



**Office of the Council of Ministers
Economic, Social and Cultural Council**

ABOUT REGULATORY IMPACT ASSESSMENT IN CAMBODIA

OFFICE OF REGULATORY IMPACT ASSESSMENT

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About the Regulatory Impact Assessment project in Cambodia

The Regulatory Impact Assessment (RIA) project in Cambodia aims to enhance competition and regulatory efficiency through institutionalizing principles of good practice regulation making within government. The RIA system will require Ministries to follow principles of good practice and assess the merits of all proposed regulations that impact on business compliance costs and competition.

The project includes the establishment of an Office of Regulatory Impact Assessment (ORIA) within the Economic, Social and Cultural Council (ECOSOCC) at the Office of the Council of Ministers (OCM) mandated to provide advocacy information to line ministries on principles of good practice regulation making processes, assist with training on RIA, support line Ministries in the implementation of RIA and oversee the rollout of the project.

Four Implementing Agencies (IAs) - Ministry of Commerce (MoC), Ministry of Environment (MoE), Ministry of Industry, Mining and Energy (MIME) and Ministry of Tourism (MoT) – will pilot the RIA process during the training phase of the project, developing RIA for regulatory proposals identified in individual actions plans that they compiled during the inception phase of the project in 2011.

The project will be implemented over 30 months in 2011, 2012, 2013 and 2014 by ORIA and the IAs with the assistance of a team of international and local experts.

More information on the RIA project in Cambodia can be obtained at the ECOSOCC website (ecosocc.gov.kh). The inception report for the project and the IA's action plans are particularly useful sources of information. You can also contact the ORIA to arrange a introductory presentation if you would like a tailored overview of RIA suited to your organisation.

About this guideline

This guideline describes the RIA process that applies in Cambodia and the requirements for completing each element of regulatory impact analysis adequately. Its purpose is to assist government staff working on the development of regulation, to produce quality information to support decision makers.

The guideline is a living document. This first edition has been drafted with the aim of assisting staff during the establishment of the ORIA and the development of RIA for the regulatory proposals contained in the IA's action plans. The focus of this version, therefore, is on outlining the principles of good practice regulatory impact assessment and providing an overview of the RIA process.

Later versions will include further information about RIA in the regulation making process in Cambodia as it evolves.

A systematic appraisal of new regulatory proposals

The purpose of the RIA is to improve the robustness of policy-making in Cambodia by ensuring that:

- a range of options is considered to ensure that the most efficient forms of regulation are adopted
- regulation is not made when it is demonstrably a worse option
- there is an adequate level of public consultation.

Undertaking a *systematic appraisal* of regulatory proposals, consisting of seven elements (Table 1), will allow the need for regulation to be tested and options to be considered equally.

Three principles will also guide the preparation of RIA:

- **Improving information for decision makers:** RIA will provide information on the costs and benefits of regulation and options to achieve the objective to decision makers enabling them to make better informed decisions.
- **Simplicity:** Most benefits of the RIA are likely to be gained through good consultation, simple logic, elementary calculations and rigorous testing of assumptions – rather than through the application of complex techniques. So the RIA in Cambodia will be light-handed.
- **Transparency:** Transparency enables good consultation and good governance. This will be achieved at low cost by placing the information on relevant websites. To assist small businesses which may not have internet access, an easily accessible 'public-file' will be maintained so that interested parties can read the hard-copy.

Improving transparency will help to achieve the final objective of the project.

Table 1 : The seven elements of RIA

Problem

- Identify the problem that requires action. Describe the symptoms, cause and who is affected. Provide evidence and explain why existing regulation is insufficient.

Objectives

- Define the objective of the intervention in terms of outcomes, rather than the means by which they will be achieved.

Options

- Identify a range of options. Discard options that are clearly unworkable or inappropriate and describe the remaining viable options in detail.

Impact analysis

- Identify and estimate the costs and benefits of the viable options as well as assess gender and competition impacts.

Consultation

- Consult with affected parties during the preparation of the PA or RIS and use the results of the consultation to inform the other six elements of the RIA.

Conclusion

- Identify the preferred option – the option that most effectively achieves the objectives of the intervention and generates the highest net benefit to society.

Implementation

- Explain how the preferred option will be practically implemented and evaluated.

Targetting RIA where it is needed most.

For easy administration and procedural efficiency a two-stage RIA process is proposed for Cambodia.

- All regulatory proposals that may have impacts on business require a **preliminary assessment (PA)**.
- A **regulatory impact statement (RIS)** is required for proposals if the PA confirms that these impacts are significant.

The steps in the process are shown in the figure below.

Both PA and RIS consist of analyzing the seven elements. The purpose of the PA is to provide a quick assessment of the proposal to identify whether the impacts on business or competition are significant. Proposals that do not result in significant impacts are not required to undergo further analysis. Proposals with significant impacts will require a RIS - which requires further, more robust, assessment.

- Requiring a preliminary assessment for all regulatory proposals will ensure that no regulatory proposal escapes scrutiny.
- Requiring only proposals with significant impacts to be subjected to the complete RIS ensures that impact assessment is properly targeted at those regulations that have the largest impact.

During the training phase of the project these rules will be relaxed somewhat. Only proposals included in the implementing agencies will require a PA. Any of these proposals that have significant impact will be analyzed further in a full RIS.

