
10. Identifying the Most Preferred Option

Once the overall net benefits of each option have been calculated based on the monetised costs and benefits and accompanied by the quantified and qualitatively described costs and benefits, we are ready to make comparisons and select the most preferred option.

This step can be thought of as answering the question:

What are the criteria against which options are to be evaluated and compared?

Several criteria have been developed against which options are to be evaluated and compared.

10.1. Criteria for comparing options

Policy makers may be concerned about more than just overall net benefits of each option when it comes to their decision making in terms of option selection.

Often other criteria such as equity (the distribution of costs and benefits across various stakeholders) or the ease of implementation and monitoring can be important considerations.

Once the criteria for comparison of the options are determined, it is time to apply methodologies to undertake the comparison. These methodologies include multi-criteria analysis and cost-effective analysis

10.1.1. Multi-Criteria Analysis (MCA)

Multi-Criteria Analysis (MCA) is a useful complement to traditional cost-benefit analysis where impacts are multidimensional or difficult to monetise. MCA enables policymakers to compare options against a range of criteria “that may not be commensurable or quantifiable in monetary terms,” particularly where distributional, environmental, or social considerations are important. The European Commission Better Regulation Toolbox identifies MCA as a suitable method where policy choices involve trade-offs between economic efficiency and non-monetary objectives such as equity, precaution, or social cohesion.

Under MCA, policymakers first identify a set of decision criteria relevant to the policy objective. These may include:

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- increase in economic efficiency or net benefits from solving the problem (safety, consumer protection etc)
 - equity - distribution of costs and benefits
 - impact on small businesses,
 - impact on competition and innovation,
 - inclusiveness and accessibility,
 - administrative feasibility and simplicity,
 - enforceability

Each regulatory option is then assessed against these criteria, either qualitatively or quantitatively. In many cases, criteria are assigned weights to reflect policy priorities. Weighting is often the most politically and analytically sensitive stage of MCA because it reflects implicit policy priorities. For instance, a financial regulator may assign greater weight to systemic stability, whereas a competition regulator may prioritise market contestability and consumer welfare.

Weights and criteria should be informed through stakeholder consultation, expert workshops, or deliberative exercises. This improves legitimacy and helps ensure that regulatory choices reflect broader societal priorities rather than only technocratic calculations.

Each option is then scored against the identified criteria. Scoring may be qualitative (e.g., low-medium-high), numerical, or based on empirical estimates. The final assessment in MCA thus reflects not merely aggregate welfare maximisation, but a broader balancing of competing public policy objectives.

For example, MCA-style approaches are frequently used in environmental and sustainability regulation, where monetisation of biodiversity, social cohesion, or precautionary concerns may be incomplete or controversial.

A practical illustration can be found in transport and environmental RIAs, where policymakers often compare options using criteria such as:

- travel time savings,
- carbon emissions,
- safety outcomes,
- regional inclusion,
- and long-term sustainability.

An option with slightly lower aggregate NPV may still be preferred if it significantly improves accessibility for disadvantaged regions or reduces environmental harms.

Similarly, in digital and financial regulation, policymakers may prioritise options that enhance consumer trust or inclusion, even where immediate monetised benefits are lower. For instance, the

Financial Conduct Authority has increasingly incorporated consumer vulnerability and well-being considerations into its assessments, recognising that welfare effects may extend beyond measurable monetary gains.

Also, an option may be preferred even if quantified net benefits are uncertain, provided it significantly reduces catastrophic or irreversible risks. The precautionary principle in EU environmental regulation reflects this logic. In addition, a regulatory option may maximise aggregate welfare but disproportionately burden small businesses or rural consumers. Another option may generate lower net economic benefits but substantially improve accessibility, inclusion, or trust in markets. MCA enables these competing considerations to be systematically evaluated rather than implicitly ignored.

Detailed evidence and examples

In practice, MCA is often implemented through decision matrices, where options are scored against identified criteria. An illustrative example is provided below:

TABLE 10.1

Criteria	Weight	Option A	Option B	Option C
Net Economic Benefit	30%	High	Medium	Medium
Consumer Protection	20%	Medium	High	High
Impact on SMEs	15%	Low	Medium	High
Competition & Innovation	15%	Medium	High	Medium
Administrative Feasibility	10%	High	Medium	Low
Equity & Inclusion	10%	Low	High	Medium

A key strength of MCA is that it makes policy trade-offs transparent. It explicitly identifies the criteria against which options are evaluated and reveals how different policy objectives are prioritised. This is especially important in sectors such as environmental regulation, digital governance, financial consumer protection, healthcare, and infrastructure planning, where policymakers often confront tensions between efficiency and fairness.

10.1.2. Cost Effectiveness Analysis

In addition to MCA, several other analytical tools are used to identify the preferred option in RIA. One important tool is Cost-Effectiveness Analysis (CEA), which is particularly useful where benefits are difficult to monetise but outcomes can be measured quantitatively. Instead of asking which option maximises net benefits, CEA asks which option achieves a specified outcome at the lowest cost. This approach is commonly used in health, environmental, and safety regulation. The **OECD** notes that CEA is particularly valuable where “policy objectives are fixed and measurable.”

MCA and CEA can be used along with scenario analysis, particularly in sectors characterised by uncertainty or rapid technological change. Rather than selecting the option with the highest expected value under a single scenario, policymakers may prefer options that perform reasonably well across multiple possible futures.

