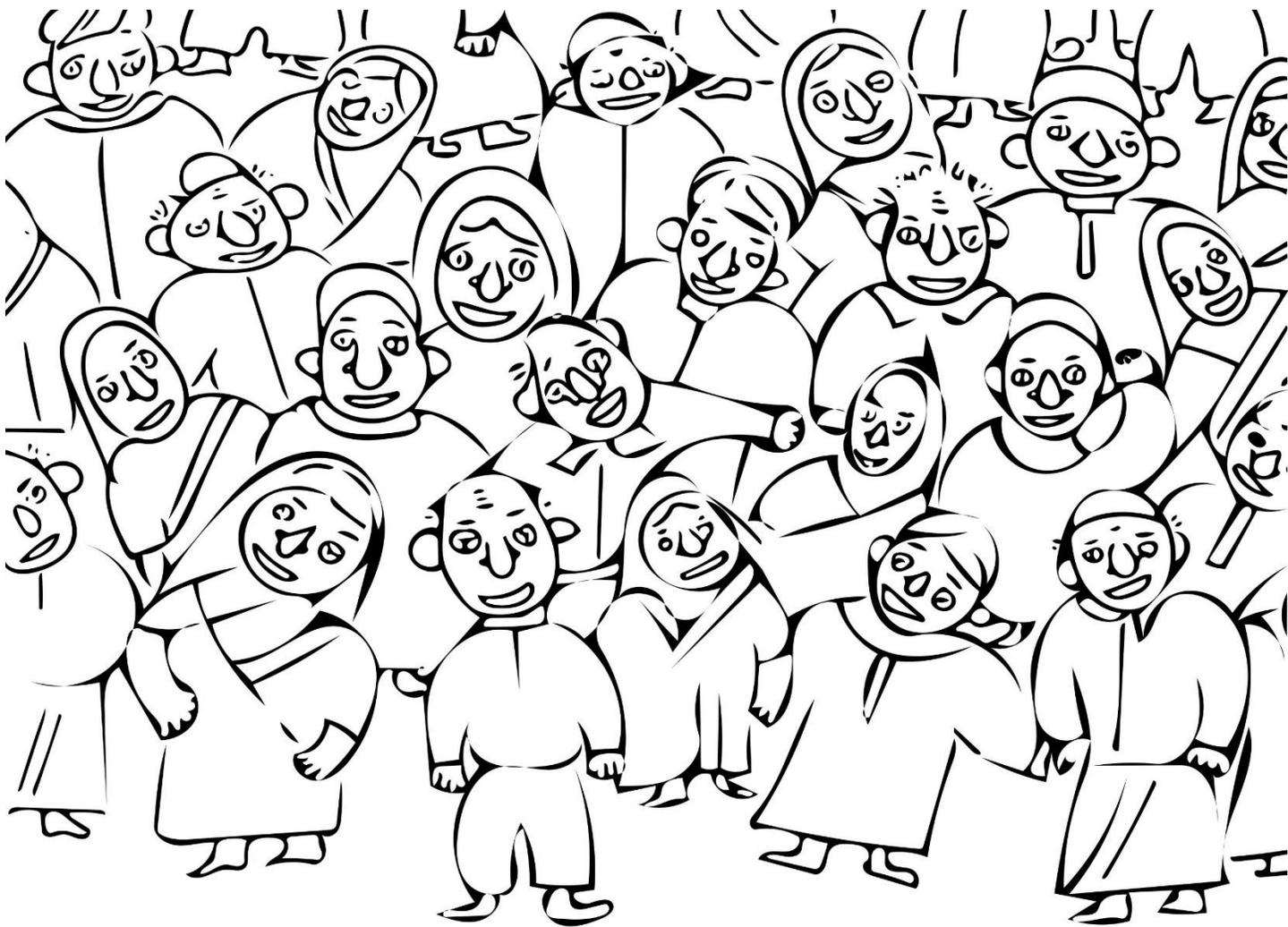




EFFECTIVE POLICIES FOR BETTER LIVES

Evidence Informed Policy Making Guidelines



January 2016



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List of Abbreviations

FYP	Five Year Plan
AGORA	Access to Global Online Research in Agriculture
AIA	Administrative Impact Assessment
BCURE	Building Capacity for the Use of Research Evidence
BDT	Bangladeshi Taka
BLDSC	British Library Document Supply Centre
BMC	BioMed Central
BMJ	British Medical Journals Publishing Group
CD	Cabinet Division
CMCI	Compulsory Medical Care Insurance
DP	Development Partner
EC	European Commission
EclA	Economic Impact Assessment
EIPM	Evidence-Informed Policy Making
eJDS	e-Journals Delivery Service
EnIA	Environmental Impact Assessment
EPPI	Evidence for Policy and Practice Information
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FIA	Fiscal Impact Assessment
GoB	Government of Bangladesh
HINARI	Health InterNetwork Access to Research Initiative
IoPP	Institute of Physics Publishing
ICT	Information and Communication Technologies
IBP	International Book Project
MP	Member of Parliament
MTBF	Medium Term Budgetary Framework
NCBI	National Centre for Biotechnology Information
NGO	Non-Government Organisation
NLM	National Library of Medicine (United States)
NPV	Net Present Value
OECD	Organisation for Economic Cooperation and Development
PERI	Programme for the Enhancement of Research Information
PMC	PubMed Central
POP	Persistent Organic Pollutants
PV	Present Value
R&D	Research and Development
RCA	Root Cause Analysis
SMART	Specific, Measurable, Acceptable, Realistic and Time bound
SME	Small and Medium Enterprises
SPIA	Social and Poverty Impact Assessment
TEEAL	The Essential Agriculture Library
UN	United Nations
VAT	Value Added Tax
WB	World Bank
WHO	World Health Organisation

Introduction

Governments around the globe are in the business of meeting citizens' needs. Some perform better than others, some challenges are tremendous, while others require resources which are simply not available. Part of the problem is that there are no 'one size fits all' answers. To each individual problem that citizens are facing, there must be an appropriate, tailor-made solution. Whatever the Government does (or doesn't do) in response to public needs we call policy. Government officials today generate and ultimately implement policies which are shaped by new legislation, investment projects, service provision, taxation, etc. Policies which are better thought through generate better policy outcomes, which have a greater positive impact on the quality of life, investment opportunities, poverty, education, healthcare and environment.

The pressure to come up with appropriate policy responses is massive. A public need may be expressed ambiguously. "Fix *that!*" the citizen will demand, making it clear that he or she would not take no for an answer. It is then the job of the Government official, the drafter of the policy, to figure out what *that* means, how *that* can be fixed, and in which way the available resources can be used so that the citizen's demand is satisfied. Clearly, along this path of policy formulation, evidence is paramount. Without rigorous data, understanding of the problem will be superficial and may lead to inappropriate policy solutions. Likewise, evidence suggesting that the identified solution indeed fixes the problem is required before a final decision is taken. Subsequently, more evidence is needed to prove that the problem is solved.