Figure 1: Overview of the two-stage process

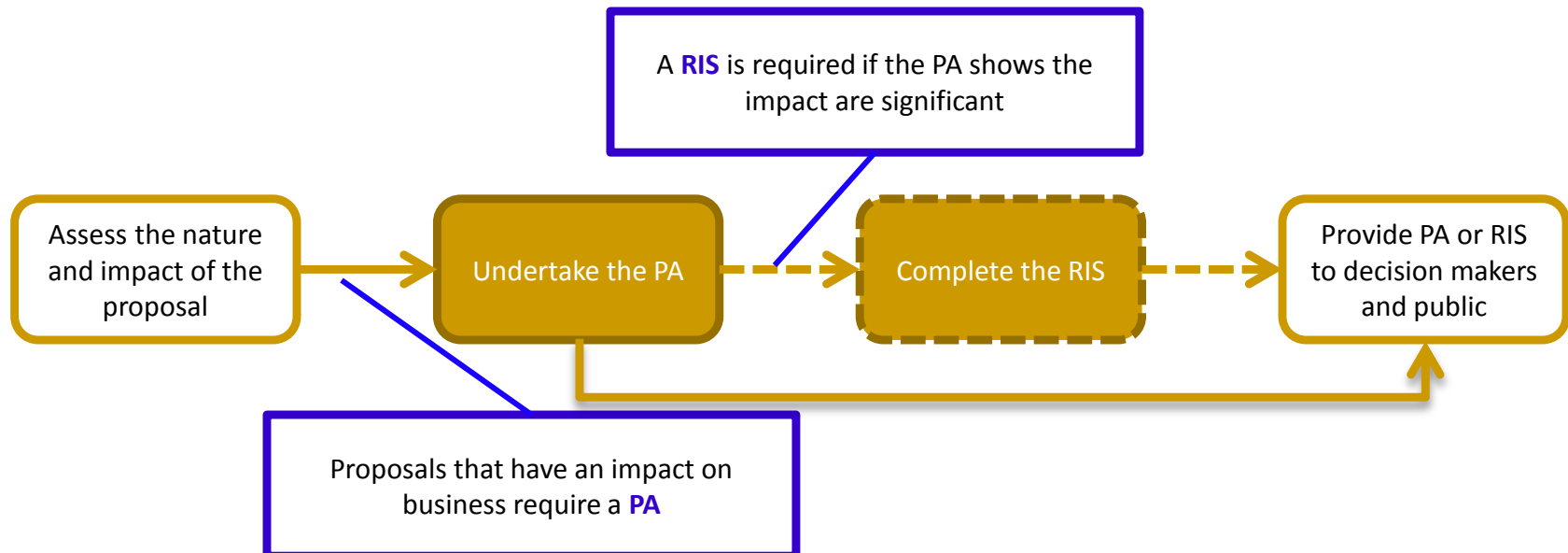
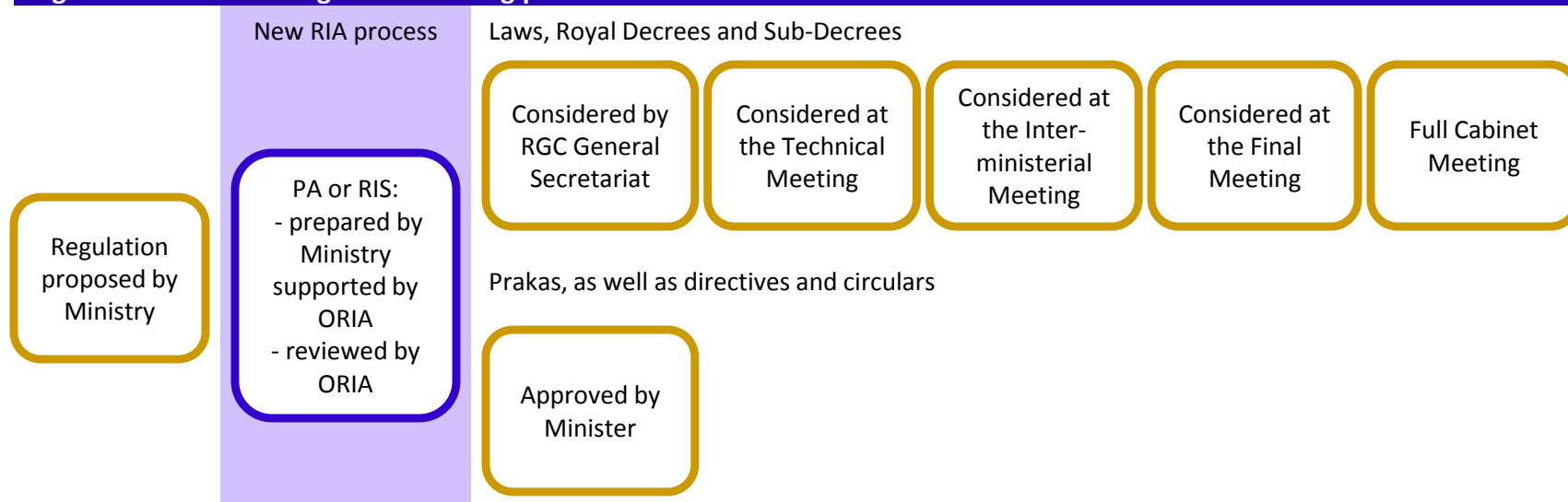


Figure 2: The revised regulation making process in Cambodia



RIA and the regulation making process

The RIA will provide information to decision makers about the costs and benefits of the regulation and the alternatives which can achieve the same objective. This enables decision makers to make better informed decisions, without restricting their options.

Figure 2 illustrates where RIA fits into the regulation making process in Cambodia. RIA will be prepared by a Ministry identifying the need for government intervention and first presenting the regulation to the decision makers.

- For laws, royal decrees and sub-decrees a Ministry will prepare the PA and, if required, the RIS prior to the proposal being submitted to the RGC General Secretariat.
- For prakas, as well as some directives and circulars, a Ministry will prepare the PA and, if required, the RIS prior to the proposal being submitted to their Minister.

Interim arrangements

The RIA process will only apply to regulations identified in the implementing agencies action plan during the training phase of the project.

At the outset, implementing agencies and ORIA will work collaboratively on PA and RIS, with assistance from the international experts, to learn how to produce good analysis.

Over the course of 2012, the ORIA's role will transition to one of capacity builder and assessor. IA will be expected to produce PA and RIS with little or no assistance from the international experts (assistance will be provided by ORIA). The PA/RIS will then be submitted to ORIA for review.

Once capacity to produce and assess RIA has been developed, it is hoped that the above process will be mandated for all Ministries.

Preliminary assessments

The **preliminary assessment** (PA), prepared using the template included as Attachment 1, commences with a test of whether the proposal meets the threshold for RIS.

The first step of this test is to determine whether the proposal is regulatory. That is, does it compel individuals or businesses to change their behaviour. Laws, Royal decrees, sub-decrees and prakas are all regulatory. Other government documents that are binding on business are also likely to be regulatory.

The second step of the test is to determine whether the proposal will have an impact on business, which includes situations where the proposal may produce one or more of the following effects:

- add to business costs
- create a disincentive to private investment
- impose restrictions on firms entering or exiting a market
- affect the ability of businesses to innovate
- lock consumers into particular service providers
- reduce the range, price or quality of goods and services provided in the marketplace.

If the answer to these steps is yes, then the PA continues through the seven elements of a RIA on a qualitative basis, though a quantitative assessment of the impact on business is good practice.

The draft PA will then be submitted to the ORIA for review.

If the PA shows that the impacts are negligible, then no further analysis is required. The PA will be submitted to the decision maker along with the regulatory proposal and published on the ECOSOCC website.

Figure 3: The threshold test

Step 1:
Is the proposal regulatory?

Is the proposal binding in nature? Is compliance mandatory rather than voluntary?

Step 2:
Does the proposal impact on business?

By:

- adding to business costs
- discouraging investment
- restricting market entry
- stifling business innovation
- locking consumers into particular service providers
- reducing the range, price or quality of goods and services available

Frequently asked questions about preliminary assessments?

Do I need to undertake a preliminary assessment?

If regulation is being considered, you must prepare a PA to assess whether the proposal will have an impact on business.

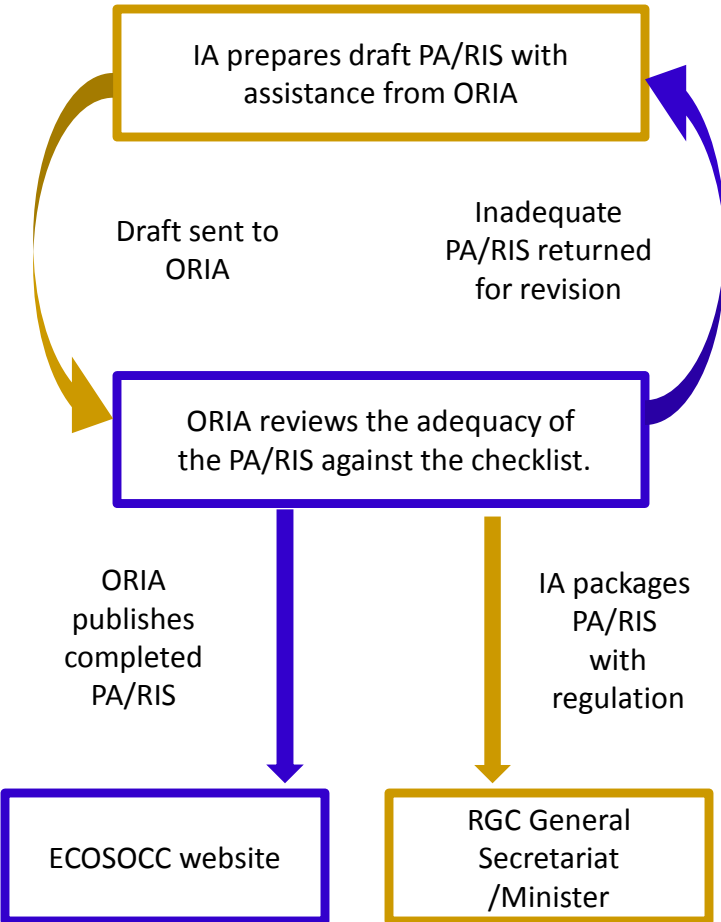
How do I know if the costs are low or negligible?

