EU Impact Assessment system (EU–IA)
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Impact Assessment
1 Introduction

For a range of EU policy areas, various types of ex-ante impact assessments, such as business impact assessments, gender assessments and environmental assessments, have been developed over time. EU environmental policy has introduced, the Environmental Impact Assessment procedure to be implemented by the Member States in order to assess physical impacts of actions at the project level such as roads or industrial sites. Strategic Environmental Assessments take place at the level of political decision-making for plans and programmes in areas such as land use, transport, waste, energy and water management. These procedures, however, do not allow for the assessment of the impacts of EU Directives and other political initiatives at EU level since they are to be applied by the Member States. Therefore, the EU has introduced an impact assessment procedure, which (1) applies to all major EU political initiatives and (2) integrates the various impact assessments, which have developed separately over time covering environmental, economic as well as social aspects. The main idea of IAs is to identify the likely positive and negative impacts of proposed policy actions – notably those relevant under the EU Sustainable Development Strategy – and thus enable informed political judgements about the proposal.

This idea of “Impact Assessments” (IA) originates from the EU’s Sustainable Development Strategy, as set out in the Gothenburg Conclusions of the European Council.[1] Impact assessments also play a decisive role in contributing to an effective and efficient regulatory environment.[2] Since the origins of the Commission’s IA system lie both with the Better Regulation Action Plan, and with the Gothenburg conclusions, there has always been tension between their separate objectives in the framework of the governance process.[3] The system and guidelines for EU impact assessments were outlined in a Commission communication,[4] subsequently revised in 2005.[5] It presents a common set of basic questions, minimum analytical standards and a common reporting format. Based on the communication, impact assessments were gradually applied to the major initiatives presented by the Commission in its Annual Policy Strategy or its Work Programme 2003, which were expected to have economic, social and environmental impacts.

2 Methodology

The Commission’s impact assessment process was initially comprised of two stages:

A preliminary assessment, as a filtering exercise, gives a first overview of the key problems to be addressed by the proposal, its objectives, the regulatory and non-regulatory options and their possible social, environmental and economic impacts. It should conclude with an argument and justification for or against an extended impact assessment.

On the basis of statements from the Secretariat–General and DGs on the preliminary assessment, the Commission will then decide in its Annual Policy Strategy resolution and/or Work Programme which proposals will be subject to an extended impact assessment.

The “Extended Impact Assessment Report” is part of the interservice consultation on a proposal and will be published when the Commission agrees on the proposal. The extended impact assessment has to be carried out if the proposal is expected to result in substantial economic, environmental and/or social impacts, significant impacts on major interested parties and/or if the proposal represents a major policy reform in one or more sectors.

Following the 2005 revisions, the preliminary IAs of each initiative are replaced with a “Roadmap”, which fulfils a similar function to the preliminary IA, and then a full Impact Assessment on all initiatives is carried out. The term “Extended Impact Assessment” is called simply “Impact Assessment” “to reflect the importance of proportionate analysis, and the fact that certain IAs may remain relatively limited also in the second stage” (SEC (2004), 1377).
3 Process

The guidelines for structure of IAs specify the following steps:
1. Identify the problem
2. Define the objectives
3. Develop main policy options
4. Analyse their impacts
5. Compare the options
6. Outline policy monitoring and evaluation

Stakeholder consultation and collection of expertise can run throughout the process.

The scope of the impact assessment has to be decided on in an iterative process according to the principle of proportionate analysis. The conducting DG is asked to think "outside the box", consulting interested parties and relevant experts and using existing knowledge and experience in order to consider alternative approaches to achieve the desired objective. The assessment report has to be written in a clear and concise manner, presenting the results in a transparent and comprehensible way, including explanations of the underlying assumptions and their basis. There is no specific tool, method, model or appraisal for IAs – various tools, methods, models or appraisals are of potential use for IAs since an IA is a framework tool that can be filled with different analytical content.[6]

4 Review

4.1 Evaluation Results

The following evaluation is based on analysing the Commission’s guidelines for conducting an impact assessment, a selection of impact assessments already carried out by the Commission and a limited number of interviews. The Commission documents include (in the following referred to as “handbook” and “Commission guidelines”)

- The Commission communication on impact assessments (COM(2002)276 final)

The impact assessment reports studied include:

- Communication on immigration, integration and employment
- Directive amending the directive establishing a scheme for greenhouse gas emission allowance trading within the Community, within the framework of the Kyoto Protocol’s project based mechanisms.