The Evidence-Informed Policy-Making (EIPM) Guidelines is a companion that will help Government officials entrusted to formulate a policy proposal travel from point A - *Need* to point Z - *Solution*. It will equip the drafter of the policy proposal with appropriate analytical tools and provide a plan enabling him or her to arrive safely at the final destination.

In other words, EIPM is an **analytical process**, conducted before a decision regarding the policy response is taken. As such, it comprises **a set of logical steps** to support the decision-making process by providing evidence-informed policy options in response to correctly diagnosed problems while considering the potential impacts of such options. EIPM can also be understood as **an instrument**, which supports the decision making process by enriching the substantiation of the best policy option in a participatory manner.

Essentially, EIPM is meant to support policy makers and relevant stakeholders in the decision making process by providing evidence-informed answers to two important questions:



Is the planned Government policy intervention justified?



Which are the best ways to solve the problems and to achieve the objectives?

In order to help Government of Bangladesh (GoB) officials answer these two questions, the Guidelines provide a range of EIPM instruments and techniques that could be used in various

cases, depending on the type and complexity of the policy in question. Although the EIPM Guidelines allow for a greater degree of flexibility when developing different types of policy documents, such as strategies, programmes, laws, rules, regulations, projects etc., not one analytical step in the policy formulation process should be missed.

The EIPM Guidelines describe the structure and content of a **Policy Proposal**, which is a policy document describing the proposed policy intervention supported by thoroughly assessed and synthesized evidence. The Policy Proposal is prepared by the Government in situations where the solution for certain problems is yet to be decided upon.

Why Evidence is Critical in Policy Making?

Evidence is vitally important to our everyday lives. Everything that we do in daily life calls for informed decisions. Just knowing whether a fruit is ripe or not depends on evidence.

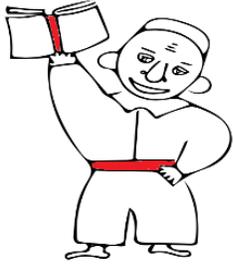
A long time ago, humans invented stories about how things came to be in the world. Lightning was the weapon of the gods. Thunder was giants throwing huge boulders at each other. Six hundred years ago, everyone knew the Earth was flat. Five hundred years ago everyone knew the Earth was the centre of the universe. But those things are not true. They never have been. Nowadays, there is no need to invent stories, as evidence is at our fingertips. The trick is to access it and use it properly.

People might have strong opinions about something, but unless is proven by evidence, it remains an opinion and not a fact. For instance, Richard Muller thought global warming was an invention and attempted to show that it was not real. So he obtained the data and analysed it himself. He replicated the results and confirmed that the Earth really is getting warmer. Therefore evidence helps us understand whether our assumptions and hypotheses are right or wrong.

The Government uses evidence to draw conclusions about how to produce better policies to improve the life of citizens. Evidence allows the Government to better understand the problem and choose between a number of possible solutions. Research evidence is objective. It is not “it feels hot today”. Rather, it is “exactly 36.5 degrees Celsius at 3:30 PM, with 10% cloud cover.” When reliable evidence is collected and thoroughly analysed, there is no room for personal bias and policies become sound.

-  Using evidence helps to keep practitioners well-informed, which is vital to immediate outcomes
-  Good evidence may present a challenge to fundamental assumptions
-  Evidence provides safeguards over Government decision-making
-  Evidence is useful for an informed public

Types of Evidence



Understanding and describing the issues that the responsible ministry must address requires having good evidence that is accessible to everyone. Collecting data is a significant part of EIPM. However, it can be time-consuming and costly. It is important, therefore, that data collection efforts focus on the information needed to understand the problem or commitment and to assess the impact of options. The role of GoB officials developing the policy should focus predominantly on collating, interpreting, and synthesising existing data rather than generating new data.

Sources of information, data and ideas fall into two general types: documents and peoples' opinions. Documents may include many forms of information: websites, government reports, statistical archives, inter-departmental/ministerial communication, bulletins, published papers, newspapers, books, and so on. The internet is a particularly valuable source of information for policy analysts, because many countries put their policies, laws, and procedures on their national websites. The websites for international organisations, such as the OECD, World Bank, FAO and WHO, are sources of detailed technical information and studies. People are individuals or groups who are to be consulted (see Section on consultation process). Both types of information source are used in EIPM.

Research evidence can be collected in different ways as well, for example through informal conversations with colleagues and meetings with experts, target groups or other affected groups, or through reading official GoB statistics and reports, policy papers and reports from universities, think tanks and non-governmental organisations, and information from the media or other sources. Bringing data to reflect on the issue under discussion is a critical part of the impact assessment process. Data is assembled to define and understand the problem and to assess and compare potential options.

Each ministry which develops an evidence-informed policy should practice the following:



Identify existing data sources and the usefulness of these data for the purposes of analysis



Identify the websites that are most relevant and useful for its purposes



Keep any information that is collected in accessible forms, so that it is available to everyone working on policy in the relevant area and is available at subsequent stages, for example when thinking about evaluation. In policy formulation it is important to keep good records and to maintain continuity in expertise.



When data is missing or incomplete, use a best estimate or “proxy measure” or “educated guesses”, with appropriate explanations of the method. When more accurate information becomes available, it can be substituted. Too often, officials hesitate to

make such educated guesses because they fear accusations of less than perfect accuracy or they are reluctant to take responsibility for the advice being given. So people make general assumptions without differentiating which assumptions are based on solid information and which are based on knowledge of the policy field and the circumstances. Both accurate information and informed guesses are very important.



When the lack of information on a particular issue is very serious, organise a study or survey of the problem in order to define its dimensions and characteristics more clearly. For these studies it is important to clearly identify additional data needs, the possible sources of information (e.g. officials in subordinated organisations, other departments or line ministries or use of consultation) and the methods for obtaining the information including:¹

- **Quantitative methods:** questionnaires, surveys, statistics; and
- **Qualitative methods:** case studies, pilot studies, focus groups, interviews.

Different schools of thought sometimes promote different types of evidence using a hierarchy, for example claiming that ‘quantitative evidence is better’, or that ‘local peoples’ experiences are more valid than international perspectives’. However, it is better to start with a clear question, and subsequently seek out the most appropriate evidence to address that question (pragmatic approach).



What is happening? These questions are usually addressed using routine monitoring data (e.g. how many children attend school?)



