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COMMUNICATION FROM THE COMMISSION

ON

IMPACT ASSESSMENT

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1. INTRODUCTION

The Commission intends to launch impact assessment as a tool to improve the quality and coherence of the policy development process. It will contribute to an effective and efficient regulatory environment and further, to a more coherent implementation of the European strategy for Sustainable Development. Impact Assessment identifies the likely positive and negative impacts of proposed policy actions, enabling informed political judgements to be made about the proposal and identify trade-offs in achieving competing objectives. It also permits to complete the application of the subsidiarity and proportionality protocol annexed to the Amsterdam Treaty.

This communication explains how the process of impact assessment will be implemented in the Commission, gradually from 2003, for **all major initiatives**, i.e. those which are presented in the Annual Policy Strategy or later in the Work Programme of the Commission. An annex sets out the main components of the impact assessment method. Technical guidelines for implementation will be issued in September 2002.

1.1. Political context

In this communication the Commission establishes a new integrated method for impact assessment, as was agreed at the Göteborg and Laeken European Councils. Impact assessment is an action of the Better Regulation Action Plan (see document COM(2002)278).

Most recently, the Commission made commitments at the Laeken Council to implement better regulation principles including a regulatory impact assessment mechanism. This followed the Commission's own White Paper on Governance.

The Commission is also delivering on its Göteborg commitments to implement sustainable development and to establish a tool for sustainable impact assessment. With respect to the latter, the Commission has added the external dimension of sustainable development through its February 2001 Communication 'Towards a Global Partnership for Sustainable Development'.

The new impact assessment method integrates all sectoral assessments concerning direct and indirect impacts of a proposed measure into one global instrument, hence moving away from the existing situation of a number of partial and sectoral assessments. It provides a common set of basic questions, minimum analytical standards and a common reporting format. However, the new method will be sufficiently flexible to accommodate the differences between Commission policies and to take into account the specific circumstances of individual policy areas.

1.2. The added value of introducing Impact Assessment

Impact assessment is the process of systematic analysis of the likely impacts of intervention by public authorities. It is as such an integral part of the process of designing policy proposals and making decision-makers and the public aware of the likely impacts.

Impact assessment is an aid to decision-making, not a substitute for political judgement. Indeed, political judgement involves complex considerations that are far beyond the anticipated impacts of a proposal. An impact assessment will not necessarily generate clear-cut conclusions or recommendations. It does, however, provide an important input by informing decision-makers of the consequences of policy choices.

The Impact Assessment is also an effective and valuable communication tool. Consultations with interested parties will generate useful discussion and bring in valuable information and analysis. When carrying out an impact assessment, the Commission will seek a broad range of views and will be open and transparent in the process as set out in its Communication on general principles and minimum standards for consultation.

1.3. Building an integrated impact assessment process

This approach to impact assessment is intended to integrate, reinforce, streamline and replace all the existing separate impact assessment mechanisms for Commission proposals.

- The Commission has considerable experience in single sector type impact assessments. Existing tools cover for example impact on businesses, trade, the environment, health, gender mainstreaming and employment. These impact assessments are, however, often partial looking only at certain sets of impacts. This partial approach has made it difficult for policy makers to assess trade-offs and compare different scenarios when deciding on a specific course of action.

The impact assessment will replace existing requirements for business impact assessment, gender assessment, environmental assessment, small and medium enterprises assessment, trade impact assessment, regulatory impact assessment etc. Indeed, the new integrated Impact Assessment tool builds on these existing practices and incorporates them into the new tool.

- It is clear that the scope and methodology of impact assessment will vary according to the initiative in question. In particular, impact assessment for some expenditure programmes, negotiating guidelines for international agreements and white papers will require an adjustment of the approach used for impact assessment of regulatory initiatives.
- The impact assessment process is an important step in the Commission's efforts to strengthen its evaluation culture. However, it should be noted that (budgetary) ex-ante evaluation and impact assessment have different functions and purposes. **Ex-ante evaluation focuses primarily on value for money, i.e. the cost-effectiveness for the Community budget of all expenditure programmes/actions proposed. In contrast, impact assessment is policy driven, it focuses on examining whether the impact of major policy proposals is sustainable and conform to the principles of Better Regulation.**

According to the Financial Regulation, there is and remains an obligation to carry out ex-ante evaluations for all proposals involving budgetary expenditures. On the other hand, impact assessment may be applied to certain proposals involving budgetary expenditure. In these cases, given the partial overlap in the methodology of the two exercises, the specific aspects of the ex-ante evaluation will be added to the full scale impact assessment covering better regulation and sustainability. In practice the impact assessment will thus incorporate those elements specific to the ex-ante evaluation that in some instances may not be covered (particularly on cost-effectiveness issues). In this way the **duplication of work will be avoided** and requirements of the Financial Regulation will be met..