Interviews included the following DGs: Agriculture and Rural Development (DG AGRI, 2); Environment (DG ENV, 4); Justice, Freedom and Security (DG JLS, 4); External Relations (DG RELEX, 1); Research (DG RTD, 1); Taxation and Customs Union (DG TAXUD, 1); Development (DG DEV, 1); Employment, Social Affairs and Equal Opportunities (DG EMPL, 1); Internal Market and Services (DG MARKT, 1).

Policy Processes

Impact Assessments as outlined above are to be applied for all major policy initiatives as presented in the Annual Policy Strategy of the Commission and its Work Programme. This in itself implies that the instrument is to be used at the beginning rather than the end of the policy cycle. This means it can be usefully
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applied in the phases of policy initiation, policy estimation and policy selection, while the phases of policy implementation, policy evaluation and policy termination are not or only partly covered by the instrument. Particular cases are the phases of policy initiation and policy evaluation. For the policy processes subsumed under policy initiation, IAs are only partly useful, since screening / scoping for emerging issues, strategic orientation and agenda setting are not facilitated by IAs. In the policy evaluation phase, IAs are not directly useful, but they already prepare the ground for ex post evaluations by outlining how progress should be monitored and how ex post evaluations should be carried out.

Operational Aspects

The operational aspects of applying EU IAs strongly depend on the method[7] chosen to assess impacts. The Impact Assessment guidelines establish a three step procedure for assessing impacts, starting with identification of impacts, followed by a qualitative assessment of which impacts are the most significant and finishing with an advanced qualitative and/or quantitative analysis of impacts.[5] The guidelines suggest various methods of how to assess and measure impacts, which can be applied by the Commission desk officer responsible. Qualitative and quantitative analyses should be combined. In addition to these guidelines, the handbook suggests referring to formal models and analytical tools, like macro-economic models, computable equilibrium models and sectoral models, as well as simple tools such as causal models and impact matrices. If the policy to be assessed is very complex, the handbook advises the Commission desk officer to draw on external experience. The guidelines make suggestions for which tools to use and for comparing impacts and the policy options. In terms of quantifying the operational aspects of IAs, this means that it is difficult to predict them, since EU IAs can make use of a range of instruments, for which the operational aspects vary. For these reasons, out of the range of operational aspects presented by the analytical framework of the project, only the following could be answered in a general way for EU IAs:

- The experiences with applying the tool have been growing since its introduction in 2003
- Its use is mandatory for the policy proposals selected in the Commission’s yearly work programme
- Costs (in monetary terms) for applying the tool range from Desk Officers salary to several million Euros
- Manpower needs for applying the tool range from one person to several persons
- Time needs (for making the assessment) range from three months to several years

Cross-cutting Sustainability Aspects

EU IAs in general cover all crosscutting aspects of sustainable development as defined in the “Analytical Framework” of the project. Most of the aspects, however, are not directly – but often indirectly – addressed by the guidelines for applying EU IAs, though their consideration is not mandatory. They rather serve as an aid for considering a wider range of potential impacts for the policy options. Since the handbook only provides guidelines, the extent to which the aspects are covered in the actual assessment is up to the Commission desk officer.

Impact Coverage

The guidelines for applying EU IAs cover all impacts as defined in the “Analytical Framework” for the project. However, the same constraints exist as for sustainable development aspects: It is up to the Commission desk officer to take these aspects into account.

4.2 Experiences

Results of Literature Review

Research on the EU IA procedure has produced two studies analysing and comparing various impact assessments since 2003. The IEEP study “Sustainable Development in the European Commission’s Integrated Impact Assessments for 2003” draws the following main conclusions, which concern the
The operation of the IA System