Low cost situations arise when only a few businesses are affected, the costs are one-off or the changes to the regulation are only minor.

Do I net off the benefits when working out the impact?

The impact on business should be assessed with reference only to the costs or negative impacts. Costs should not be offset against benefits at this stage. This is undertaken as part of the RIA.

The drafting and assessment process



Preparing and assessing RIA

The RIA process will be implemented by ORIA in conjunction with the project teams in each IA.

The IAs will be responsible for identifying regulatory proposals that will go through the RIS process.

Having identified a regulatory proposal the IA will prepare a draft PA. They may seek ORIA's assistance or advice to complete the draft, but ultimately it will be their document. Once the IA is satisfied with the draft, they will submit it to ORIA for review.

The ORIA will rate each element of the draft PA against the Checklist, which is included as Attachment 2, and give it an overall rating of adequate or inadequate. If the draft is rated inadequate, then it will be returned to the IA with ORIA's advice. The IA will make any necessary changes and resubmit the draft to ORIA. This process may be repeated two or more times until the draft is adequate.

Once the draft is rated adequate, the IA will either prepare a RIS if required, or submit the PA to the decision maker along with the proposed regulation.

The same process is followed for drafting the RIS.

Interim arrangements

In the training phase of the project, ORIA and the IAs will work collaboratively on PAs/RISs while they learn about the seven elements of good RIA. The PAs/RISs during this phase of the project will be developed in training workshops conducted by international experts.

The above process will only commence when the IAs and ORIA are comfortable with their ability to draft and assess PAs and RISs.

THE SEVEN ELEMENTS OF REGULATORY IMPACT ASSESSMENT

Element 1: Problem

The first step of a RIA is to identify the nature and extent of the problem to be addressed.

It is important to establish that a problem exists before determining whether government action, such as regulation, is necessary. Unless the source, nature and magnitude of the problem is fully understood, the proposed policy solution is likely to be inadequate, inappropriate and/or inefficient.

Clearly defining the problem helps focus attention on what needs to change and the magnitude of the required changes; and it will often suggest potential solutions, while eliminating others that are clearly not appropriate.

Government intervention may be justified in order to achieve social or environmental objectives that would not be achieved by the market. These may include:

- correcting market failures
- promoting equitable outcomes or a minimum standard of living across the community
- ensuring the safety of society by protecting people from crime or abusive behaviour.

Checklist: Can you answer the following questions?

How big is the problem and how severe are its consequences?

What are the broad impacts of the problem and who is affected?

Do you have evidence or examples to support your position?

Why is existing regulation not sufficient?

What will happen if no action is taken?

Can government intervention address the problem?

Correcting market failures

Well functioning markets generally provide the most efficient means of allocating goods and services between members of the community, maximising the well-being of the community. They are also generally the best means of ensuring goods and services are produced efficiently. Competitive markets also encourage innovation and lead to greater consumer choice.

However, in some instances, markets do not deliver the best outcome for society – for example, due to market distortions or imperfections. When markets fail like this, Government intervention may be justified on the grounds that economic outcomes could be improved. Causes of ‘market failure’ include:

- **market power** – uncompetitive market structures (a monopoly or oligopoly) and anti-competitive conduct (collusion) may lead to prices being higher or output lower than is optimal. Government intervention may be required to ensure market power is not exploited to the detriment of consumers.
- **externalities** – occur when an activity imposes costs (which are not compensated) or generates benefits (which are not paid for) for others. Externalities can result in too much or too little of an activity taking place. Government intervention may be required to ensure these costs or benefits are accounted for.
- **inadequate information** – to make good decisions, consumers need access to information on the quality or risks of products. Government intervention may be required to ensure that sellers better knowledge of the goods and services they provide is not withheld to the detriment of consumers.
- **public goods** – are goods or services whose consumption by some individuals does not diminish the amount that can be consumed by others (they are non-rival) and no individual can be prevented from consuming them (they are non-excludable). Public goods are likely to be undersupplied without government intervention.

Why are existing regulations not sufficient?

An important part of identifying the existence of a problem is to examine existing regulations and demonstrate that they are not working.

This examination helps to ensure that new regulation is only introduced when it is needed. This process would bring more coordination to the regulation making processes of different ministries.

A careful consideration of existing regulations can also help to identify options. Improvements to the design or implementation of existing regulation may address the problem at less cost than establishing a new regulatory framework.

Providing evidence of the problem

Identifying a potential problem is insufficient for the first element of the RIA. It is also important to provide evidence that the problem exists.

Evidence can be provided in the form of statistics, case studies or examples depending on the size and consequences of the problem. More significant problems should be supported by more robust data.

Statistics on the extent of the problem – collected by the Government, non-government organisations or other stakeholders/researchers – are the preferred form of evidence.

However, often these are not available or would be too costly to obtain. In such cases, it may be appropriate to use case studies or provide individual examples of the problem.

Data from other countries with similar economic, geographic, social and or cultural characteristics as Cambodia may also be used as a substitute for primary evidence.

Element 2: Objective

Having identified the problem that government intervention needs to address, the next element of RIA is to state the objective of government intervention. Stating an objective provides a benchmark to test different forms of intervention against.

It is important that the objective be stated in terms of the outcome that government intervention is intended to produce and not in terms of the form of government intervention. This allows different options to be assessed fairly.

- Stating the objective in terms of one method of achieving the outcome would bias the analysis in favour of particular options.

For example, the government undertakes many interventions to reduce deaths on the roads – mandating helmets for motorbike riders, enforcing speed limits and controlling intersections with traffic lights. When considering new proposals to reduce the road toll, the objective should be stated as ‘improving road safety’ or similar. If the objective were stated as ‘mandating helmets’, this would preclude many valid options from consideration.

It is also important to avoid defining the objective either too broadly or too narrowly

- Too broad a definition will make analysis vague (e.g. for the well being of people)
- Too narrow a definition will restrict options.

The chosen objective should also take account of other, possibly competing, government objectives. Otherwise, one government intervention may cancel out other initiatives. For example, the objective of government intervention to improve the energy efficiency of homes should also include consideration of housing affordability, if this is an objective of government.

S.M.A.R.T. Objectives

The quality of the objectives and the value they add to analysis are greatly improved if the principles of S.M.A.R.T. are applied.

SPECIFIC Provide enough detail to allow meaningful analysis – vague objectives lead to misdirected efforts. Be careful not to specify how you will achieve the objective, as this could exclude good options.

MEASURABLE Putting a number in the objective helps you talk about what can or will be achieved. This improves your comparison of options as you analysis can measure how far towards the goal each option takes us.

ATTAINABLE Perfection is not always achievable. Government can not eliminate all risks for example. Stating objectives that recognise the limitations of Government action helps to avoid making false claims about the benefits later.

RELEVANT The objective should be relate to your Ministry's responsibilities and capabilities. If addressing the problem is beyond your responsibility, you may need to reconsider whether regulations is appropriate at all.

TIMEFRAME Specify the timeframe for achieving the objective. Improvements are unlikely to take place overnight. Implementing change too quickly may also lead to poor outcomes. It is better to achieve your objective over time.

Example 1

The Australian Government is in the process of establishing a build a National Broadband Network (NBN) to allow the vast majority of Australians to connect to high speed broadband.

In this case the end, or the objective, is that all citizens should have access to the internet with high download and upload speeds.

One of the means (or methods) to achieve this objective is for the Government to build a fibre-optic cable network. Other means include subsidizing connections in areas that it is not commercial for private companies to operate. Connections in major urban areas would be provided on a commercial basis.

To define the objective as building the NBN is a common mistake that would be unacceptable in the RIA framework as it would bias the analysis against all other options for achieving the objective.

Example 2

A government wanted to address the problem of children being poisoned after consuming pills they had found in their homes.

