?**

The society as such is not homogenous. People and businesses are giving their opinion from very different point of views. People and businesses are also representing different interests and sometimes these interests can be also mutually competing. Therefore it is important to analyse received comments. Consultation does not mean that it is mandatory to ‘copy-paste’ received opinions and to amend the proposed decision accordingly.

#### **? Why is it important to show to the society what has been done with their opinions?**

It is crucial to show to the society that their opinions and comments have been taken into account. It becomes even more crucial to give feedback if the opinion and comments have not been taken into account. The representatives of the society usually appreciate better the situation when their opinion has not been taken into account and the Government explains the reason for this, than the situation when no feedback at all exists. The latter case may raise dissatisfaction with the Government and create the ignorance of the consultation process because the representatives of the society will not see the usefulness of consultation process if their opinions have been constantly ignored.

### 5.2. Main principles in order to maintain qualitative process of consultations

#### 5.2.1. When to consult?

Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Formal, written, public consultation will often be an important stage in the policymaking process. Consultation makes preliminary analysis available for public scrutiny and allows additional evidence to be sought from a range of stakeholders so as to inform the development of the policy or its implementation. It is important that consultation takes place when the Government is ready to put sufficient information into the public domain to enable an effective and informed dialogue on the issues being consulted on. The consultation exercise should be scheduled as early as possible in the project plan as these factors allow.

Informal consultation of stakeholders is sometimes also an option. It will often be necessary to engage in an informal dialogue with stakeholders prior to a formal consultation to obtain initial evidence and to gain an understanding of the issues that will need to be raised in the formal consultation

### 5.2.2. Duration of consultation process

Consultations should normally last for at least 15 days with consideration given to longer timescales where feasible and sensible.

Under normal circumstances, consultations should last for a minimum of 15 days. Allowing at least 15 days will help enhance the quality of the responses. When timing is tight, for example when dealing with legally-binding deadlines, or when the consultation needs to fit into fixed timetables such as the Budget cycle, consideration should be given to whether a formal, written, public consultation is the best way of seeking views. In such circumstances it is important to consider the provision of additional means through which people can express their views.

### 5.2.3. Clarity of scope and impact

Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Consultation documents should be clear about the consultation process, i.e. what has taken place in the development of the policy paper prior to the consultation exercise, how the consultation exercise will be run and, as far as is possible, what can be expected after the consultation exercise has formally closed. Consultation exercises should be clear about the scope of the exercise, setting out where there is room to influence policy development and what has already been decided, and so is not in the scope of the consultation.

Estimates of the costs and benefits of the policy options under consideration should normally form an integral part of consultation exercises, setting out the Government's current understanding of these costs and benefits. A "consultation stage Impact Assessment" should normally be published alongside a formal consultation, with questions on its contents included in the body of the consultation exercise.

### 5.2.4. Accessibility of consultation exercises

Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

It is essential that stakeholders are identified early in the process so that consultation exercises can be designed and targeted accordingly. When consultation exercises need to reach a diverse audience, several approaches may be required. In the consultation document it should be stated what ways are available for people to participate, how exactly to get involved, and why any supplementary channels have been chosen.

Consultation documents should be easy to understand: they should be concise, self-contained and free of jargon. This will also help reduce the burden of consultation.

Thought should also be given to alternative versions of consultation documents which could be used to reach a wider audience, e.g. a young person's version, other language versions, an "easy-read" version, etc., and to alternative methods of consultation.

### 5.2.5. The burden of consultation

Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

When preparing a consultation exercise it is important to consider carefully how the burden of consultation can be minimized. If the Government has previously obtained relevant information from the same audience, consideration should be given as to whether this information could be reused to inform the policymaking process. If some of the information that the Government is looking for is already in the public domain, it should be considered how this can be reused. Consultation exercises that allow consulters to answer questions directly online also can help reduce the burden of consultation.

### 5.2.6. Responsiveness of consultation exercises

Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

All responses should be analyzed carefully. The focus should be on the evidence given by consulters to back up their arguments. Analyzing consultation responses is primarily a qualitative rather than a quantitative exercise.