- The introduction by the Commission of an integrated impact assessment system which seeks to take full account of sustainable development considerations is far-sighted and is to be welcomed.
- The objective of an effective system of impact assessment is to change the way in which public authorities develop their policies. As such, impact assessment requires a process of culture change that is likely to be difficult and protracted. Many of the difficulties experienced during the first year of the Commission’s IA system have been a common feature of impact assessment systems elsewhere. Nevertheless, there are a number of areas where improvements can be made.
- While some of the extended assessments undertaken in 2003 are good (e.g. in relation to proposals on batteries and accumulators, and the reform of the CAP sugar regime), the quality of others is poor. A number of factors have contributed to this situation – for example, there is no formal mechanism for ensuring quality control; resources for undertaking assessments and for the provision of advice and guidance are limited; and there appears to be no institutional framework within which the promised ‘learning by doing’ can take place in practice.
- The Commission’s Guidelines on Impact Assessment are not sufficiently explicit in respect of those aspects that should be regarded as mandatory and those which are only discretionary.
- The treatment of sustainable development issues in the Guidelines is brief, not easy to understand, and not detailed enough to be of practical use in an extended impact assessment.
- The Guidelines give the impression that impact assessment is a one-off event, rather than an extended process that should be staged in order to reflect the successive steps in the process of policy development. At any one stage, only some of the assessment questions can be appropriately answered. For this reason, where an IA is regarded as an event, the Guidelines are difficult to apply in practice. This could require the unnecessary repetition of the entire IA process at later stages in the policy process.
- The selection of Commission proposals for extended impact assessment has not been systematic, and has not followed the criteria set out in the Communication on Impact Assessment and subsequent Commission Guidelines, particularly in relation to proposals at an early stage of development, such as Green Papers. Selection should be on the basis of clear criteria, which is consistently applied.
- There are no structured arrangements for involving Member States in Commission impact assessments, even though it is often only Member States who are able to provide the Commission with national data, and details of likely implementation arrangements and their consequences.
- Approaches to stakeholder consultation have varied widely. Generally, industrial interest groups have been more closely engaged than environmental or social groups, reflecting their considerably greater resources.

The Content of Impact Assessments

- None of the 2003 IAs follows the Commission’s Guidelines fully. Most make an effort to follow the principal headings, but their treatment is unequal. A small number of IAs pays little attention to the Guidelines.
- The analysis of the policy problem to be addressed tends to reflect the perspective of the responsible directorate-general, suggesting that inter-service consultation could effectively be strengthened.
- Most IAs put forward between two and four policy options, but four propose only one. Options almost always fall within the competence of responsible directorates-general.
- The range of impacts assessed is limited, and falls well below the number proposed in the Commission’s Guidelines.
- Little explicit attention is given to issues of sustainable development, or to trade-offs between its different elements.
- The international impacts of the proposals were rarely assessed effectively.
- Most attention is paid to economic impacts. The treatment of environmental and particularly social impacts is limited.
Most impacts are discussed in qualitative terms. Where quantification is attempted, most attention is paid to short-term economic costs, rather than environmental or social benefits.

Data limitations have restricted the consideration of many potential impacts, particularly environmental and social. A permanent infrastructure for more extensive data collection and analysis needs to be established to underpin the assessment system. This cannot be done on a short-term, ad hoc basis in response to the needs of specific proposals.

Commission Guidelines on clarifying ex post monitoring and evaluation needs are generally not respected.

The second study “A pilot study of the Quality of European Commission Extended Impact Assessments” was undertaken by the University of Manchester. Its aim was to develop a review package for assessing the quality of impact assessment reports and the process for conducting them. The study indicates that the quality of the impact assessments carried out in 2003 vary and identifies the following weaknesses:

- Problem identification: fundamental nature of the problem and its root causes are not satisfactorily identified.
- Difficulties observed in articulating high and low level objectives and achieving consistency between these.
- Range of policy options investigated is relatively narrow.
- Unbalanced coverage of different types of impacts (economic, environmental and social; positive and negative; distributive effects, short and long-term effects).
- Various methodological weaknesses exist, causing assessment findings to be insufficiently substantiated.
- Deficiencies in options analysis and justification of choice of the preferred option.
- Deficiencies in the clarity and objectivity of the presentation findings.
- Absence of a non-technical summary for executive and non-specialist use.
- Insufficient time available in which to complete a satisfactory assessment.
- Limitations in the range and type of expertise in the preparation of the assessment.
- Lack of transparency in the process – including the timely availability of Ex IA documentation for the external consultation process.
- Inadequate arrangements for external consultation as an integral component of the assessment process.

Practical Experiences

The following sections give an overview of practical experiences with sustainability impact assessments. Since experience with the Commission procedure is limited, the review also considers sustainability impact assessment experiences in the area of trade and in selected Member States.

Commission Impact Assessment

The IA procedure has been applied to a growing number of policy proposals since 2003. With the exception of the two studies mentioned above and a number of EU Research projects, such as MATISSE or IQ-Tools, the system has not yet been evaluated systematically. The following conclusions are built on the studies mentioned, analysing a range of IA reports and carrying out a limited number of interviews.