A regulatory proposal was designed to achieve the objective of making medicine bottles harder to open. However, the solution resulted in more poisonings, as many adults could not open the bottle easily so did not replace the lid after opening it the first time.

The regulatory proposal was redesigned to achieve the objective of reduce access to medicines by children. With this broader objective, the solution involved a campaign to educate parents to store medicines out of reach of children, warning labels on bottles. and the design of bottles that could be opened easily by somebody who could read. These actions reduced the number of poisonings.

Element 3: Options

Options are alternative courses of action that can achieve the stated objective – they are different means to the end.

All regulatory impact analyses need to consider a range of options. In particular, non-regulatory options and less onerous options should be considered alongside any regulatory proposal. If the RIA only considers the regulatory proposals, then it is not possible to ensure that the most efficient and equitable option will be chosen.

To select options to include in the regulatory impact analysis, a list of all possible options should be compiled. The range of options is then narrowed by removing options that are unfeasible, such as options that can not be implemented practically or violate international conventions.

Once a final selection of 3 to 4 options (more in some cases) is made, each option should be described in detail sufficient to enable stakeholders to understand what is proposed and to allow meaningful comparison of the options in the impact analysis.

More information on different options that you might consider including in your analyses is provided in the column on the right.

Quick reference guide: Do you have the right selection of options?

All options need to be practically implementable within the framework of existing legislation, international conventions, social and cultural structures.

A non-regulatory option should be considered in all RIA unless this is not feasible.

Each option should be described in sufficient detail to enable stakeholders to understand what is proposed and to allow meaningful comparison of the options in the impact analysis.

Examples of different regulatory and non-regulatory options

Non-regulatory options include

- Public information and education campaigns – effective education campaigns may achieve the objective without regulation's coercive effects
- Rewarding good behaviour

Market-based instruments

- Tradable rights (for example, water permits),
- Taxes and subsidies (for example, taxes on alcohol and tobacco)

Improving existing regulation

- Increased enforcement of existing provisions
- Extending the coverage of existing legislation

Less onerous regulation

- Self-regulation – where companies agree on a set of rules that they will voluntarily comply with (may only work when the risks are low and the industry is concentrated, considered to be responsible and has an effective 'peak-body')
- Co-regulation – when government and industry cooperate in the design and enforcement regulation. Often used when technical expertise is important
- Positive regulation – such as accreditation schemes, which allow businesses or individuals to opt-in rather than applying a blanket requirement
- Negative licensing – applies regulation is only applied to businesses or individuals that have behaved poorly
- Risk-based regulation – where the regulatory requirements will vary based on the risk of the activity being regulated. Activities that create risks with lower consequences or less likelihood of occurring should be subject to regulated more lightly.

Element 4: Impact Analysis

Regulations impose costs on government, business and individuals. Effective regulation will also provide benefits when the government's objectives are achieved.

Impact analysis provides decisions makers with information to weigh and balance these many positive and negative impacts. If decision makers choose to regulate without conducting impact analysis, they may not achieve the objectives or ignore less costly options. The role of the impact analysis is to help decision makers avoid making these errors.

This requires a clear picture of how the regulation will operate, which is not provided by the draft regulations alone. For example, a regulation may prohibit the use of a toxic glue to manufacture shoes in Cambodia. However, it will not state:

- the substitute glue or process shoe manufacturers will use;
- how manufacturers will demonstrate that they have complied with the ban; or
- how government will ensure that this was the case.

The objective of the regulations may have been to prevent fainting, but the regulations will be ineffective if the substitute glue is also toxic, or too costly if the ban results in the same shoes being made elsewhere.

This is the role of the impact analysis, to:

- **identify** the changes in behaviour caused by each option,
- **quantify** the frequency with which these changes occur
- **value** the cost (or benefit) of each of these changes.

Impact analysis can take many forms

RIA is often promoted as a means of ensuring only social welfare enhancing regulation is implemented and the most efficient forms of regulation are chosen. Using a tool such as cost benefit analysis, allows RIA to demonstrate which options achieve benefits greater than costs and, for a given value of benefits, which option achieves them at least cost.

Definitive analysis of this type is rarely produced in the most sophisticated RIA system. Requiring this high standard for Cambodia would be counterproductive as it would make the task of preparing a PA or RIS difficult, leading to fewer PAs and RISs being completed. Instead, this guide promotes a form of impact analysis that aims to provide information to the decision makers in a form that allows them to make meaningful comparisons between options.

Identifying the costs and benefits of regulations helps decision makers to understand the full range of positive and negative impacts that the regulatory action can cause.

The effectiveness of regulation is often over-estimated. As such, data about both the size of the problem and the extent to which each option will address the problem is very useful. Compliance with regulation usually involves more frequent activity (e.g. monitoring) than it is assumed. **Quantification** of the effectiveness of options and the frequency of costs will help decision makers to better balance the positive and negative impacts of different options.

Valuing the costs only allows decision makers to choose based on the cost-effectiveness of each option. Ideally, the costs and benefits would be valued using a common metric, such as dollars. However, this can not always be achieved, particularly for benefits. Qualitative or subjective measures of value can be used to compare options when monetisation is not possible.

Identifying the costs of regulation

Complying with (and enforcing) regulation uses resources that could otherwise be utilised elsewhere. The opportunities foregone by not using the resources for an alternative purpose are the **opportunity cost** of regulation. The opportunity cost of a resource is measured by its value in the 'next best' or most valuable alternative use.

The first step of impact analysis is to identify all of the parties that will change their behaviour if any of the options were implemented, and to describe the opportunity costs of these changes in behaviour.

Businesses, government and individuals all forgo time and money that could be put to other uses when they comply, enforce or are otherwise impacted by regulation. Examples of opportunity costs

For the regulated:

- Time – to complete **administrative** tasks and waiting due to **delays**
- Money – to buy items to **comply** with regulations and pay **fees**

For the regulator:

- Time and money – to **enforce** and **implement**

For third parties (customers, competitors, suppliers):

- Time, money and lost opportunities – such as reductions in the range or price or service quality on offer.

While this step of the impact analysis can be completed as a desktop exercise for the PA, many of the impacts may not be foreseen by the Ministry or Department drafting the regulations. Consultation with stakeholders will help to ensure that all of the costs are identified as they will have a better understanding of how the regulation will change their behaviour.

Identifying the Benefits

The benefits of regulatory action are reflected in improvements in human welfare – the avoided damages or losses in welfare that humans would have experienced in the absence of regulatory action.

The primary benefits of the regulation and other options analysed in RIA are normally easy to identify – they are the objectives that you are hoping to achieve, such as reducing fatalities, protecting the environment or consumer protection.

If the primary benefits do not match the objective chosen, then you may need to reconsider whether you have chosen the right objective. However, the benefits of the regulation and other options may not be limited to just the objective. For example, government action to improve the environmental performance of electrical appliances may also benefit consumers by reducing the amount they spend on electricity.

Example: Why making regulation is not a positive impact or benefit

The Royal Government of Cambodia requires businesses to register the products they sell. The registration of products is not of itself a benefit.

However, registration assists the Government to track, which companies have approval to produce trademarked goods. This helps the Government to police and prevent counterfeiting.

Preventing counterfeiting has both costs and benefits to Cambodia. It could lead to higher prices for customers, but will also help to attract investment in the country.

However, International brands are more likely to establish factories in Cambodia when they are confident that their intellectual property will be protected by government. It is this investment that is one of the benefits of product registration. Also, the information obtained from registrations can be useful to the government and other interested parties.

Quantification of the costs and benefits

The second step of impact analysis is to quantify (or measure) the costs and benefits that will be achieved by each option. For example number of applications that will be filed (cost), number of lives that will be saved (benefit).