What do people think? Measuring or evaluating perceptions (e.g. is the community going to accept the policy?). These questions can be addressed using qualitative or quantitative research methods



What works? These questions can be addressed using evaluations and quantitative research which measure impact on particular outcomes



How and why? These questions can be addressed using evaluations, and qualitative and quantitative research that assess processes and mechanisms that lead to change, whether that change is positive or not



Cost questions. These questions can be addressed using monitoring, evaluations, and research focused on the utilisation and management of funds and what outcomes are achieved (cost effectiveness links costs questions with “what works” questions)



Transparency. This can be addressed through publications.

¹ *Quantitative* data (numbers and statistics) are specific and measurable. They are useful for demonstrating baseline positions and concrete facts and outcomes, such as financial expenditure or numbers of people receiving training. But they do not always demonstrate the ‘wider picture’. *Qualitative* data (opinions and attitudes) reflect the life experiences of individuals and organisations. They can be important measurements of skills, such as communication and interpersonal skills, which are usually overlooked by quantitative indicators.

Which policies require EIPM?

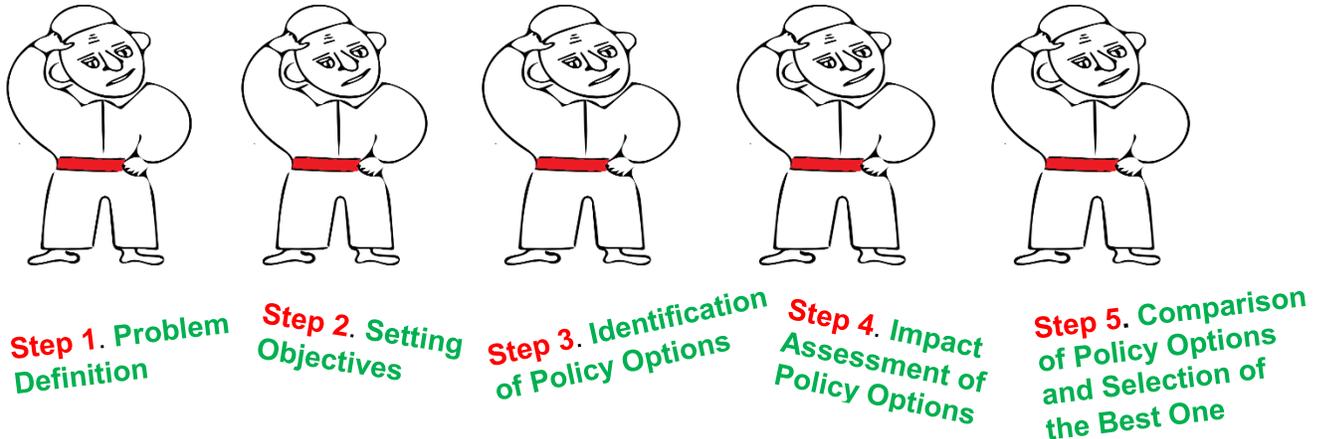
Overall, EIPM **should be mandatory** for the following types of public policies:

Policies that introduce significant changes	These include new reforms or systemic changes to address critical areas (for instance, in the education sector, social welfare, health services, etc.)
Policies that relate to transfers to population	An example would be policies to support certain categories of population, such as the poor, the unemployed, the disabled etc. that involve major budget costs.
Government interventions in the business environment	These include policies, such as reduction or increase in tax rates, introduction of licensing requirements, provision of subventions etc., which might imply significant fiscal costs and/or compliance costs
Long-term investment projects	Road rehabilitation and construction, creation of power stations etc. have major implications on the budget, economy, welfare and environment

On the other hand, there are a range of issues within a Government's purview that have limited impacts and do not necessarily require EIPM, mainly because **the effort of assessment should be proportional to the impact that the policy would produce.**

EIPM Steps

The policy formulation using EIPM includes **five consecutive steps**, namely:



All five EIPM steps have to be accompanied by accessing, analysing, synthesizing and integrating reliable research evidence. Evidence in the form of primary and secondary data, qualitative and quantitative assessments, is paramount for better policy substantiation and increases the credibility of policy intervention.

Additionally, **before commencing EIPM**, we should remember the following:



EIPM steps have to be followed thoroughly, with the depth of analysis depending upon the complexity of the issue. In some cases, it will be sufficient to start and finish by providing precise evidence-informed answers to the questions included in each EIPM step. More sophisticated qualitative and quantitative tools should be used when capacities allow that;



The sequence of these five steps is important, however **EIPM is an iterative process** – findings generated at a certain EIPM stage could suggest taking a step back and revising the findings in the previous EIPM stages;



Notification of stakeholders at the beginning of EIPM process and consultation throughout policy formulation are critical; and



If the policy formulation process suggests that no policy intervention is needed given that the problem may be sorted out by market forces alone, this should not be considered as a failure – **public money is saved by avoiding unnecessary costs!**

It is important to bear in mind that EIPM is not a science, but rather an art; creativity is paramount in order to uncover hidden problems and develop alternative policy scenarios. Therefore, despite

apparently strict requirements, the authors of policies may choose how to justify the policy options, as long as the substantiation is informed by evidence. More sophisticated policy tools should be applied for complex policy interventions, whereas for policies which have limited fiscal implications or minor impacts a simple, yet well-considered, checklist would suffice.

The following sections of the Guidelines describe EIPM steps sequentially, with each section accompanied by a list of questions that policy authors have to consider. In order to facilitate reading of the EIPM Guidelines, practical examples are provided throughout the text. Drawing from all the information described in the Guidelines, Annex I presents a template that can be used for policy formulation. For the Cabinet Division to appraise policy proposals, Annex II includes a checklist to assess the quality of formulated Policy Proposals and their compliance with the requirements set out herewith. For the convenience of the policy drafters, Annex III contains a list of online resources that can be accessed for research data. Finally, the Guidelines also include a set of qualitative and quantitative policy tools explained in Annex IV.

Step 1. Problem Definition



Detailed and precise problem description allows one to define the most appropriate policy options and conduct a sound impact assessment of each option. Problem definition is the first mandatory step in EIPM, which is reflected in various ways in policy papers (e.g. in strategies and programmes, problem definition might be summarised in the “situation assessment” section).

This EIPM step is about understanding causes, consequences, the nature and the magnitude of the problem, as well as defining the affected groups. Largely this EIPM step is about explaining what the core problem is, why the problem exists, why the current or evolving situation is not sustainable, and why public intervention may be necessary.

Distinguishing between a problem’s causes and effects is key. First and foremost, the policy response should not be directed to the effects of the problems (elimination of the symptoms is not the same as treating an illness) therefore a wrongly defined problem may entirely compromise a policy response. Secondly, the separation of causes and effects is necessary in order to set proper objectives (responding to problem effects) and define the right policy alternatives (responding to problem causes). Two **problem definition tools** are highly commendable in this regard:

- Provides an overview of all the known causes and effects of an identified problem, establishing causal links between undesirable events of different order (e.g. causes and sub-causes)

Problem Tree Analysis



- A method of problem solving used for identifying the root causes of problems. A factor is considered a root cause if its removal prevents the final undesirable event from recurring; whereas a causal factor is one that affects an event's outcome, but is not a root cause.