1.4. Implementation - A gradual introduction of the integrated Impact Assessment procedures.

The impact assessment procedures will be introduced gradually.

In order to ensure a gradual phasing-in of the process, , the Commission will, starting with the adoption of its work programme for 2003, identify certain proposals which will be subject to an extended impact assessment as defined under section 3.2.

The preliminary assessment defined under section 3.1 will be required for all proposals submitted in the context of the Annual Policy Strategy for 2004 that the Commission will adopt in **February 2003**. On the basis of the preliminary assessments, the Commission will also in this decision select the proposals needing extended assessments for the Annual Policy Strategy and the Work Programme 2004. The system will be fully operational in 2004/2005.

As the process is being introduced gradually, it is understood that the impact assessment statements in the first year of operation will be less complete. The full level of detail is expected only from 2004.

Technical guidelines for impact assessment will be available by **September 2002**. These technical guidelines will be based on existing guidelines of the Commission services, notably on ex-ante evaluation.

1.5. Participation of other institutions and member states

As the Commission has suggested to the Laeken Council and to the European Parliament, other institutions should be encouraged to adopt similar new working methods. This should apply in particular to significant amendments of Commission proposals (see section 2.3 of the Better Regulation Action Plan, COM(2002)278).

Member States should carry out impact assessments where they use the right of initiative for new legislation (Justice and Home Affairs). Furthermore, Member States should submit an impact analysis of draft national rules that they notify to the Commission. Pursuant to the recommendations made by the Mandelkern group, the Commission expects that these impact assessments in a systematic manner accompany the notified draft rules, whenever a national regulatory impact assessment has been carried out. In addition, Member States should also be encouraged to define standards for consultation and impact assessment for the transposition of those Directives that leave them broader margins for implementation.

The result of the analysis should be shared with the Commission, to facilitate feedback at Community level.

As foreseen by the Communication on the action plan pertaining to “simplify and improve the regulatory environment” (Introduction page 4), the Commission intends to undertake discussions with the other institutions, in order to conclude an agreement on the inter-institutional aspects.

Introducing an integrated Impact Assessment process will help improve the quality and coherence of policy design. It will also increase transparency, communication and information on the Commission’s proposals: it is not therefore a substitute for the political decision.

The new streamlined method will be introduced gradually, with the required flexibility to accommodate the difference between the various types of policy initiatives and will replace existing assessment tools in order to avoid duplication of work.

2. COVERAGE

Impact assessment applies to the major initiatives, i.e. those presented by the Commission in its Annual Policy Strategy or its work programme.

Within the general objective of ‘better regulation’, the aim of the impact assessment process is that the Commission bases its decision on sound analysis of the potential impact on society and on a balanced appraisal of the various policy instruments available.

The principle is that all Commission legislative and all other policy proposals proposed for inclusion in the Annual Policy Strategy or the Commission and Work Programme as established in the context of the strategic planning and programming cycle¹ will be subject to the impact assessment procedure, provided that they have a potential economic, social and/or environmental impact and/or require some regulatory measure for their implementation. The basic criterion is therefore the submission of a proposal for inclusion on the Commission’s Annual Policy Strategy and/or Work Programme.

A second principle is that of the proposals submitted for inclusion in the Annual Policy Strategy or the Work programme, impact assessment will only be required for:

- Regulatory proposals, such as directives and regulations, and
- In an appropriate form, other proposals such as white papers, expenditure programmes and negotiating guidelines for international agreements that have an economic, social or environmental impact.

However, certain types of proposal will normally be exempt from the impact assessment procedure. This would include proposals like Green Papers where the policy formulation is still in process, periodic Commission decisions and reports, proposals following international obligations and executive decisions for example, implementing decisions, statutory decisions and technical updates, including adaptations to technical progress. Commission measures deriving from its powers of controlling the correct implementation of Community Law are equally exempted. The Commission may, though, in some instances decide to carry out an impact assessment.