It is useful to separate this step (quantification) from valuing the costs and benefits (monetization). Quantifying costs and benefits can provide useful information on its own. For example, if one option is expected to save ten lives whereas the other is expected to save only one life, this information will be very useful to the decision maker. In comparison, monetization is often difficult and can also be controversial. For example, valuing environmental benefits. Rather than despairing at this difficulty, separating the two steps allows you to focus on the information that can be estimated more easily.

Quantifying the costs and benefits is also the most important step for comparing options. Remember, all options were chosen to achieve the similar outcomes (or benefits) and are likely impose similar types of costs. The value of one unit of benefit or one unit of cost will be the same for each option. As such, the quantification of how successful/effective each option is, and the frequency with which each option will impose costs, is likely to determine the ranking of options.

The aim of this step is to collate all available information about the *impact* of each option. That is, what is the *effect* of adopting each option (what does it do or change). These impacts are measured as the difference between in the absence of any action **the base case**; and what is expected to occur when the regulation is complied with. In doing so it should be recognized that regulations (and other options) are rarely perfectly implemented, so their effectiveness needs to be determined rather than assumed to be 100 per cent.

Establishing the base case

RIA involves assessing one or more policy options against what happens in the absence of the proposed regulation – the base case.

Establishing the level of costs and benefits in the base case is important. These costs and benefits needs to be deducted from the benefits of each option. Otherwise the options would be credited for benefits that would be achieved without further action and penalized for costs that would have been incurred regardless.

For example, consider a regulation to mandate the wearing of life jackets on boats to reduce deaths from drowning. Many boat owners or users already wear a life jacket voluntarily. Hence they will not drown in the case of an accident. Including the costs of such life jackets would overstate the cost, and including them in lives saved would overstate the benefit.

The base case is defined by identifying all existing regulation as well as cultural and social norms that influence the behaviour of people impacted by the proposed regulation. In the case of life jackets, this could include parental concern for their children, employer safety mandates or sailing club rules. On the basis of these existing rules and behaviour an estimate can be made about the level of existing or voluntary compliance, which establishes the base case for calculating costs.

The 'base case' for the benefits should have been established when identifying the problem. In the example above, the size of the problem is the number of drowning deaths that occur when people fall from a boat. Voluntary wearing of life jackets has already reduced the size of the problem. Any proposed government action should only be credited with further reductions, not lives saved due to life jackets worn by people who already do so voluntarily.

Effectiveness

A common error in regulation making is assuming that regulation, and only regulation, will address the problem identified. This can be a mistake for two reasons:

- regulation is not perfect, while it can help to reduce the risk of a problem occurring, it is unlikely to eliminate the problem all together due to uncontrolled risks, non-compliance or other factors
- other options often perform just as well as regulation, but are not assessed objectively because the decision to regulate has already been made.

Quantifying the effects of each option helps to prevent these mistakes and better inform decision makers.

The PA or RIS should provide the decision makers with information about how well each option will address the problem. The effectiveness of each option will depend on:

- enforcement and compliance – an option will address the problem only when it is implemented. Even then a 100 per cent compliance is rarely achieved for various reasons such as enforcement difficulties or restricted scope (e.g. when the option does not apply to the whole population affected by the problem, such as a voluntary scheme).
- how much the risk of the problem can be addressed – regulatory actions usually target specific causes of a problem, so even after these are addressed the problem may persist due to other uncontrolled factors, such as the environment.

As PAs/RISs are assessing how well new initiatives will work in the future, information about their effectiveness may not be readily available.

Estimates of the effectiveness of regulation can be based on evidence from implementation of similar regulation overseas, knowledge about the industry, group being regulated and the knowledge of causes of the problem.

- The regulatory proposal may have already been implemented in another country. Evaluations of the success of the regulation in that country can be used to estimate the possible impacts of the regulatory proposal in Cambodia.
- Industry which has a good compliance record may be expected to continue the good record. Therefore, knowledge about the industry or group affected may be useful to estimate the impacts.
- Most regulations attempt to address risks to human health, the environment or similar. The cause being addressed may not be the only one that contributes to these risks. For example, the weather may contribute to the risk of road crashes or pollution events. Given regulation can not control the weather, it may be prudent for some PAs/RISs to acknowledge that some of the risk will remain even after the regulation is implemented.

Making assumptions

Often evidence about the base case or effectiveness of options is unavailable. So, Ministries may need to make assumptions about the quantification to complete their analysis.

When assumptions are made, they should be stated (made explicit) and their effect on results should be clearly explained (i.e. the results should be qualified or caveated). This would prevent decision makers misinterpreting the PA/RIS.

Assumptions should also be tested. That is, what effect will changes to assumptions will have on the outcome should be assessed. This can be obtained by substituting different values for assumptions and obtaining the corresponding values of outcomes.

Valuing the costs and benefits

The final step of impact analysis is to *value* the costs and benefits. Assigning a monetary value allows to aggregate cost and benefits and compare them between options.

The direct costs of regulation are usually easy to value. For example: items purchased (cost), staff time (e.g. time taken to fill a form multiplied by wage rate), direct financial costs (e.g. fees).

The benefits and indirect costs of regulation can be more difficult to value. Regulatory proposals primarily aim to address market failures or distributional impacts. Therefore, estimating the benefits involves valuing something that is not priced in the market. Several techniques have been developed to estimate these values, such as 'willingness-to-pay'.

Estimating the value of benefits can be costly. An efficient RIA system ensures that effort expended on the impact analysis is proportionate to the expected impacts of the regulation.

For RIA in Cambodia, it is expected that most estimates of benefits will be derived from existing research or simple calculations. In these cases, the costs and benefits of each option over time should be calculated (the quantity multiplied by the unit-value). Costs and benefits in the future should be adjusted by a discount rate, which reflects the fact that people generally attribute a higher value to consumption today rather than later. Summing the adjusted costs and benefits for each option provides a measure that can be used to make informed decisions.

When benefits cannot be valued, then cost-effectiveness analysis, break even analysis, and/or qualitative analysis may be used.

Cost effectiveness analysis

Cost effectiveness analysis is used to compare two or more options when the benefits cannot easily be valued, but can be quantified.

An options cost effectiveness is the ratio of its cost to the quantity of benefit. The ratio informs decision makers about how much it will cost to achieve each unit of benefit. The decision maker can then choose whether they wish to 'spend' this amount (the ratio) to achieve the outcome sought.

The option with the lowest cost effectiveness ratio will generally be preferred, though options with higher ratios could still be implemented (as well) if the decision maker wanted to 'spend' more to achieve the outcome.

Break-even analysis

Break-even analysis (BEA) is used to inform judgments about whether the preferred option is worth the costs it imposes when the benefits cannot be valued or the effectiveness of the regulation is uncertain.

BEA involves comparing the quantity of benefits with the costs, to show how valuable or numerous the benefits would need to be to justify the costs imposed. For example, a proposal might need to provide \$10,000 in benefits to break-even or, if each unit of benefit is worth \$1,000 dollars, provide more than ten units of benefit.

This value or number should be compared to the size of the problem and the value of other benefits to test whether it is realistic to expect it to break-even. For example, if the problem only occurs five times a year, then it is very unlikely that a option that requires 10 units to break-even per annum will be worth implementing.

Qualitative analysis

Impacts which cannot be valued at all are best dealt with by providing decision makers with a qualitative discussion of the likely impacts and allowing them to make a judgment as to whether the benefits justify accepting a proposal.

Multi-criteria analysis (MCA) is a popular technique for structuring qualitative analysis that ensures all options are assessed fairly and transparently. It can be used to compare options, but due to the subjective nature of scoring, can not be used to determine whether an option will provide net-benefits.

- For this reason, MCA should be combined with cost-effectiveness analysis or break-even analysis to choose a preferred option.

MCA involves selecting a series of criterion to assess options against. Options are assigned a ‘score’ for each criterion and the scores summed to provide a total that can be used to compare options. The table below shows an examples of MCA scoring.