- IAs are usually carried out by Commission desk officers in the form of a desk study. Although the Commission has established impact assessment guidelines, there is no control mechanism in place in order to monitor their application (although one of them has been assessed by the appropriate Council Working Group). Existing IAs show that the degree to which the guidelines presented by the Commission are applied strongly varies. This might be due to the fact that the discussion of issues and impacts relevant to sustainable development in the handbook is brief and not always easy to relate to the given policy area, and therefore of limited practical use. The description of sustainable development assumes that the Commission desk officers have a sophisticated understanding of
sustainable development and does not consider that the desk officers often are not familiar with the concept. At any rate it remains up to the interpretation of the Commission desk officer to decide which guidelines and steps of IA to emphasise and which to play down.

- It remains up to the desk officer to choose which impacts to cover and which methods to use. He/she also decides upon the depth and coverage of the analysis. Although the guidelines suggest to make use of a range of methods, their actual use varies greatly. Often the desk officer does not apply methods himself/herself but refers to other impact assessment reports commissioned by bodies as different as various DGs, NGOs, research institutes, industrial federations, etc. Often the IA also refers to studies or evaluations not carried out with a view to the specific policy proposal. Although the bibliographic source of these studies is made explicit, the assessment report only refers to its results and often neglects to consider the source of the information (i.e. industry, environmental NGOs, research) as well as the methods used and their strengths and weaknesses. To the reader of the assessment report, therefore, it remains unclear, for example, whether the information the report refers to represents comparable numbers or whether the methods used show uncertainties. If the reader were to look up all the studies referred to, he would need to find and read up to 20 different reports.

- Environmental IAs tend to use more quantitative tools than non-environment focused IAs.

- IAs are seen as an aid to political decision-making, not a substitute for it. But the relation between the decision-making process and the impact assessments procedure is not transparent to outsiders. Often it remains unclear what happens to the assessment results.

- The analysis of the policy problem tends to reflect the perspective of the responsible DG. This also applies to the presentation of policy options. Objectives are rarely presented in quantifiable terms. Policies subject to IAs are often narrowly defined, and the policy officer has little opportunity to question the wider framing of problems.

- Discussion of alternative policy options as well as analysis and comparison of their impacts strongly varies and is often relatively weak. This also applies to an overall sustainability evaluation or trade-offs between the different elements of sustainable development of the policy proposals subject to IAs. The use of models or tools, as explicitly encouraged by the handbook, has been limited for assessing impacts.

- Ex-post monitoring and evaluation needs have been considered in most of the impact assessment procedures, but their usefulness varies. Moreover, institutional and methodological requirements for evaluation are almost never considered, in contrary to the Guidelines.

- Approaches to stakeholder consultation have been presented in most of the IAs but they varied widely. Stakeholder consultation is generally observed, sometimes extensively, but often the participants are those who have always been involved in similar policy areas, with the resulting similar outcomes.

Trade Impact Assessments

The EU has been undertaking SIA studies of trade negotiations since 1999 [10]. The IDPM at Manchester University has been involved in SIAs of proposed WTO negotiations and has developed a corresponding methodology. The four main stages according to this methodology consist of:

1. Screening and scoping
   - Screening: to determine which measures require an SIA because they are likely to have significant impacts
   - Scoping: to determine the terms of reference for the appraisal of each measure identified as relevant (components of the measures to be assessed; decision on methods and consultation procedures)

2. Assessment of proposed measures
3. Assessment of alternative mitigation and enhancing measures (mitigation of negative, enhancement of positive impacts)
4. Monitoring and post-evaluation proposals

The screening process, based on an OECD methodology, results in a decision of which policy measures
should be examined by an SIA. In the **scoping** phase, the economic sectors to be covered, the range of scenarios to be examined, the geographic coverage as well as the time horizon of the assessment are determined. The **assessment** itself is based on the identification of assessment types according to an OECD typology, which refers to product effects, scale effects, structural effects, regulatory effects and technology effects. Assessment areas include impacts on all three common pillars of sustainability, i.e. economy, environment and society. Impacts are then classified according to their importance. This is done by setting up indicators for the different areas of sustainability and criteria for the significance of impacts. The assessment methods often used in trade impact assessments can be grouped as follows, although an impact assessment will of course always require a combination of different assessment methods:

- **Project related assessment techniques:** Causal Chain Analysis, Cost–benefit Analysis, Risk Assessment procedures, descriptive methods (case studies), consultative and participative methods
- **Economic models:** General Equilibrium Models, Partial Equilibrium Models, Input–output Models, Econometric Models, Extended Domestic Resource Approach

Although trade SIAs are mainly designed for ex–ante and concurrent analysis, they also contain provisions for ex post monitoring.