Root Cause Analysis



Examples of Problem Tree Analysis and Root Cause Analyses are provided in Annex IV of these Guidelines.

In this particular EIPM step, it is important to assess the evolution of the problem in time and understand how it has been managed (in case of new emerging problems it might have been not tackled at all, which is also important for further analysis). Analysing past and current interventions to address the problem would help to establish the ‘baseline’ scenario, which allows understanding of how the current situation would evolve without additional public intervention – it is the ‘no policy change’ scenario or *status quo* option. A clear baseline scenario also provides a basis for comparing policy options.

In order to define the problems, formulations pointing to the “lack of something” should always be avoided (e.g. lack of legislation or resources), as this can induce fake objectives (e.g. approval of the law) or create an unnecessary bias in the choice of policy instruments. The problem definition or problem statement shall indicate the source of evidence used throughout the analysis. Reference to statistical data confirming the problem, its causes and effects is highly encouraged.

A clear statement of the problem is given in the first column below. The second statement is based only on symptoms – non-compliance with the law – and may lead to a solution that is both costly and ineffective. A more evidence-informed statement in the first case includes the reasons for non-compliance and can lead to more appropriate solutions.



The 2014 Report on assessing enforcement of the Anti-Tobacco Law has shown that insufficient awareness and information about the law is resulting in low compliance with it.

This formulation of the problem, which includes the reasons for low compliance with the law allows targeted options to be defined, such as an education campaign. This problem statement is also evidence-informed.

It is known that there is low compliance with the Anti-Tobacco Law by the public.

The reason for low compliance is not known, therefore this formulation of the problem may result in a set of hard measures, such as a costly penalty regime with large enforcement costs, which might not solve the problem, as the real cause is not known. This problem statement is not evidence-informed.

Unless it has already been undertaken as part of the EIPM planning phase, at this stage it is very important to identify the **groups affected by the problem**, i.e. those people or groups that would benefit from, or would be affected by, the results of policy intervention. These can be entrepreneurs, professors, students, children, poor, veterans, disabled people, and other layers or categories of the population. Persons or groups that can be affected negatively by the respective policy (e.g. taxpayers in case of tax rate increases, persons living in the immediate

vicinity of industrial factories that damage their health through pollution) have to be considered as well.

Understanding the problem requires discussions and synthesis of all the relevant information that has been collected. It requires identifying the gaps in the understanding of the issue addressed. This can be done through answering a series of questions that are basic to problem definition.



MORE AND MORE ELECTRONIC RESOURCES
ARE USED TO SEARCH FOR EVIDENCE

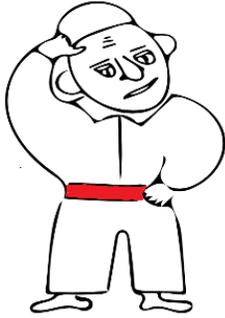
There are many free electronic databases and journals. Publishers and development organisations are working together to enable access to information to aid development, restricted to specific organisations in low income countries. The EPPI-Centre (Evidence for Policy and Practice Information-Centre) has guidelines for systematic reviews which provide details on how to conduct full systematic searches for evidence. Follow links to 'Methods and Tools' on the EPPI-Centre website <http://eppi.ioe.ac.uk/>



HOW TO USE EVIDENCE IN DEFINING THE PROBLEM?

-  See what evidence you should and can gather around the issue to be analysed
-  Analyse why the problem exists. Is the problem confused with an effect that it produces?
-  Find the causes that generate the problem
-  Define what the problem's trend is. Is it a growing problem? Is the reason known? Are there numbers to confirm this?
-  See who is affected by this problem. Who benefits from it and who suffers? What are the groups affected by the problem - either directly or indirectly? Are there numbers to confirm this?
-  Determine what the current policy that tackles the problem is. What specific laws and regulations are applied? What works and what does not work? Why?
-  Understand why there is a need for Government intervention. How important is this problem? Is Government intervention necessary? Why is Government intervention the best option for resolving the problems?
-  See if our experience can be compared to that of other countries and look for inspiration, if necessary.

Step 2. Setting Objectives



As opposed to the problem definition that characterises the undesired present, objectives are forward-looking. They define the future desired situation where the underlying problem no longer exists. Objectives should not be vague and aspirational: without a clear understanding of what a future policy is supposed to achieve, it is difficult to identify possible courses of action, and even more difficult to compare policy options. Clearly stated objectives provide the most effective criteria for assessing the success or failure of the proposed policy options. Without them it is impossible to monitor implementation of the policy and to evaluate whether it has produced the desired effects.

Objectives can be general, specific and operational. While **general objectives** could (but ideally should not) be formulated as “wishes” (e.g. improve business environment) the **specific and operational objectives** must be sufficiently detailed and measurable, in other words, SMART (Specific, Measurable, Acceptable, Realistic and Time-bound). For instance, in order to improve the standard of living the Government might plan to decrease the level of noise pollution in residential areas from 100 decibels in 2015 to 70 decibels by 2020.

Examples of SMART versus non-Smart objectives are provided below:

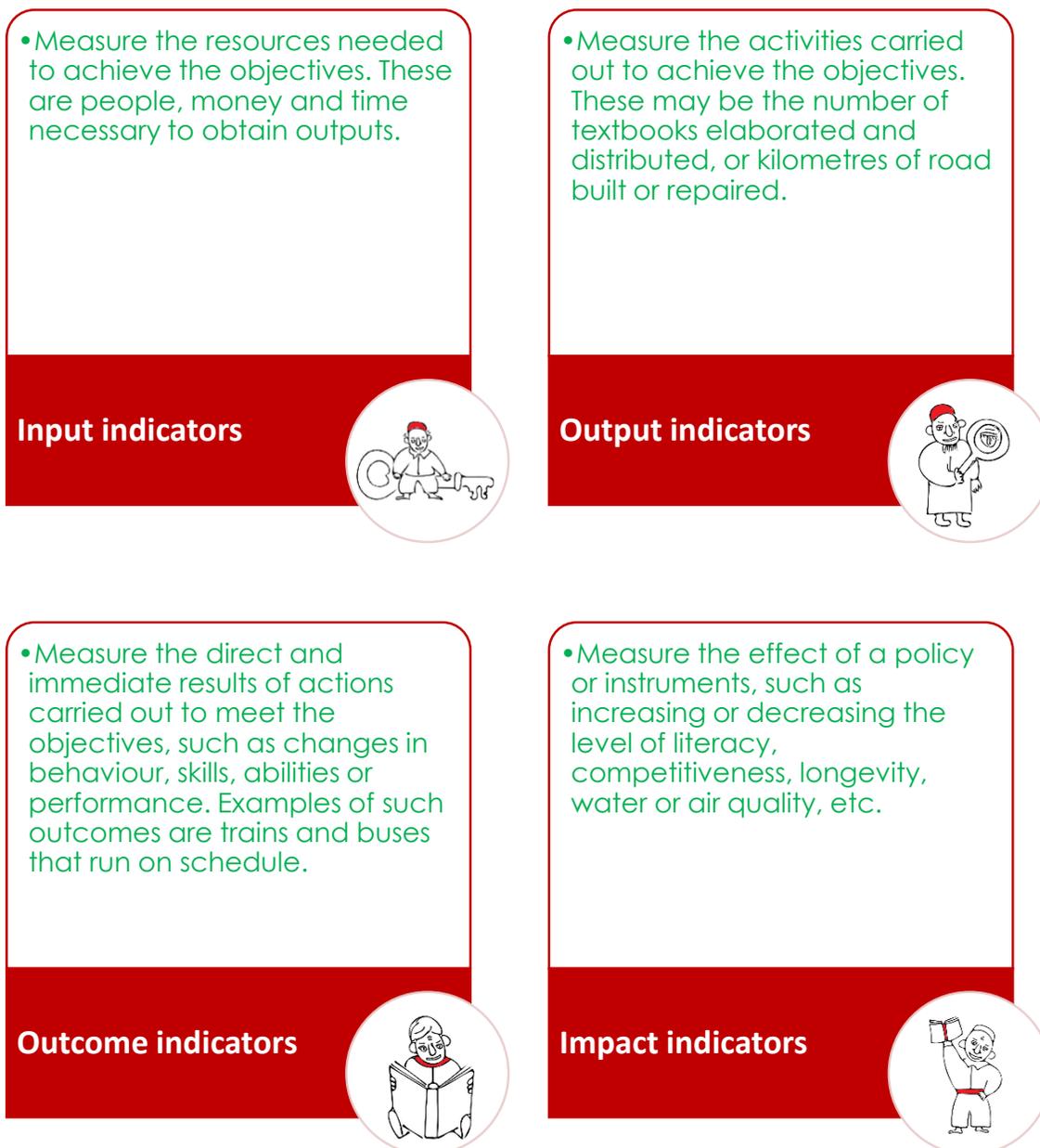
✔	✘
<p>Reduce the quantity of Persistent Organic Pollutants (POP) from 15000 tonnes in 2015 to 5 tonnes by the year 2017</p>	<p>Significantly reduce chemical pollution through the introduction of a quota</p>

Compared with the second, the first example is specific (POP) and measurable (number of tonnes) and time-bound (by 2017). To determine whether the objective is acceptable and realistic there is a need to collect data and consult with relevant stakeholders. Another common mistake regarding setting objectives is when they contain a specific measure. Indication of the means to achieve the objective might sound good but in reality it constrains the choice of policy options. In other words, the objectives must clarify *what* the desired state is, but avoid indicating *how* this can be achieved.

It is important to note that, as a rule, the general objectives reflect policy **impacts** (i.e. expected policy impact that is beyond the control of the Government). Specific objectives reflect policy **outcomes** (i.e. policy results that in most of the cases are also beyond Government control and operational objectives reflect policy **outputs** (i.e. policy “products” that are generated by invested

inputs, which are totally under Government control) and **inputs** (i.e. resources required in order to reach the policy objective).

In the process of setting objectives, it is important to bear in mind that objectives would serve as a benchmark for the monitoring exercise. Therefore, a set of indicators should be considered to support further monitoring, specifically:



Impact indicators will show whether the general objectives have been achieved. Outcome indicators will assess whether specific objectives have been achieved. Input and output indicators will measure how the operational objectives to meet specific objectives have been implemented.

In practice, the nature of objective-setting means going up and down from level to level until the objectives are consistent with each other and with the problem to be addressed. It will not be necessary in every case to consider objectives at all three levels, since in reality the relevant number of levels will differ according to the characteristics and complexity of the problem. In addition, the number of output and outcome levels objectives can be larger in order to achieve the desired impact through several activities. Usually, the more complex the policy issue, the more objectives are identified.

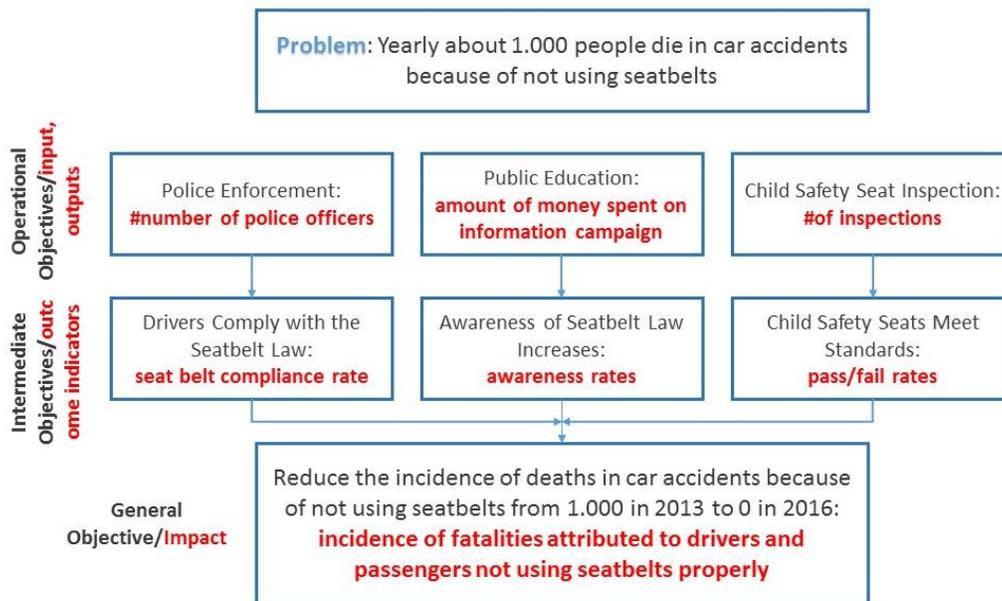


Figure 1 Correlation between objectives and indicators

In Figure 1 above, the definitions are applied to a concrete example. The general objective is to improve passenger safety as well as reduce fatalities and injuries caused by traffic accidents. The specific objective is to increase the proper use of seat belts and safety seats. The operational objectives (policy instruments) that are the immediate outputs of the policy are: number of police officers; amount of money spent on the information campaign; and number of inspections. The specificity of objectives allows the measurement of outputs, outcomes and impacts.