It is important not to treat MCA only as a table of scores. MCA only assists decision makers when the criterion are carefully selected and the scores based on evidence. The selection of criteria and scoring should follow the identify, quantify and value steps set out above and the selection should be carefully explained. For example, the relative scores of different options should be in proportion to the quantification undertaken, otherwise the scores may be misleading.

	OPTION 1	OPTION 2	OPTION 3
Criterion 1	3	5	2
Criterion 2	2	2	2
Criterion 3	-1	-2	-3
Criterion 4	-2	-2	-2
Total	2	3	-1

Distributional analysis

Sometimes, though a regulation may provide net benefit to the community as a whole, it affects certain groups disproportionately. In particular, while regulations are usually drafted in gender-neutral language they may affect one gender more than another. For example.

- An increase in minimum wage is likely to affect women more, if the majority of low paid employees are women.
- Regulations affecting microcredit may affect women more, if the majority of the recipients are women.

Regulations may also impact disproportionately on different regions, religious or cultural groups. Due to these disparate impacts, assessing whether proposed regulation affects one group adversely is a key part of impact analysis in both the PA and RIS. Indeed, an analysis of the impact on gender is mandatory and a Gender Impact Statement (GIS) should be prepared and included in the RIS, if the impact on either gender is material.

Analysis of the impacts on particular groups could take the form of impact analysis presented previously in this guide. That is, the analysis should:

- identify how the proposal impacts the group concerned and how this differs to the impact on the general population
- quantifying the size of the group and the size of the disproportionate impact that affects that group
- valuing the negative (or positive) impacts on that group.

Groups impacted should also be consulted separately to record their views on the proposed regulation and to seek their feedback on how the disproportionate impacts can be reduced or offset.

Element 5: Consultation

Without consultation our knowledge of the problem, options and impacts will be deficient. Consultation will:

- improve the understanding of the problem and allow government intervention to be better tailored to address its causes, including by identifying alternative options
- help to identify and quantify the impacts of government intervention, by facilitating the collection of data and information on the impacts of the proposal, allowing the most efficient option to be chosen
- avoid risks associated with the implementation of government interventions, which may otherwise limit their effectiveness
- promote transparency and trust by exposing the merits of decisions and assumptions and analysis used making those decisions.

Consultation does not require lengthy questionnaires sent to all stakeholders. It will be more effective to ask fewer questions of the right people through a conducive forum.

Checklist: How to consult effectively

Ensure representatives of all parties impacted by the problem and proposal are consulted, including businesses, government, the public and representative bodies.

Consult frequently throughout the regulation making process. Consultation can assist with identifying options and specifying the objective as well as refining the impact analysis and identify implementation issues.

Be mindful that stakeholders have vested interests. Have an open mind and examine the claims carefully.

Who to consult

The range of stakeholders that should be consulted is both diverse and particular to each PA/RIS. As a guide, consultation could include the following stakeholders.

- Businesses impacted by the regulation – who should be consulted about the costs and implementation of all options
- Consumers and other individuals effected by the problem or proposed options – who may be able to provide evidence of the problem or the effectiveness of options
- Representative bodies (Chambers of Commerce, industry groups, consumer associations, NGOs) – who may be able to provide you with a broader
- Government agencies that will assist with implementation of your proposal (Cambodian Institute of Standards, the Police, Customs or other Ministries)
- Government agencies that regulate the same industries to ensure that your doesn't conflict or overlap with existing regulation or international commitment
- Gender Working Groups and the Gender Mainstreaming Action Groups in your ministry and the Ministry of Women's Affairs to ensure that gender impacts are adequately acknowledged
- Academics or other experts familiar with the sector being regulated – who may be able to provide an impartial view or be aware of similar regulation in other jurisdictions.

Be mindful that stakeholders have vested interests. Have an open mind and examine the claims carefully. You do not have to agree with the views but must consider and respond to them.

Stakeholder input is most effective when it is published with the PA/RIS, at least in summary form. However, individual stakeholder requests for confidentiality should be respected.

Forms of consultation

Consultation can take many forms – meetings, seminars, workshops, invited submissions (either publicly advertised in newspapers or directed at individual stakeholders) or social media.

The forms of consultation you choose should:

- allow for a broad range of stakeholders to contribute to ensure it captures the full diversity of stakeholders impacted by the proposal
- span the length of your policy development process to allow stakeholders to make suggestions about the options and objectives as well as the final proposal
- provide sufficient time and confidentiality to allow stakeholders to make considered submissions without fear of the information being misused – you may wish, for example, to consult some groups in separate forums.

The PA/RIS is a consultation document

The PA/RIS, as well as being a statement about the government's proposal, is a consultation document. This should be kept in mind when drafting both documents.

- Draft in language understood by all stakeholders – don't quote the draft regulations, instead describe how they are intended to work.
- Information about the problem and the impacts may not be available when drafting the PA/RIS. If so, include questions to gather stakeholder feedback.
- Include the results of consultation conducted to date.

Information received from stakeholders should be used to improve the quality of analysis as you go, including after the RIS is published.

Element 6: Conclusion

Once the impact analysis is completed, the relative merits of different options considered should be compared. The assessment should take into account the results of the impact analysis, distributional impacts and the quality of the available evidence.

The recommended option should be identified with an explanation of why it is the preferred option, reasons for rejecting other options should be detailed as well.

The form of the conclusion will depend on the methodology used in the impact analysis.

- When a cost-benefit analysis is performed, the conclusion section would compare the net benefits (benefits minus costs) of each option and use this value to select the preferred option.
- For PAs/RISs that identify high consequence risks as the problem, the preferred option might be the one that most effectively reduces the risk, regardless of the cost, particularly when the benefits can not be valued in dollars.
- A break-even or cost-effectiveness analysis may be used to determine whether to proceed with a particular option, but are not useful for comparing options, which may require a qualitative analysis.
- When a decision is made on the basis of a qualitative analysis, then the criteria considered and the assessment of each option against those criteria should be laid out clearly, perhaps using a multi-criteria analysis.

Key variables or assumptions should be highlighted and tested using alternate values to ensure that the same conclusions hold in less favorable circumstances. Stakeholder feedback should be sought on any uncertainties.

Accounting for uncertainty

All RIA involves making assumptions about what will happen in the future, such as:

- the size of the problem that needs to be addressed and how effective regulations will be at addressing the problem
- the change in behaviour of businesses and individuals that will result from the new regulations.

Small changes to some of these assumptions might lead to a different option being preferred. The importance of specific assumptions and the change in conclusion that would result from adjusting the assumption up or down should be noted in the conclusion. This is particularly important when the audience for the PA/RIA may have information that could be used to estimate the costs and benefits. Presenting a summary of the key assumptions, invites them to provide feedback.

Use appropriate language

Most PA/RIS in Cambodia will use a qualitative methodology to analyse the impacts of options, such as a multi-criteria analysis or a detailed discussion of each option.

It is important that the results of the analysis using qualitative tools are presented accurately. For example, a qualitative analysis is a statement of the author's opinion and preferences. The chosen option is 'preferred' to the options only and can not be presented as objectively better.

The conclusion should avoid using phrases that would indicate the chosen option is objectively better than alternatives, such as stating it has the 'highest benefits', is 'the best' or has 'benefits greater than costs'. These statements can only be made if more rigorous costs benefit analysis has been performed.

In short, be honest about the analysis you have performed.

Element 7: Implementation and Monitoring

If they have not already been considered, the final element of the RIA is to consider the detailed, practical implementation and issues that will need to be addressed before the preferred option is adopted.

Planning for implementation and monitoring in the RIA can improve regulatory design and avoid unnecessary compliance costs. It can also enhance the effectiveness of regulation as obstacles can be planned for and avoided.