¹ Established in the Communication of 25 July 2001 - SEC (2001) 1197-

In addition, it should be noted that in unforeseen circumstances, or situations of *force majeure*, the Commission will apply the requirements of this Communication with the necessary flexibility. In this respect due account will be taken of the obligations which may result from emergency situations, international obligations, human rights, security and safety issues.

Impact assessment will be applied to the major initiatives presented by the Commission in its Annual Policy Strategy or its Work Programme, be they either regulatory proposals or other proposals having an economic, social and environmental impact.

3. THE TWO STAGES IN THE IMPACT ASSESSMENT PROCESS

The impact assessment procedure will be integrated into the Strategic Policy and Programming /Activity Based Management programming cycle².

There will be two stages in the Commission's impact assessment process.

3.1 Preliminary Assessment:

(a) Scope

The preliminary assessment gives a first overview of the problem identified, possible options and sectors affected. It will serve as a filter to help the College identify the proposals that will be subject to an extended impact assessment (see below 3.2). The preliminary assessment is required as a condition for inclusion of proposals in the Annual Policy Strategy, or where an initiative's nature cannot be defined in detail at this early stage, for inclusion in the Work Programme. The Commission decision will confirm the selection of major proposals for extended impact assessments in the Annual Policy Strategy.

The first stage assessment will result in a **short statement** (see outline in Annex 1) focusing on the following key factors:

- Identification of the issue / objectives and desired outcome;
- Identification of the main policy options available to achieve the objective, taking into account proportionality and subsidiarity considerations, and preliminary indications on expected impact;
- Description of the preparatory steps already undertaken and foreseen; (consultations of interested parties, studies), and indication of whether an extended impact assessment is needed³.

The preliminary assessment should follow the method that will be outlined in the general guidelines and the report should reply to the above standard questions for the preliminary assessment.

² Defined in the ABM Communication SEC (2001) 1197

³ When appropriate, indication if at a later stage further impact assessment will be necessary, e.g. when implementing measures are proposed.

(b) Timing:

The preliminary assessment must be established early in the policy formulation process as a condition for inclusion of a legislative or policy proposal in the Annual Policy Strategy prepared in February for the following year and, at the very latest, be finalised in November before inclusion into the Work Programme. The preliminary assessment statements for all proposals should be made available to the Commission for consideration when adopting its Work Programme.

3.2 Extended Impact Assessment

a) Decision by the Commission

On the basis of the preliminary assessment statement the Commission in the Annual Policy Strategy or at the latest in its Work Programme for the forthcoming year, decides which proposals will require an extended impact assessment. In deciding the Commission will *inter alia* take the following criteria into account:

- Whether the proposal will result in substantial economic, environmental and/or social impacts on a specific sector or several sectors, and whether the proposal will have a significant impact on major interested parties;
- Whether the proposal represents a major policy reform in one or several sectors.

b) Scope

The purpose of the extended impact assessment is normally two-fold:

- To carry out a more in-depth analysis of the potential impacts on the economy, on society and on the environment.
- To consult with interested parties and relevant experts according to the minimum standards for consultation following the guidelines given in the Communication on Consultation, due account being made of exceptions in case of specific consultation requirements foreseen by the Treaties or international agreements. This is important for purposes of data and information gathering as well as validation. The consultation process should in addition allow a discussion of wider considerations such as ethical and political issues. The main results of this consultation should be summarised in the impact assessment report.

In preparing an extended impact assessment it is important to consider how to assemble the further information needed to answer fully key questions⁴. Where it is not possible to assemble all relevant data within a reasonable time frame, qualitative or partial data will be used. In such cases an interim and/or ex-post evaluation must be explicitly foreseen at the latest to inform the next review of the legislation (interim or ex-post evaluation will follow the rules of the Communication on evaluation, as specified in Annex 2, section 5).

⁴

The extended Impact Assessment will follow the technical guidelines for impact assessment to be issued under the authority of the Secretary General in the autumn of 2002 and the general method as described in annex 2 of this Communication. Wherever needed, services can decide to use outside expertise

The responsible Commission service should present the results of the analysis in an impact assessment report that forms part of the inter-service consultation on the proposal concerned. The Impact Assessment report should also be sent to the other institutions as a working document when the proposal is adopted by the Commission. A summary of the main findings should be included in the explanatory memorandum.