It is possible to “track” or measure outcomes periodically, such as changes in seat belt compliance rates, how aware the population is about these safety measures, and the percentage of child safety seats that are properly constructed and installed. Eventually, it will be possible to determine whether these outcomes have had any impact on the general objective of reducing fatalities. We may find that the measures taken together have been very successful. On the other hand, we may find that implementation was flawed (lack of police enforcement due to an under-staffed police force). Alternatively, we may come to an understanding that the problem was not a lack of safety measures but the construction of dangerous roads and the impediments to visibility.



HOW TO USE EVIDENCE IN SETTING OBJECTIVES?



Look at the defined problem and try to set general and specific objectives to address it. What effects do you want to achieve?



Make sure the objective is relevant in the context of national policy documents. What is the link between the objective and Government priorities?



Define the measures that will lead to the expected policy outcome being achieved. How will you know if the outcomes are achieved or not?



Define the measures that will lead to the expected results of actions being achieved. How will we know if the situation has changed?



Define the measures that will lead to the expected impact of policy.

Step 3. Identification of Policy Options



This is the stage of EIPM when possible solutions for solving the problem and meeting the objectives are identified and where potential policy instruments are described. In other words, for every problem, there is more than one solution or approach. Considering a wide range of policy options forces the authors of the policy proposals to think outside the box.

Overall, a **policy intervention** could have various magnitudes: i) major – creation of a new system, repeal of existing legislation and drafting new legislation; ii) moderate - building new components of the existing system, substantial amendment of existing legislation and; iii) minor - improving the current situation by adjusting some elements of the existing system, slight modification of the law. The magnitude of policy options depends upon the complexity of the problem and/or availability of resources, bearing in mind the proportionality principle, i.e. the costs of policy preparation should not exceed the benefits of the policy outcomes and impacts.

Policy proposals must consider several policy alternatives for tackling problems and reaching objectives. **Policy options** must be closely linked both to the causes of the problem and the objectives. Options must have an appropriate level of ambition in the light of constraints, such as compliance costs or considerations of proportionality. Along with the identified policy alternatives, the policy proposal must consider the non-intervention option, otherwise known as the ***status quo***.

The *status quo* assumes non-involvement in the existing situation. It is not the same as 'doing nothing' because the *status quo* can also mean the continuation of an already existing policy. With regard to all other policy options, one has to make sure that these are indeed **alternative ways of solving the problem**. For instance, for a policy which implies an increase in public investment, a number of policy options that are differentiated only by the amount of money to be spent is not acceptable. Likewise, one should refrain from treating the identification of the policy option as a box-ticking exercise – all policy options should be realistic and sufficient to meet the targeted objective as standalone interventions.

From a practical point of view, it is necessary to limit the number of options that are to be analysed, but ideally, there should be **not less than three**, including the *status quo*. The latter, although it may not be a preferred option, is a useful benchmark for comparison against other identified options.

GoB officials developing policy proposals should consider policy options that go beyond the “traditional” regulatory instruments. These may be selected from a variety of economic, informational and organisational instruments and range between coercive, restrictive or

incentivising instruments. Largely, there are four types of policy instruments that must be taken into account when identifying policy options:

Informative Instruments

- Information, awareness and education campaigns etc.

Financial Instruments

- Provision of grants, subsidies, guarantees, transfers etc.

Administrative Instruments

- Setting-up institutions, assigning managerial, coordination, advisory roles etc.

Regulatory Instruments

- Traditional prescriptive legislation, self-regulatory mechanisms, performance-based regulation

It is very important to note that, although most of the decisions taken by policy makers may require drafting a legal act, not all acts contain regulatory provisions. Therefore, administrative instruments should not be confused, for example, with regulatory ones; the former might be embedded in a legal act, but they do not contain regulatory norms or rules, which could be found in regulatory instruments. Thus, the Government's decision to assign a public organisation with project management responsibilities (administrative instrument) is not the same as the Government's decision to change the regulation on competition protection (regulatory instrument), although both are approved by legal acts. Similar to the above, if the Government decides to carry out an information campaign, and this activity is to be implemented through the adoption of a rule or regulation, it does not have a regulatory character.

The identification of options starts from thinking broadly and drawing up an extensive list of possible options and narrowing it down, bearing in mind the following:



All policy options have to be realistic. The authors of policy proposals should avoid the trap of considering only the 'no new action option', the 'preferred option', and an 'extreme option', which is not credible.



Even if a particular option seems to be a clear front-runner, **other promising options should not be excluded outright.** It is important to consider how the impacts of this 'front runner' will vary if key parameters change, e.g. allowing more time for objectives to be met or aiming for more or less ambitious objectives.



Where legislation is already in place, **better enforcement and implementation should always be considered**, perhaps with improved guidance.



In addition to the above, if legislation already exists, a **'doing less' option could be considered**. If existing measures do not produce the desired effects, creating a new instrument may not be the best remedy. Streamlining, simplifying or even repealing the existing legislation might produce better results.



Policy options that can count on considerable support have to be examined closely, bearing in mind that **public and/or political support alone cannot be the sole determining factor** in defining and analysing alternative options. On the other hand, policy options that do not have considerable support from a certain sector should not be discarded too quickly.

Policy options should be 'complete' and sufficiently well developed. It is important to avoid bundling individual policy measures from different options into a 'preferred' option, as this makes it difficult to assess the impact of the preferred option as a whole against the baseline.



HOW TO USE EVIDENCE IN IDENTIFYING POLICY OPTIONS?



Define as many as possible policy options to tackle the problem and reach the objectives. Make sure the status quo option is examined.



Make sure other options besides regulatory ones are considered.



Make sure all options meet the policy objectives. Filter only 3-5 options that are best.



Make sure any regulatory options envisage appropriate enforcement mechanisms.