In this element of the PA or RIS, the implementation process should be described, including:

- the date the regulations will become effective
- details of all the departments/agencies that will administer and/or enforce the proposal and their roles
- sources of information about the regulations that the public can consult to learn more about how to comply with the regulations (for example, how to apply for a license).
- Any transitional arrangements to minimise the initial impact of the proposal (e.g. a gradual introduction of requirements, information provision to affected businesses).
- How the performance of the regulations will be monitored, including the performance measures that will be used and when the data will collected and reported on.

The implementation of regulations requires careful planning and substantial work as regulations do not become effective simply through the act of a signing them into law.

If other government agencies will be required to assist in the implementation, for example the police, then the implementing agency should ensure they know what their role is and they are able to perform any tasks required of them.

ATTACHMENT 1: PRELIMINARY ASSESSMENT TEMPLATE

Preliminary Assessment

[Insert name of the regulatory proposal]

[Insert name of the ministry]

Reference no: [insert a unique reference no – data base]

Date started: [dd-mmm-yyyy](a very early start is recommended)

Date finished: [dd-mmm-yyyy](to be circulated for consultation)

Contacts:

	Name	Phone	Email
Ministry-primary			
Ministry-backup			
ORIA-primary			
ORIA-backup			

A brief description of the proposal

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Is this proposal regulatory in nature?

Does it change the behavior of businesses? **Yes / No**

Law	Royal Decree	Sub Decree	Prakas	Decision	Circular	Other (describe)
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Tick the appropriate box, if other describe.

If NO – end of the PA, go to the last page / If YES go to the next question.

(Circle either YES or NO)

Does this proposal impact on business? **Yes / No**

If NO – end of the PA – go to the last page for sign off.

***If YES-go to the next question and proceed with the assessment.
(Circle either YES or NO)***

1. Problem – Why are we making this regulation?

Provide evidence, not opinions or assertions, of the problem. Circle Yes or No.

Common themes	Intended to be addressed by this regulation	Evidence (attach notes if necessary)
Public health and safety	Yes / No	
Environmental protection & conservation	Yes / No	
Social, gender equity & cultural conservation	Yes / No	
Promote competition	Yes / No	
Collection of information	Yes / No	
Comply with WTO and international agreements	Yes / No	

If there is any other problem, describe and provide evidence

State how the regulation will improve the situation

2. Objective – What do we want to achieve?

State the final intent or purpose, not just the immediate outcome. Relate to RGC policy objective

Revenue collection or creating influence are not appropriate objectives for regulations
Do not define the purpose narrowly and restrict options, nor define it too broadly or vaguely.

3. Options - Consider all alternatives

3A List any (existing) regulations that are related or similar?

- 1.
- 2.

State why these regulations are inadequate?

Are these regulations not working? Can these be modified/enhanced to achieve the intent/objective? Do we really need another regulation?

Alternatives

It is important to explore all alternatives, noting that regulating should not be the first option.

3B Feasible alternatives (for impact analysis)

- 1
- 2
- 3

3C Alternatives which are theoretically possible, but unlikely to be feasible (no further analysis required, unless the status changes during the RIA process)

- 4
- 5
- 6

[Note after consultation and further analysis, some alternatives may be downgraded from 3B to 3C and vice-versa.]

4. Preliminary estimate of compliance costs and competition impacts

4.1 Identification of tasks and cost-categories

Guidelines provide a list of possible cost categories

Description of option	Tasks and cost-categories that may be incurred by the public sector to develop, implement and to enforce the option.	Tasks and cost-categories that may be incurred by the industry to comply with the option.
Option 1:		
Option 2:		
Option 3		

4-2 Scope of the options

Describe the sectors or types of business affected, and estimate the impact of complying with the proposed options (provide evidences to support the estimate)

Options	Business sector	No of busn.	Reference/Evidence
Option 1			
Option 2			
Option 3			

4.3 Estimate the level of compliance cost *increases* for business & government

BUSINESS	Level of incremental compliance cost	Justification
Option 1	Significant / Non-significant	
Option 2	Significant / Non-significant	
Option 3	Significant / Non-significant	

GOVT	Level of incremental compliance cost	Justification
Option 1	Significant / Non-significant	
Option 2	Significant / Non-significant	
Option 3	Significant / Non-significant	

4.4 Estimate the level of benefits

Option	Level of benefit	Reasons
Option 1	Significant / Non-significant	
Option 2	Significant / Non-significant	
Option 3	Significant / Non-significant	

4.4 Is there any competition impact? YES/NO(*circle, Ref guidelines. Competition impacts will usually require a RIS*)

4.5 Is there any gender impact?

Does the regulation affect women (individuals and women owned businesses) more than men? Yes / No.

If NO, go to section 5.

If YES, then describe the impact:

Is the impact significant? Yes / No

If NO, go to section 5.

If YES, then justify why the regulation affects women more:

Can you quantify the impact? Yes / No.

If so, provide the amount.

5. Initial consultation

Consult with a representative sample of stakeholders. The purpose of this consultation is to refine the above sections. Detailed consultation can take place later, if a final RIS is required. Treat this process like a brainstorming sessions or focus group interviews.

Group	Firms	Method	Summary of views
Manu- facturer	Industry association (representing % of the industry)	Written submission Meeting/ Phone	
	Firm (large/medium/ small) 1 2 3		
Con- sumers	Consumer groups		
	Major consumers (e.g industrial consumers) 1 2 3		
	Retail consumers		
Govt	Ministries		
Gender	Womens' groups		
Experts	Name		
Others	Name		

6. Conclusion

6-1: Summary of incremental costs and benefits

Option	Costs to the industry	Costs to the public sector	Benefits
Option 1:	Significant / Non-significant	Significant / Non-significant	Significant / Non-significant
Option 2:	Significant / Non-significant	Significant / Non-significant	Significant / Non-significant
Option 3:	Significant / Non-significant	Significant / Non-significant	Significant / Non-significant

6-2 Is a RIS required?

- YES – End of PA, start preparing a RIS
- NO - Provide justification and complete the rest of the PA

(Circle either YES or NO, depending on the level significance of compliance costs and benefits, and whether there are any competition impacts).

Justification for not proceeding to prepare a RIS

6-2: Selected option (*Describe the option*)

--

Criterion		Reason
Is this the least cost option to industry and community?	Yes / No	
Does this option offer the greatest benefit?	Yes / No	
Is this the least risk option to public?	Yes / No	

If all the answers are YES proceed to step 7, else continue

If any of the answers to the above is *NO* why was the option selected? (*tick one box*)

Combination of criteria was favorable, even though one or two were negative
Justify and go to step 7

There were other factors that influenced the decision [see below]

What are the other factors used to select this option?

Explain the circumstances and provide justification

Factors	Circumstances	Justification

7 – Implementation and Monitoring

If a regulatory option was selected:

7.1 What measures were adopted to enhance transparency and good governance during the implementation stage?

--

7.2 Should this regulation be reviewed post implementation?
If so when and how should it be reviewed?

--

ANY OTHER COMMENTS

--

PROCESS	Name	Signature	Date
Prepared by (line ministry)			
Checked by (ORIA)			
Approved by (ORIA)			
Entered the database			
Uploaded on website			

ATTACHMENT 2: CHECKLIST FOR PRELIMINARY ASSESSMENT

Regulatory Impact Assessment in Cambodia

Background to Guidelines and Checklist

The Royal Government of Cambodia (RGC) has institutionalized a regulatory review system, under which the Office of Regulatory Impact Assessment (ORIA) oversees the regulation making process in Implementing Agencies (IA). The purpose of the system is to ensure that regulatory proposals undergo a systematic analysis, assessing the costs and benefits of the proposals and the alternatives, enabling a fully informed decision making process. Accordingly ORIA's functions include: assessing regulatory proposals (and alternatives); training line-ministry staff in RIA; publishing RIA statements and compliance reports; and coordinating with ministries and liaising with the private sector.