The Government should provide a summary of who responded and a summary of the views expressed. A summary of any other significant comments should also be provided. This feedback should normally set out what decisions have been taken in light of what was learnt from the consultation exercise. This information should normally be published before or alongside any

further action, e.g. laying legislation before Parliament. Those who have participated in a consultation exercise should normally be alerted to the publication of this information. Consideration should be given to publishing the individual responses received to consultation exercises.

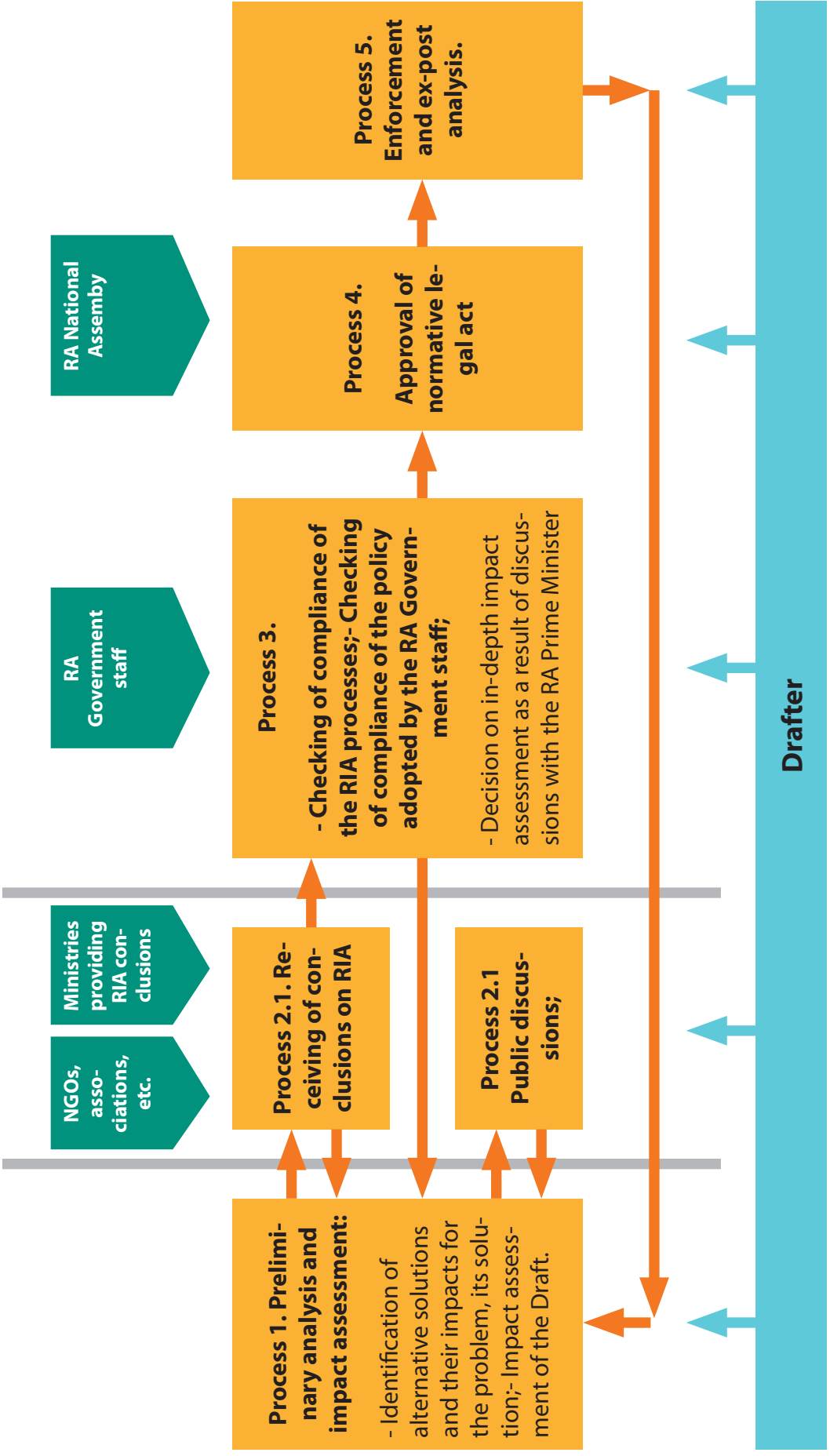
### **5.2.7. Capacity to consult**

Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Ministries should consider appointing a Consultation Coordinator. The Consultation Coordinator should be named in consultation documents as the person to contact with any queries or complaints regarding consultation process. Policy officials who are to run a consultation exercise should seek advice from their Consultation Coordinator early in the planning stages.