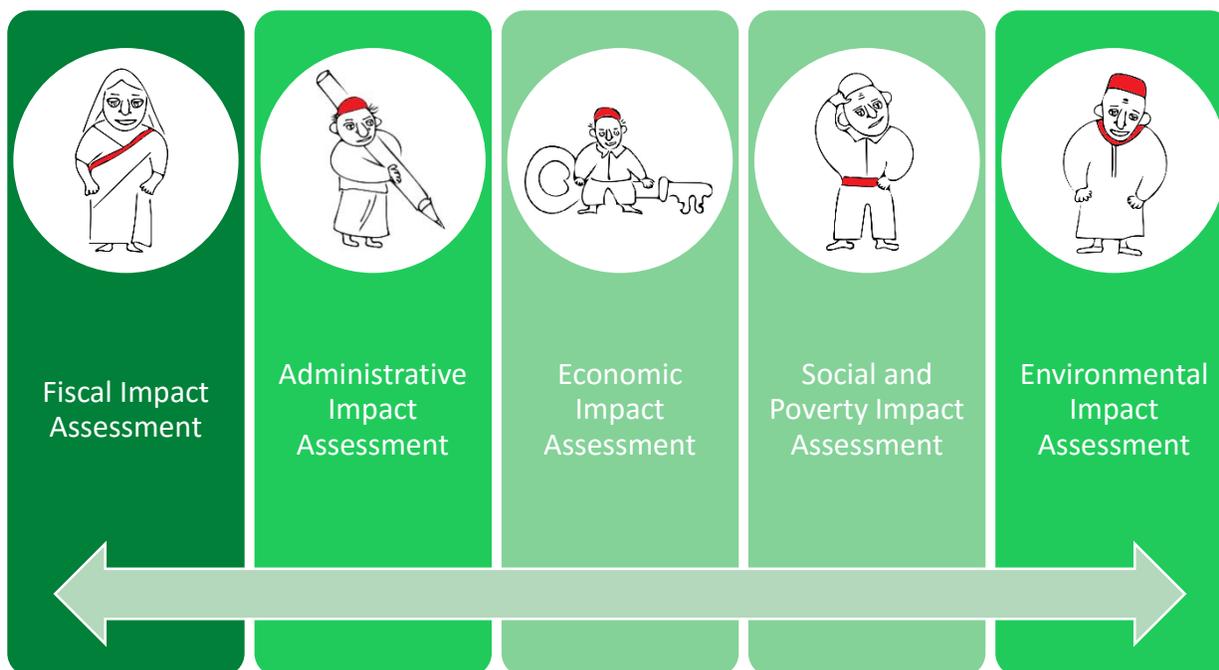
Try to consider both incentivising and coercive options.



Try to look ahead and understand whether civil society, private sector and Development Partners (DPs) could be involved in the implementation process or whether the problem can only be solved with Government efforts.

Step 4. Impact Assessment of Policy Options

The next step, which is the most demanding and important, is the assessment of various impacts of the identified policy options. The purpose of this EIPM stage is to determine the pros and cons of all policy options that are considered through a comparative assessment of the following types of impacts:



It is important to mention that all policy documents require impact assessment to be undertaken. However, strategies and programmes covering some specific sectors/topics might not need to include all five types of impact assessments (e.g., a strategy on education would not require environmental impact assessment). Following the overall approach in the Guidelines, the focus below will be on the impact assessments required for a policy proposal.

The depth of impact assessment may vary depending also on the types of policy options, data availability and the underlying capacity of GoB officials, bearing in mind the proportionality principle. All options have a cost that is covered either by the Government budget or by DPs, or by some companies (e.g. in Public-Private Partnerships) and contractors. Also, it is hard to imagine policies which would not have a social impact, given that policies are responses to particular public demands. However, some options, depending on their nature, may lack administrative, economic or environmental impacts. If the option does not have certain impacts, this should be clearly mentioned in the policy proposal.

It is important to note that each option involves an uneven distribution of **costs and benefits** to society. Some individuals, groups, regions or sectors will benefit more, other less. The likely

impacts of certain options may be ambiguous - some layers of population may bear the costs, others could benefit, while others may not be affected at all by the policy option. For example, an increase of the VAT rate will affect *all* consumers; *some* businesses may gain or lose market share, while *none* of the exporting ones will be affected.

The cost of a policy option covers the need to perform actions and to meet the objectives. For instance, as far as a Government investment project is concerned, the cost amounts to the public investment that will subsequently bring benefits. Costs can be **direct** or **indirect**. Fiscal impact analysis estimates the direct costs of policy options. At the same time, economic impact assessment addresses compliance costs by estimating indirect costs which are not borne by authorities or those who benefit from the policy option, but rather by other categories that must comply with it. For example, new rules imposed by the Government which tighten workplace safety will have a cost borne by employers, whereas employees will benefit from it by avoiding accidents and injuries.

The benefits of a policy option are closely linked to its objectives. For example, if the objective is to reduce air pollution, a successful policy would aim for benefits expressed in terms of clean air and reduced pollution. Benefits can be **tangible** and **intangible**. Estimating the level of corruption, freedom of speech or judicial independence is not an easy task - the benefits of policies in these areas are difficult to measure. These benefits are intangible, as opposed to tangible benefits, such as the level of exports, number of beneficiaries etc. **Hedonic pricing** and **willingness-to-pay** are relevant tools for estimating the likely policy benefits (see Annex IV).



EVIDENCE SHOULD BE RELIABLE AND
UNBIASED!
LEARN TO COMBINE AND SYNTHETISE
EVIDENCE!

Despite the fact there might be many sources of evidence, it might not be entirely reliable and unbiased. When there are doubts about the quality of evidence, a wider/extended search for more evidence will be needed, along with public consultations and/or consultation with colleagues. Once relevant evidence is found or produced, its analysis and interpretation using the tools described in these Guidelines should be conducted. Proper synthesis and presentation of evidence will lead to quality policy impact assessment.



HOW TO USE EVIDENCE IN IMPACT ASSESSMENT?



Try to examine what each proposed intervention will achieve. What will the consequences be (positive and negative)?



Analyse what is the magnitude of the effects. When will the impact occur? In some situations, long-term benefits outweigh the short-term risks and costs.



Examine if there are some effects / consequences / results that are disproportionate for any specific population group. Will this affect the successful implementation of each of the policy options? What measures will be taken to minimise these risks?



See what the indirect consequences (positive and negative) of each option are. What are the costs and benefits (tangible and intangible) of each option? Have these resources already been agreed on? Are they higher than the authority's budget?

Fiscal Impact Assessment

Fiscal Impact Assessment (FIA) envisages the impact of policy options on the budget and Medium-Term Budgetary Framework (MTBF). It is particularly important for authors of the policy proposal to be aware of budgetary implications of all policy options, and to attempt to reconcile the costs with the existing budgetary ceilings.

Notwithstanding the type of the policy document, this is the only type of impact assessment that is compulsory so that the costs (and potential revenues) of all policies can and should be estimated.