At the outset, all proposals are examined to identify whether they are regulatory in nature, i.e. whether the government is likely to, either directly or indirectly, influence the way businesses behave if the proposals were to become regulations. Then all regulatory proposals that have some business impact undergo a two-step assessment process:

- Preliminary Assessment (PA) which applies to all regulatory proposals (see box below) and, if the PA reveals that the proposal is likely to have significant impacts,
- Regulatory Impact Statement (RIS).

Both PA and RIS consist of analyzing the seven elements: Problem, Objectives, Options, Impacts, Consultation, Conclusion and Implementation. The seven steps are interrelated and the assessment process is iterative.

ORIA has developed a checklist and guidelines to assist the line-ministries to conduct RIA. These documents provide guidance and easy reference for preparing PA and RIS.

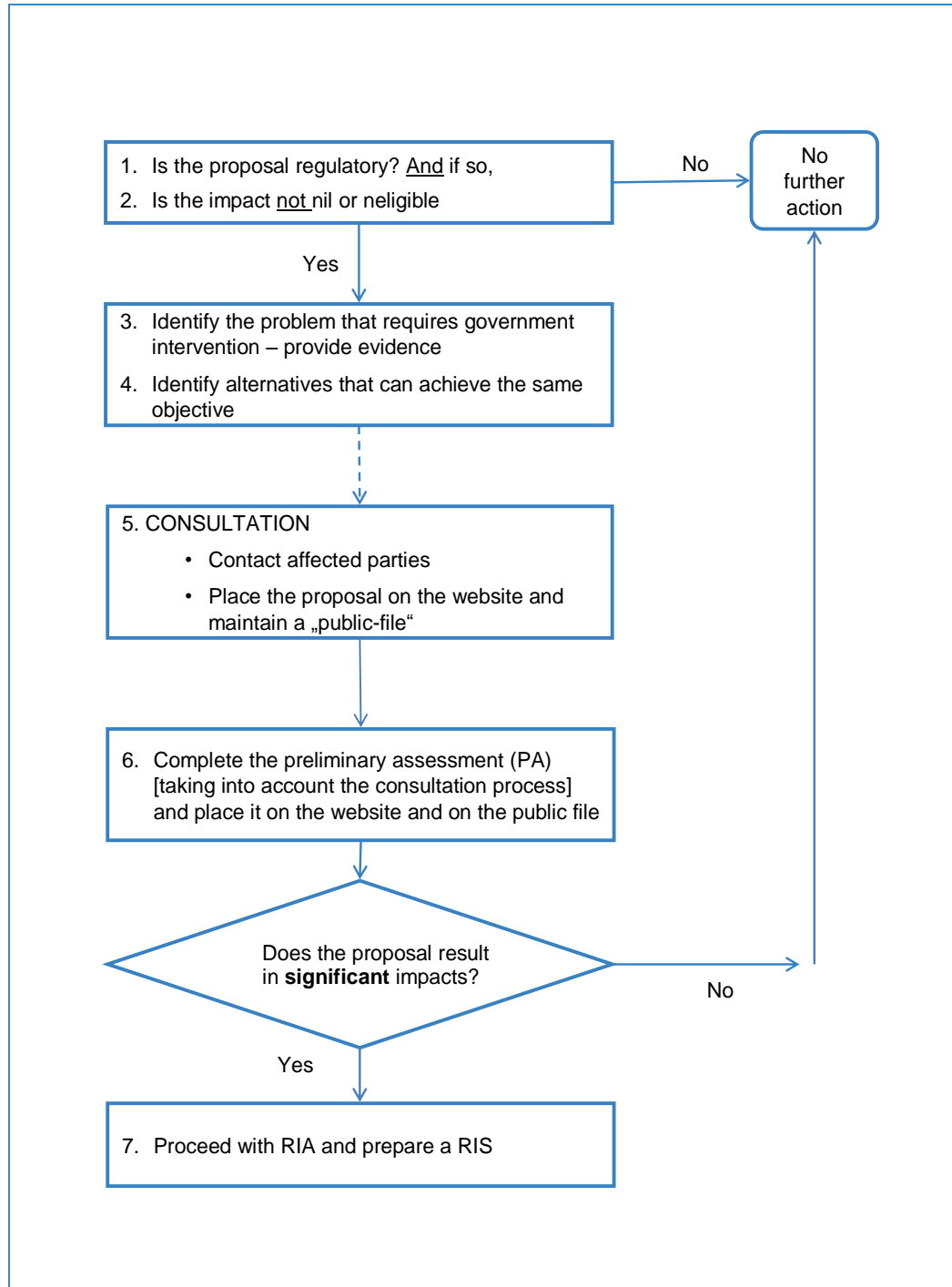
Checklist primarily relates to the PA because when a proposal gets to the RIS stage the PA would have been completed so the seven elements would have been addressed already.

The primary **purpose** of the PA is to assess the impacts of the regulatory proposal, to determine whether the impact is significant. The assessment is superficial at this stage.

For proposals which do **not** result in significant impacts, no further assessment will be required. PA will be submitted to the decision maker along with the regulatory proposal. It will also be placed on the website.

Significant proposals would require a RIS - which requires further, more robust, assessment.

Chart : Preliminary Assessment process



CHECKLIST for Preliminary Assessment

Element	Comment	Hints	*
<p>1. Problem</p> <p>Why are we making this regulation?</p>	<p>Most important part-foundation for the Assessment.</p> <p><i>Provide evidence– not opinions or assertions.</i></p>	<p>What difference would it make if the regulation was not made?</p> <p>Why market cannot solve the problem?</p> <p>Why existing regulations cannot solve the problem?</p> <p><i>How the regulation will improve the situation.</i></p>	*
<p>2. Objective</p> <p>What do we want to achieve?</p>	<p>State the final objective, not the purpose of the regulation.</p>	<p><i>What to achieve (outcomes) rather than how to achieve it (methods).</i></p> <p><i>Avoid defining the objective too broadly or narrowly.</i></p>	*
<p>3. Options</p>	<p>Identify all alternatives (& stakeholders)</p>	<p>Categorize alternatives into practicable and not practicable ones.</p>	*
<p>4. Impact Assessment</p>	<p>Consider the impact of each option on all stakeholders.</p> <p>Consider the impact on gender equity.</p> <p>Consider competition impacts**.</p>	<p>Quantify compliance costs on business.</p> <p>Estimate costs & benefits on businesses, government and consumers.</p> <p>Assess the proportion of women employed by affected industries.</p> <p>Evaluate whether women are adversely affected by the regulation.</p>	*

5. Consultation	Key to all steps, especially 3 & 4. Include issues of WTO compliance (MoC) Consider gender equity.	Identify stakeholders Actively solicit views, using appropriate medium Record & consider views. Consult with GMAC, Gender Working Groups, and if appropriate MWA.	
6. Conclusion	Consider materiality of impacts.	Significant impacts – proceed with RIA and prepare a RIS statement. Publish the PA. Otherwise, confirm the selection of the regulatory proposal as the most effective option to address the problem and achieve the objective. Examine implementation issues.	
7. Implement	Review/post audit	Sunset clauses? Publish the IA.	

*Assess each category and provide the ratings. A–Good / B–Satisfactory / C–Poor (redo).

** So far we have focused on costs and benefits. But there are competition impacts also which can be significant. *If the regulatory proposal has competition impacts a RIS will be required.*

Competitive effect occur when a regulatory proposal changes the competitive landscape, say by restricting entry to the industry or by favoring some firms over others (e.g. big firms over small ones). Such can fall under the following categories.

- Potentially affect the number and range of businesses in an industry? Yes / No
 - Potentially change the ability of businesses to compete? Yes / No
 - Potentially impact on consumers? Yes / No
- (See Guidelines C4.6 for further details) (circle one)

If the answer to any of the above question is YES a RIS is likely to be required.

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