# ANNEX 1: Sequence of the RIA Fundamental procedures in Armenia



# ANNEX 2: Check-list for identifying impacts

## 1. Socio-economic impacts

### 1. Will the proposed decision influence the coping of households or households' economical decisions?

- 1.1. Will the proposed decision influence the incomes and expenses of households or the amount or value of property of households?
- 1.2. Will the proposed decision influence (increase or reduce) socio-economic equality, exclusion or poverty of social groups? Does the coping of some social group (risk group) change compared with other groups (for example, for single parents, for elderly people, for families with many children, for national minorities, for people from specific region, for people with certain profession, etc.)?
- 1.3. Will the proposed decision influence the behaviour of consumption of households? Will the proposed decision influence the behaviour of consumption (structure or amount) or the balance of consuming, saving and investing?

### 2. Will the proposed decision influence the business environment or the activity of entrepreneurs?

- 2.1. Will the proposed decision influence directly or indirectly the taxes, the fees or the subsidies (for example, are there direct influence from the changes of income tax rate or from the amount of business subsidies or indirect influence from changes in taxation of labour, changes in VAT or changes in rates of custom)?
- 2.2. Will the proposed decision cause changes in business tendencies (for example, will it change the structure of enterprises or the usage of innovative IT or communication tools)?
- 2.3. Will the proposed decision influence activity of business or investments to some business sectors?
- 2.4. Will the proposed decision influence the situation of competition? Will it limit or distort the competition in market (also the situation of businesses in international market)?
- 2.5. Will the proposed decision influence starting enterprises access to market (for example, will it change the restrictions arising from permissions or licenses), the level of concentration of market or the enterprises usage of methods of competition (like prices, quality, advertising)?
- 2.6. Will the proposed decision influence SMEs or starting businesses or other more vulnerable enterprises?
- 2.7. Will the proposed decision influence enterprises of certain field of activity or economical sectors?
- 2.8. Will the proposed decision influence (improve or constrain) innovation (for example, introducing new means of production, developing new goods and services or conduction of surveys or development of business)?
- 2.9. Will the proposed decision influence the internationalization of enterprises? Will it encourage export or international investments?
- 2.10. Will the proposed decision influence the cooperation of enterprises (especially SMEs cooperation)?
- 2.11. Will the proposed decision have overall consequences for economic growth and employment?

### 3. Will the proposed decision cause administrative burden to enterprises, to NGOs or to persons?

- 3.1. Will the proposed decision influence (increase or reduce) businesses, NGOs or persons obligations to deliver information to state or to third parties (and costs arising from these activities)?
- 3.2. Will the proposed decision influence (loosen or restrain) requirements for working procedures or will it introduce requirements for some additional procedures, or will it bring along demand for new equipment (for example for storing or protecting data)?

### 4. Will the proposed decision influence the development of information society?

- 4.1. Will the proposed decision influence the dependence of state's vital functions (electricity, transport, banking services, etc.) from IT solutions or data networks?

### 5. Will the proposed decision influence the working environment?

- 5.1. Will the proposed decision influence job quality?
- 5.2. Will the proposed decision affect workers' safety?

**6. Will the proposed decision influence social inclusion and protection of a particular social group?**

- 6.1. Will the proposed decision lead directly or indirectly to greater equality or inequality?
- 6.2. Will the proposed decision affect equal access to services and goods?
- 6.3. Will the proposed decision affect access to services of general economic interest?

**7. Will the proposed decision influence equality of treatment and opportunities (incl. non-discrimination aspect)?**

- 7.1. Will the proposed decision affect the principle of non-discrimination, equal treatment and equal opportunities for all?
- 7.2. Will the proposed decision have a different impact on women and men?
- 7.3. Will the proposed decision promote equality between women and men?
- 7.4. Will the proposed decision entail any different treatment of groups or individuals directly on grounds of sex, racial or ethnic origin, religion or belief, disability, age, and sexual orientation? Or could it lead to indirect discrimination?