Critical analyses of recent trade impact assessments reveal strengths and weaknesses of the tool. Besides identifying the obvious strengths as an aid for decision making and progress towards more sustainable policies, NGOs and other parts of society claim that the methodology of impact assessments for trade policies remains unnecessarily restrictive in its approach. Among various concerns, they argue more specifically that the methodology recommends ignoring scenarios which negotiators have no interest in considering, thus gearing the tool towards the position of the negotiators. There are complaints about the limited range of scenarios that are being considered for the studies and the lack of rationale for selecting sustainability indicators. Critics also assert that issues such as cumulative impacts, long–term effects, irreversibility and limits to sustainability are not adequately addressed, leaving the scoring mechanism for assigning “significant” impacts questionable.

Practice in the Member States

Most industrialised countries have established procedures that assess expected and evaluate possible alternatives before a policy is issued.[11] These assessments usually take the form of a regulatory impact assessment (RIA). The main aim of such an assessment is to improve regulatory quality, reduce regulatory burden and increase the transparency of law–making. Several countries, however, have started to include environmental impacts in their assessment procedures also, although they were originally not considered therein. Nevertheless, not all countries have developed a coherent approach. In some countries environmental aspects have been integrated into the conventional regulatory impact assessment procedures and in others separate environmental appraisal processes have been developed. Although it appears that requirements to consider environmental aspects during the development of new policies has been strengthened, it seems therefore not remarkable that important differences in the basic and practical orientation of the procedures were observed. Key differences are as follows:

- **RIAs usually were mandatory** if expected impacts were large. Decisions were either based on a monetary threshold or in accordance with the principle of proportionality.
- **Co–ordination** was often the responsibility of the President’s or Prime Minister’s office. The Co–ordinating body was usually in charge of guidance, support, evaluation and review.
- **The role of stakeholders** in the assessment process varied strongly from no participation at all (focus on information) and stakeholder contributions to scoping, data gathering and analysis.
- **The rate of implementation** of assessment findings varied from almost 0% to close to 100%. Countries with a long tradition of conducting RIAs showed a higher implementation rate. Implementation in these cases was encouraged by strong political commitment at high political levels as well as tight quality assurance procedures.
- **Most RIA systems aim to consider all relevant economic, social and environmental impacts.** In
practice, most procedures focus on direct, short-term and financial costs.
• The **comprehensiveness** of analysis in practice varied strongly. Those looking at a broader range of impacts tended to be more qualitative in nature.

The review of national level experience shows that successful impact assessment procedures require a strong political commitment for policy change, which involves a shift in political culture and an appropriate institutional setting. The successful development of the relationship between the better regulation agenda (original root of most national impact assessment procedures) and sustainable development is essential. These two aspects have in common that they aim to increase the accountability and transparency in policy-making, promote dialogue and participation, improve coherence between different policy areas and improve evidence–based and high quality regulations. Tensions originate in the aim of regulatory reform to demand ambitious justifications of policy intervention with a view to reducing the burden of regulation on business and society on the one hand and increase policy intervention by addressing issues of sustainability on the other.

### 4.3 Combinations

EU IAs are a kind of umbrella for the other tools, meaning they may contain other tools covered by the project, so there is a link to all other tools. This attribute of EU IAs imposes constraints on the further analysis of the tool in the framework of the project. As already shown in the sections above these constraints originate in the fact that important features of the tool always depend on the method used, since there is no one method or combination of methods determined by IA.

The impact assessment as outlined by the Commission provides an open tool, which offers the opportunity to appraise various aspects of sustainable development. Its application will hopefully initiate a process of change in policy making, but that is at the same time likely to be difficult. This is partly due to the fact that its application as well as the impacts identified and the extent to which the aspects of sustainable development are covered strongly depend on the Commission desk officer who is responsible for the IA. Further constraints of IAs are:

- availability of data
- time constraints
- the quality of the IA strongly depends on the knowledge of the Desk officer and the political circumstances.

### 4.5 Further Work

Areas for future research could include:

- Evaluation of experience with IAs on a broader basis than the IEEP and Manchester studies
- Development of ideas for improving IAs
- Think about how to identify impacts
- How to improve the use of methods in the impact assessment procedure?
- What combination of tools can be used in which cases?

### 2.4.6 References


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