However, MCA also has limitations. One criticism is that weighting and scoring may introduce subjectivity or political bias. Different policymakers may assign very different weights to the same criteria, potentially producing different preferred options. Transparency and justification when assigning weights and scores is therefore crucial.

Another challenge is the risk of “double counting,” where similar impacts are inadvertently reflected under multiple criteria. For example, improved consumer trust may already be partly reflected in increased market participation or competition. Careful design of the criteria matrix is therefore essential.

Stakeholder consultation often plays a role in dealing with such concerns and identifying the preferred option. Consultation may reveal implementation challenges, behavioural responses, or distributional effects not fully captured in formal modelling.

Taken together, MCA and CEA are broad options evaluation processes involving the consideration of trade-offs between efficiency, equity, feasibility, resilience, sustainability, and legitimacy. Multi-Criteria Analysis and related tools therefore play an important role in ensuring that RIA supports not only economically efficient regulation, but also socially and institutionally balanced decision-making.

10.2. Presentation of options

To help policy makers decide on the most appropriate option to take forward, different options may be presented to policy makers in the following matrix format:

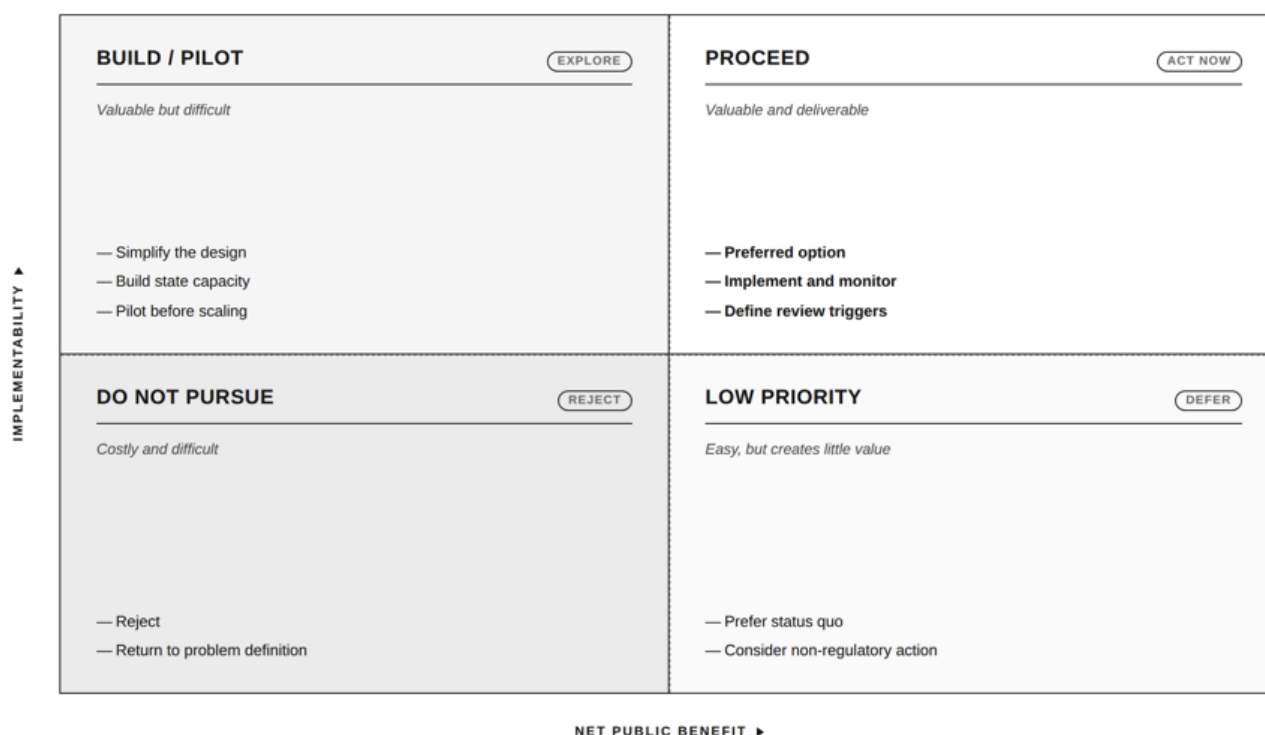


Figure 10.1. Options presentation matrix.

Similarly, different potential impacts of options may be presented in a reader friendly manner, to help policymakers easily discern the impact of different options and decide on the most appropriate option. A template is provided below:

Benefit Type	Status Quo	Outcome-Based	Co-regulation	Mandatory FoP	FoP + Health
Improved consumer information	Low	Medium	Medium	High	Very High
Comparability across brands	Low	Moderate	Moderate	Medium-High	High (visual cue)
Trust / transparency	Low	Medium	Medium-High	High	High
Reduction in misleading claims	Low	Medium	Medium	High	Very High
Reduction in complaints	Low	Medium	Medium	High	High
Market discipline	Low	Medium	Medium-High	High	High

Following these ten steps can help in conducting a robust RIA, and answer the last question: **What is the best option from those you have considered?**

References

1. OECD (2020), *Regulatory Impact Assessment: OECD Best Practice Principles for Regulatory Policy*, OECD Publishing, Paris, <https://doi.org/10.1787/7a9638cb-en>
2. European Commission, *Better Regulation Toolbox*, https://commission.europa.eu/law/law-making-process/better-regulation/better-regulation-guidelines-and-toolbox/better-regulation-toolbox_en
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4. Financial Conduct Authority (2018), *Occasional Paper No. 39: Estimating the benefits of interventions that affect consumer behaviour*, <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-39.pdf>