## 2. Impact on Health

- 1. Will the proposed decision influence directly or indirectly peoples physical or mental health?
- 2. Will the proposed decision influence risk factors of diseases or health disorders?
- 3. Will the proposed decision influence health behavior and preconditions of health?
- 4. Will the proposed decision influence need (demand) for health services?
- 5. Will the proposed decision influence supply of health services by medical facilities?
- 6. Will the proposed decision influence people’s access to health services (availability of healthcare)?
- 7. Will the proposed decision influence functioning and sustainability of healthcare system?
- 8. Will the proposed decision influence covering health care costs (remuneration by state and payments made by patients)?

## 3. Environmental Impacts

- 1. Will the proposed decision directly influence natural environment (water, air, vegetation, animals and climate), built environment (landscape and cultural heritage) or use of natural resources?
- 2. Will the proposed decision influence natural environment (water, air, vegetation, animals and climate), built environment (landscape and cultural heritage) or use of natural resources indirectly through other socio-economic impacts?
- 3. Will the proposed decision influence the probability (risks) of direct environmental influence on natural environment (water, air, vegetation, animals and climate), built environment (landscape and cultural heritage) or use of natural resources?
- 4. If any of the above questions are answered positively, does the proposed decision incorporate impact avoidance or mitigation measures, following the principle “polluter pays”?

## 5. Impacts on Corruption

**I Concerning rules and policy documents**

- 1. Will the proposed decision imply as an outcome rules or policy documents which are ambiguous or not clear, or the contrary?
- 2. Will the proposed decision imply as an outcome rules or policy documents which are too dense, fragmentary or incoherent, or the contrary?

**II Concerning obstacles to anti-corruption activities in all sectors**

- 3. Will the proposed decision inhibit anti-corruption activities, or the contrary?

**III Concerning private sector, civil society and the media**

- 4. Will the proposed decision influence corruption prevention in the business sector?

5. **Will the proposed decision influence participation in corruption prevention by the civil society and the media?**
  - IV Concerning the institutions
6. **Will the proposed decision influence the establishment, impartiality and functioning capacity of decision making institutions?**
7. **Will the proposed decision influence the corruption prevention in decision making institutions?**
8. **Will the proposed decision influence the functioning of decision making institutions?**

## **5. Impact to arrangement of state establishments and to the state budget**

### **ADMINISTRATIVE IMPACT AREA I: WILL THE PROPOSED DECISION INFLUENCE ARRANGEMENT OF LOCAL AND STATE ESTABLISHMENTS?**

1. **Will the proposed decision influence inter-organizational relations (division of tasks, responsibilities, authority and cooperation)?**
2. **Will the proposed decision result in creation of new establishments or departments, reorganization or liquidation of existing ones?**
3. **Will the proposed decision influence accessibility to public services and the quality of service?**
4. **Will the proposed decision influence the functions and job management (also the work load and tasks of establishments), organizational structure and processes, or establishments ability to fill main objectives and offer public services?**
5. **Will the proposed decision influence costs of sustaining local authorities or state establishments?**
6. **Will the proposed decision influence the personnel of local authorities or state establishments?**
7. **Will the proposed decision influence requirements to personnel of local authorities or state establishments (requirements to education and qualification)?**
8. **Will the proposed decision influence need for training of civil servants?**

### **ADMINISTRATIVE IMPACT AREA II: WILL THE PROPOSED DECISION INFLUENCE FUNDING OF PUBLIC SERVICE (REVENUES AND EXPENSES)?**

1. **Will the proposed decision influence state revenues (development and sustainability of state budget)?**
2. **Will the proposed decision influence state expenses?**
3. **Will the proposed decision influence financial relations inside public sector?**
4. **Will the proposed decision influence financial control in public sector or the transparency of financial decisions?**
5. **Will the proposed decision influence financing non-governmental organizations (NGOs) or their financial relations with state?**



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