(c) Timing

In most instances the extended impact assessment will be carried out following the Annual Policy Strategy decision in the spring. Directorate Generals should then report on progress on the extended impact assessment as a condition for the inclusion of a proposal in the Work Programme in the autumn.

The extended impact assessment will have to be completed at the latest when the proposal enters inter-service consultation, and all impact assessment reports must be attached to the inter-service consultation package.

(d) Organisation of the extended impact assessment

For the proposals, which the Commission has decided to subject to an extended impact assessment, the process will differ in two ways: first, with respect to the level of detail required and, second, with respect to the organisational arrangements.

- The impact assessment will be conducted according to the principle of proportionate analysis, i.e. varying the degree of detail to the likely impacts of the proposal. This means that *the depth* of the analysis will be proportionate to the significance of the likely impacts. Thus, proposed measures that are likely to have serious negative side effects or particularly affect certain groups in society should be more thoroughly analysed than minor technical changes to regulations. Likewise, the analysis will be adapted to the specific circumstances of the policy domain concerned, to take into account differences between types of activities conducted by services and specific statutory obligations.
- Normally, the responsible Directorate General will conduct the extended assessment informing the Secretariat General and involving other Directorate Generals where these may be affected by the proposal (using external expertise as appropriate).

In some cases, the Commission may decide that, for the proposals with the most significant crosscutting impact and the highest political importance, the DG responsible for the Impact Assessment is assisted by, and normally chairs, an inter-departmental group including the most concerned DGs and the SG. The Commission will ensure that the design of these proposals takes into account the horizontal multi-sectoral aspects, in particular economic, social and environmental impacts as early as possible in the process. The task of the inter-departmental group is to define the scope, monitor the progress of the extended assessment, and supervise the completion of the impact assessment reports for crosscutting proposals.

While conducting the impact assessment is the responsibility of the services in charge, the Secretariat General will co-ordinate the basic support structure for the new impact assessment procedures through the SPP/ABM cycle and its network, in particular regarding the selection and monitoring of the proposals subject to extended impact assessment. The Secretariat General will co-ordinate the issuance of guidance documents, organisation of

training, exchange of good practice and will monitor the final quality of the impact assessments carried out.

- The results will be presented in an impact assessment report to be attached to the inter-service consultation. This assessment will replace existing assessments carried out by DGs, such as regulatory impact assessments, business impact assessments, environmental impact assessment etc. (see 1.3), now will be covered by the requirements for this category.

The principle of proportionate analysis will be the driver of the process.

There will be two stages: First a filtering exercise based on a short preliminary assessment of all work programme proposals and second an extended assessment of the selected proposals.

4. AN AID TO THE FINAL POLICY CHOICE

Impact Assessment is an aid to decision-making, not a substitute for political judgement.

The main components of the extended impact assessment are described in Annex 2.

As to the policy choice, the final options (i.e. a draft Commission proposal submitted for decision by the College) will emerge through the Impact Assessment process. Sometimes the impact assessment may point towards a preferred basic approach and the optimal policy instrument early in the process. Subsequent analysis will then focus on improving the effectiveness of the proposal in terms of changes introduced to key design parameters or stringency levels. It may also identify accompanying measures to maximise positive and minimise negative impacts.

The reasons for the most preferred policy option will be clearly outlined in the Impact Assessment Report. Alternative instruments that meet the same set of policy objective(s) should always be considered at an early stage in the preparation of policy proposals.

Regarding the choice of instruments, the generic types of policy instruments that can be considered include:

- Prescriptive regulatory actions (e.g. setting air quality standards);
- Co-regulatory approaches (e.g. social dialogue);
- Market-based instruments (e.g. emission trading, taxation);
- Financial interventions (e.g. taxation, subsidies, co-financing, seed or risk financing);
- Action aiming at Voluntary Agreements or self regulation;
- Information, networking or co-ordination activities;
- Framework Directives, as foreseen by the Action plan on Better Regulation;
- The Open Method of Co- ordination.

It goes without saying that the selection of an instrument must be compatible with relevant Treaty provisions. A combination of the above instruments should also be considered, taking into account the respective competencies of the Community and the Member States as defined by the Treaty.

Impact Assessment is an aid to decision-making, not a substitute for political judgement.

The assessment report will justify the chosen policy option, after having examined alternatives.

5. PRESENTATION AND PUBLICATION

The preliminary assessment statements will be annexed to the Work Programme of the Commission as a working document of the services.

