2. Undertaking a Regulatory Impact Assessment

An RIA is a comprehensive analysis, evaluation and assessment of the problem or issue that needs to be addressed, and of the various options available to the policymaker to address it. The main objective to undertake an RIA is to assist the making of optimal, well informed and well evidenced regulatory interventions to address a problem, that maximise the net benefits to society.

An RIA typically consists of the following:

- A well identified policy problem that needs to be addressed, including its nature and scale of impact on various stakeholders
- Identification and analysis of the various options to address the problem, including analysis of the current state of affairs, which includes:
    - an explanation of how each option addresses the problem
    - the various stakeholders impacted by the problem and by each option
    - the costs, benefits and risks of each option
    - a methodology to compare and contrast the options, including any criteria to compare them against
    - The selection of a preferred option based on the evaluation and comparison

- analysis of impacts of the option on different groups of individuals, businesses and other stakeholders in terms of costs, benefits and risks, including an assessment of the chosen option's impact on competition and innovation in markets.
- analysis of how each option will be implemented and its performance evaluated, and the various costs that will be faced by stakeholders under each option's implementation.

Regulatory impact assessments can also incorporate lessons learnt from a public consultation process, which can elicit relevant, valuable information from various stakeholders impacted, to inform the analysis.

Following the consultation process, the RIA can be updated, the preferred option reviewed and confirmed, or amended based on the information received, and final regulations written and implemented.

2.1. Ex ante and Ex post assessment

RIA is most commonly associated with ex ante analysis, that is, assessment undertaken before a regulatory measure is adopted. At this stage, the regulator seeks to anticipate the likely consequences of different policy options and use this evidence to inform the choice of whether and how to intervene. The analysis necessarily involves assumptions about how regulated entities, consumers and other stakeholders are likely to respond, and about how the market and other relevant conditions may evolve in the absence of intervention.

However, impact assessment need not end when a regulation is adopted. Ex post assessment examines what actually happened after the intervention was implemented. It can assess whether the regulation achieved its stated objectives, whether its actual costs and benefits corresponded with those anticipated ex ante, whether there were unintended consequences, and whether the regulation remains necessary, proportionate and effective. The distinction is important because an ex ante RIA is necessarily based on forecasts and assumptions, whereas an ex post assessment can draw upon observed evidence.

The relationship between the two is therefore iterative rather than sequential and disconnected. A well-designed regulatory system should use evidence generated after implementation to improve subsequent regulatory decisions and the quality of future ex ante RIAs. Ex post evaluation can reveal whether the assumptions about behavioural responses, compliance costs, effectiveness or distributional impacts made during the original RIA were accurate. It can also identify effects that were not anticipated at the time of the original assessment.

For instance, the Better Regulation Framework of the United Kingdom (UK) distinguishes between a RIA, which is a pre-regulatory assessment of the expected effects of a measure, and a Post-Implementation Review (PIR), which assesses the actual effects of a measure after it has been implemented and operated for a period of time. The UK guidance specifically states that the PIR should examine whether the measure achieved its original objectives, whether those objectives remain valid, whether the measure is still necessary and whether it remains the best option for achieving them. It also emphasises that planning for the PIR should begin while the RIA is being prepared, so that the regulator identifies the evidence and data that will need to be collected after implementation

2.2. Questions Answered by Regulatory Impact Assessment

A useful approach to undertaking an RIA is to answer the nine key questions below.

1. **What is the problem you are trying to address and why is government/regulator action or intervention needed to address the problem?**
2. **What policy options are you considering?**

3. **Who are all the stakeholders that are likely to be impacted by the current situation and the options under consideration?**
4. **What are the costs of each option?**
5. **What are the benefits of each option?**
6. **What is the present value of impacts and how to deal with uncertainty?**
7. **What is the likely net benefit (benefit minus cost) of each option?**
8. **What are the criteria against which options are to be evaluated and compared?**
9. **What is the best option from those you have considered?**

This web-book is structured to guide policy practitioners and those tasked with developing RIA through these steps that are represented by the questions above.

The first step in undertaking an RIA is problem identification.