The final impact assessment reports should be attached to the inter-service consultation (see outline in Annex 3). In addition, intermediate results from extended impact assessments should be shared as early as possible with the other Directorate Generals most concerned.

The main results of the preliminary and/or extended assessments should be summarised in the explanatory memorandum. The final reports should also be attached to the proposed decision when submitted to the Commission for final adoption. This does not affect the requirement to present a legislative financial statement. As such the impact assessment reports will be adopted by the Commission as a supporting working document of the services and transmitted together and in parallel with the proposal to the other institutions.

The Commission will ensure full transparency on the results of impact assessment both for the preliminary and extended assessment.

ANNEXES:

- (1) FORMAT FOR THE PRELIMINARY ASSESSMENT STATEMENT
- (2) COMPONENTS OF IMPACT ASSESSMENT
- (3) INDICATIVE REPORTING FORMAT FOR THE EXTENDED IMPACT ASSESSMENT

ANNEX 1
Preliminary Assessment Statement

1. PROBLEM IDENTIFICATION

Describe the problem that the policy/proposal is expected to tackle:

Indicate potentially unsustainable trends associated with the problem,

- Economically:*
- Socially:*
- Environmentally*

Indicate the potential inconsistencies between the three dimensions or with other policies

2. OBJECTIVE OF THE PROPOSAL

What is the overall policy objective in terms of expected impacts?

3. POLICY OPTIONS

What is the basic approach suggested to reach the objective?

What policy instruments have been considered?

In what way do the options identified respect the subsidiarity and proportionality principles?

Which options can be excluded at this an early stage?

4. IMPACTS – POSITIVE AND NEGATIVE

On a preliminary basis please indicate the expected positive and negative impacts of the selected options, particularly in terms of economic, social and environmental consequences?

Please indicate who is affected and possible severe impacts on a particular social group, economic sector or region (inside or outside the EU), in the short term; in the medium and long term?

5. FOLLOW-UP

What preparatory steps have already been taken (consultations, studies)?

Is an extended assessment recommended? Yes/no

Is a consultation planned? Yes/no

ANNEX 2

The main components of the Extended Impact Assessment (IA)

The following questions should be asked when carrying out an extended impact assessment:

- (1) what issue is the policy/proposal expected to tackle; what would be the Community added value;
- (2) what main objective is the policy/proposal supposed to achieve;
- (3) what are the main policy options available to achieve the objective;
- (4) what are the impacts – positive and negative – expected from the different options identified;
- (5) how can the results and impacts of the policy/proposal be monitored and evaluated;

The analysis may be iterative; these questions need not therefore necessarily be dealt with in strict sequential order.

1. ANALYSING THE ISSUE

The first question in the IA process relates to the identification and analysis of the issue(s) in one or more policy areas. This will be described in economic, social and environmental terms. It will be expressed as concretely as possible in qualitative, quantitative and where possible monetary terms. The urgency of action and any risks⁵ inherent in the initial situation should also be identified.

Giving a precise and objective description of causal chains is vital, as too often analysis becomes flawed at this first stage by assuming rather than establishing links between causes and effects. It should also refer to the outcome of previous consultations for example the lessons drawn from Green Papers.

2. IDENTIFYING THE POLICY OBJECTIVE

On the basis of the problem analysis, the policy objectives will be expressed in terms of expected results in a given timeframe (i.e. in terms of 'ends' not 'means'). Where relevant, previously established objectives (e.g. in the Treaty, existing legislation, policies, European Council requests, etc.) will be set out as well as the legal base on which such a proposal might be based.

The initial objective(s) may be revised/refined as a result of the analysis carried out under 3.3 – 3.6.

⁵ A risk is commonly defined as an event that can result in an undesirable or negative outcome. It is characterised by the probability of the event occurring and the resulting impact if it does occur. Taken together these two factors combine to produce a **level of risk exposure**. The analysis should examine the severity of the risk exposure, and how it can be managed.

3. IDENTIFYING POLICY OPTIONS AND ALTERNATIVE INSTRUMENTS

Alternative options or instruments to achieve the policy objective(s) should always be considered at an early stage in the preparation of policy proposals.

The subsidiarity and proportionality principles should also be taken into account and further explored throughout the IA process: it should be made clear why the problem has to be addressed at the European level and what the value-added of Community intervention is compared with no- regulatory action or action by Member States.

The "no policy change" scenario must always be included in the analysis as the point of reference ("counterfactual situation") against which other options are compared.

The term "policy option" (for action at EU level) encompasses combinations of three closely linked elements, which will be examined simultaneously:

(a) Considering various ways ("basic approaches") to reach the objective.

In many instances, there may be several ways of reaching the objectives, which should be considered when identifying the various options.

(b) Considering various policy instruments.

The choice of instruments must respect relevant Treaty provisions. A combination of the different instruments might also be considered, taking into account the respective competencies of the Community and the Member States as defined by the Treaty.

In addition it should be considered how the proposal fits in with the existing and, when known, forthcoming rules and policies that are being developed.

(c) Focusing on realistic options

Detailed analysis will focus on a limited number of the most relevant, realistic options, judged against the following criteria:

- relevance to the problem;
- effectiveness in achieving the objectives (this should be quantified, wherever possible and made meaningful);
- coherence with wider economic, social and environmental objectives;
- inter-action with other existing and planned Community interventions;
- cost (resources required) and user-friendliness.

Only those options which best satisfy these criteria should be retained for further analysis, whilst the others should be discarded.

4. ANALYSING THE IMPACT

For the policy option retained, and where possible for selected alternatives all relevant positive and negative impacts should be examined and reported on in the impact analysis, with a specific emphasis on their environmental, economic and social dimensions. This process has two stages: first the relevant impacts are identified, then they are assessed in qualitative, quantitative and/or monetary terms.

4.1. Identifying impacts (“screening”)

The Impact Assessment should identify both direct and indirect impacts of the selected options. It should make explicit the possible difficulties with the identification of impacts.

Impacts will as far as possible be expressed in economic, social and environmental terms although it may be difficult to group certain impacts in one or the other of these categories.). The main task will be to identify all relevant (positive and negative) impacts, notably those relevant under the EU Sustainable Development Strategy, both in its internal and external dimensions (including the EU’s international development policy).

Examples of economic, social and environmental impacts include:

- Economic impacts: both macro- and micro-economic impacts, notably in terms of economic growth and competitiveness, i.e. changes in compliance costs, including administrative burdens to businesses/SMEs and implementation costs for public authorities, impacts on the potential for innovation and technological development, changes in investment, market shares and trade patterns as well as increases or decreases in consumer prices etc.
- Social impacts: impacts on human capital, impact on fundamental/human rights, compatibility with Charter of Fundamental Rights of the European Union changes in employment levels or job quality, changes affecting gender equality, social exclusion and poverty, impacts on health, safety, consumer rights, social capital, security (including crime and terrorism), education, training and culture, as well as distributional implications such as effects on the income of particular sectors, groups of consumers or workers etc.
- Environmental impacts: positive and negative impacts associated with the changing status of the environment such as climate change, air, water and soil pollution, land-use change and bio-diversity loss, changes in public health, etc.

Depending on the issue at hand it will be made clear which social group, economic sector or region is affected by a given impact; when relevant distributive effects will be analysed and internal (within the Union) and external impacts (outside the Union) will be shown separately.

4.2. Assessing the impacts (“scoping”)

A number of analytical methods can be used to assess impacts. They differ in concept and coverage (e.g. cost-benefit analysis, cost-effectiveness analysis, compliance cost analysis, multi-criteria analysis and risk assessment). The choice of method and the level of detail will vary with the nature of the problem and judgements about feasibility. Technical guidelines for

impact analysis will be issued in September 2002 taking into account best practices and existing assessment tools.

The following sets out the principles the Commission will follow in assessing impacts:

- The economic, social and environmental impacts identified for the proposed option should be analysed and presented in a format that facilitates a better understanding of the trade-offs between competing economic, social and environmental objectives. To show the different impacts, make comparisons easier and identify trade-offs and win-win situations in a transparent way, it is desirable to quantify the impacts in physical and, where appropriate, monetary terms (in addition to a qualitative appraisal). Impacts that cannot be expressed in quantitative or monetary terms should not, however, be seen as less important as they may contain aspects that are significant for the policy decision. Nor can final results always be expressed in one single figure reflecting the net benefit or cost of the option under consideration.
- The assessment of the impacts will concentrate on the ones that are likely to be the most significant and/or will lead to important distributive effects. In an integrated assessment, it is important to avoid double counting (e.g. costs that are passed on to consumers as higher prices should not be counted as costs to businesses as well).
- The time dimension (short, medium and long-term impacts) will also be examined in this context, for instance by weighing short-term negative against long-term positive impacts, using a discount rate, whenever positive and negative impacts can be expressed in monetary terms. It will also be made clear whether the effects are one off, or develop over time.
- When assessing impacts, strict cost-benefit analysis may not always supply the most relevant information; for example, the degree of irreversibility should also be considered. The precautionary principle should be applied when appropriate⁶. The impact on established policy objectives where available, should be assessed.
- Assessment of impacts is difficult because of the difficulty of making reliable forecasts. Where appropriate, the comparison of different options will therefore be accompanied by a sensitivity analysis of the results to changes in the main internal and external variables. As a minimum the main factors that can change the direction of impacts must be highlighted.
- When assessing impacts also the fact that different experts employ different methods should be taken into account.

5. IMPLEMENTING, MONITORING AND EVALUATING EX-POST

The impact assessment should identify any possible difficulties in implementing the options assessed and describe how these will be taken into account, for example in the choice of implementation periods or the gradual phasing-in of a measure.

Member States should be asked to give information about problems that they would face in implementing the proposal (e.g. implications for public administrations and enforcement authorities).

⁶ According to the Commission Guidelines on the application of the precautionary principle – COM(2000)1.

Arrangements for monitoring the implementation of the chosen option will be described. The subsequent ongoing or ex-post evaluations will follow the rules of the Communication on Evaluation⁷, i.e. an overall ex-post or interim evaluation at a periodicity not exceeding six years, depending on the nature of each activity.

Procedures to obtain monitoring data should be set out.

⁷ SEC(2000) 1051

ANNEX 3

Indicative Reporting Format for the Extended Impact Assessment

1. WHAT ISSUE/PROBLEM IS THE POLICY/PROPOSAL EXPECTED TO TACKLE?

- What is the issue/problem in a given policy area expressed in economic, social and environmental terms including unsustainable trends?
- What are the risks inherent in the initial situation?
- What is (are) the underlying driver(s)?
- What would happen under a “no policy change” scenario?
- Who is affected?

2. WHAT MAIN OBJECTIVE IS THE POLICY/PROPOSAL SUPPOSED TO REACH?

- What is the overall policy objective in terms of expected effects?
- Has account been taken of any previously established objectives?

3. WHAT ARE THE MAIN POLICY OPTIONS AVAILABLE TO REACH THE OBJECTIVE?

- What is the basic approach to reach the objective?
- Which policy instruments have been considered?
- Which are the trade-offs associated with the proposed option?
- What “designs” and “stringency levels” have been considered?
- Which options have been discarded at an early stage?
- How is subsidiarity and proportionality taken into account?

4. WHAT ARE THE IMPACTS – POSITIVE AND NEGATIVE – EXPECTED FROM THE DIFFERENT OPTIONS IDENTIFIED?

- What are the selected options’ expected positive and negative impacts, particularly in terms of economic, social and environmental consequences, including impacts on management of risks? Are there potential conflicts and incoherence between economic, social and environmental impacts that may lead to trade-offs and related policy decisions?

- How large are the additional ('marginal') effects that can be attributed to the policy proposal, i.e. those effects over and above the "no policy change" scenario? Description in qualitative and, where possible, also in quantitative and monetary terms.
- Are there especially severe impacts on a particular social group, economic sector (including size-class of enterprises) or region?
- Are there impacts outside the Union on the Candidate Countries and/or other countries ("external impacts")?
- What are the impacts over time?
- What are the results of any scenario, risk or sensitivity analysis undertaken?

5. HOW TO MONITOR AND EVALUATE THE RESULTS AND IMPACTS OF THE PROPOSAL AFTER IMPLEMENTATION?

- How will the policy be implemented?
- How will the policy be monitored?
- What are the arrangements for any ex-post evaluation of the policy?

6. STAKEHOLDER CONSULTATION

- Which stakeholders were consulted, when in the process, and for what purpose?
- What were the results of the consultation?

7. COMMISSION DRAFT PROPOSAL AND JUSTIFICATION

- What is the final policy choice and why?
- Why was a more/less ambitious option not chosen?
- Which are the trade-offs associated to the chosen option?
- In the case of poor data or knowledge at present, why is a decision to be taken now rather than be put off until better information is available?
- Have any accompanying measures to maximize positive and minimize negative impacts been taken?