The following table may be used to complete FIA for all policy options:

Fiscal Impact Assessment Form			
	<i>(thousand BDT)</i>		
	MTBF Year 1 (Current Budget)	MTBF Year 2	MTBF Year 3
1. Impact on public expenditures:			
a. Total Cost of the Option including: <i>Staffing expenditures</i> <i>Goods and Services</i> <i>Payments to individuals</i> <i>Transfers for production</i> <i>Capital expenditures</i>			
b. Funding available from existing MTBF/Budget allocations* including: <i>Staffing expenditures</i> <i>Goods and Services</i> <i>Payments to individuals</i> <i>Transfers for production</i> <i>Capital expenditures</i> (* if funding is coming from more than one ministry provide a detailed breakdown on a separate page)			
c. Need for additional MTBF/budget allocation (a - b)** including: <i>Staffing expenditures</i> <i>Goods and Services</i> <i>Payments to individuals</i> <i>Transfers for production</i> <i>Capital expenditures</i> (** Negative amount denotes net savings)			
2. Funds potentially available to cover additional requirements:			
a. Reallocated from other activities within the ministry's MTBF/Budget Source:			
b. External Funding available to cover additional needs but not included in MTBF Source:			
c. Direct Technical Assistance (funded directly by DPs)			
3. Revenues generated by the policy option			
4. Net funding requirements with no source of financing (1c-2-3)			

It is the responsibility of the sponsoring ministry to complete the FIA. However, in order for the Ministry of Finance (or Finance Division) to be able to verify and assess the analysis, it is important to use a standard approach with consistent definitions and assumptions. Table 1 above provides

a possible template that could be used to cost each option. Essentially, the form is intended to show, on a multi-year basis:

1. What the total cost of the option is
2. How the option will be funded:
 - from existing allocations within the budget/MTBF
 - from external sources
 - from new or increased fees or other non-tax revenues
3. The net cost of the option

This net cost or “unfunded balance” is critical information that must be taken into account when the decision is taken by the Government to approve or reject an option. The value or benefit of a particular option must be weighed against the ability of Government to afford the additional cost. Moreover, in cases where the cost is too high, it may be necessary to revisit the identification of options, and adjust one or more of the options so that they are less costly.

Ideally FIA should also be done on a multi-year basis, in order to show how the impact on the MTBF changes from one year to the next. Practically speaking, it provides important information in cases where, for example, a proposal involves only a small cost in the first year, but the cost grows dramatically in the future. Without a multi-year perspective, a proposal that may look attractive now could become unaffordable in a few years’ time.

The following provides an explanation of how a FIA form may be completed:

1. **Impact on public expenditures.** This first section is the central part of the form. It is where the costing of the option is done, and where existing budget funds are identified.

1a. **Total Cost of the Option.** This section should include the total cost of the option, regardless of whether the funds are already included in the MTBF, or funded elsewhere. The overall cost should be split according to economic classification: staffing expenditures, goods and services, payments to individuals, transfers for production (subsidies) and capital expenditures.

In order to calculate the cost of an option, detailed aspects of implementation need to be carefully thought through. The types of questions that may be asked are:

- What new services will be provided, and what will the volume of activity be?
- What types of administrative activities are required to provide the services? How many staff need to be hired, and are new office facilities needed?
- Where will the services be provided?
- Will payments or other benefits be provided to people or businesses? What is the cost of the benefit to each person or business? How many recipients will there be each year?

Once there is information about how the option will be implemented, then cost estimates about the number of staff, related administrative costs, and transfer payments can be made.

1b. **Funding available from existing MTBF/Budget allocations.** This section should indicate the amount of funds already allocated for this policy within the MTBF/Budget. If the policy involves an enhancement or extension to an existing programme, then the funding for the existing level of activity should be included. In case of a new programme proposal, there may still have been funding allocated in the MTBF/Budget, based on an early estimate of cost. In either case, these funds currently allocated to the policy should be included in this section of the form, if any.

1c. **Need for additional MTBF/Budget allocation (1a-1b).** To determine the additional funding needs over and above what is already provided in the MTBF/Budget allocations, deduct the amounts indicated in 1b from the amounts indicated in 1a. The difference represents the net increase (or net decrease) in funding needed to implement the proposal. In case of a new programme, for which there is no existing allocation, the amount will be equal to the programme's total cost.

2. **Funds potentially available to cover additional requirements.** This section requires the ministry to consider possible sources of financing.

2a. **Reallocated from other activities within the ministry's MTBF/Budget.** Ministries should identify any potential areas for savings from other parts of their budget. The rationale for this is that the government only has a very limited capacity to fund new policies, and so it is important to reallocate resources from lower priorities as much as possible. This section is extremely important as it provides not only an alternative source of funding, but it also effectively indicates how important this particular policy is to the ministry vis-à-vis its other activities.

There are two general types of savings that may be available. First, the ministry may have surplus funds that have resulted from increased efficiencies, or from a lower than anticipated level of activity. Under these circumstances, the reallocation of these funds should not affect the level of service provided by the ministry. Second, the ministry may have identified an activity or programme that is no longer necessary, or is of low priority, compared to the new proposal, and to other programmes of the ministry.

2b. **External Funding available to cover additional needs but not included in MTBF.** This section should provide an indication of potential resources from external DPs, which are not covered under the current MTBF but are likely to be included in

the next one (reference should be made to the DP's name and the stage of negotiations).

- 2a. **Direct Technical Assistance (funded directly from DPs)**. This section should include any technical assistance that will cover some of the programme costs.
3. **Revenues generated by the policy**. It is possible that the policy will generate revenues from fees or other types of revenue raising instruments. While these funds are not automatically available to the ministry, they will reduce the overall cost of the policy to the government, and therefore can be seen as an alternative source of financing. However, it will also be important to consider the impact of these fees on the businesses or individuals who are paying them, in other sections of the overall impact assessment. This issue is addressed in the discussion on compliance costs and economic impact assessment below.
4. **Net funding requirements with no source of financing** (2c-3-4). This section summarises the net impact on the budget and MTBF of the option, and is calculated by subtracting lines 2 and 3 from line 1c. However, it is also important to recognise that the amounts from lines 3 and 4 carry risks with them: it may not be possible to reallocate savings; DP assistance may not materialise; and/or the estimated revenues from fees may be overly optimistic.

As noted above, the ministry is responsible for calculating the budgetary impacts of each option, potentially using this form (or one prescribed by the Ministry of Finance). However, it is strongly recommended that the ministry opens a dialogue with the relevant budget desk officer within Finance Division during the analysis of the financial impacts, to minimise the disagreements that may arise during the later consultation phase.



HOW TO USE EVIDENCE IN FISCAL IMPACT ASSESSMENT?



Estimate what the effect of the implementation of the policy option will be on the national budget.



Estimate what the effect of the implementation of the policy option will be on international financial obligations of the state.



Estimate what the costs of introducing the changes brought about by the implementation of policy option will be (setting up new institutions, restructuring of the existing institutions and training of civil servants) expressed as capital expenditure, current expenditure and wages.



Consider whether additional funding will be needed and from what source. Is it possible to finance expenditure through a redistribution of the funds already available?



Estimate what the effect of the implementation of the policy option will be on the expenditure of other institutions.

Administrative Impact Assessment

Authors of evidence-informed policies should also consider the administrative implications of policy options (i.e. consideration whether new legislation, creation of public bodies, adjustments to the planning documents, changing existing functions etc. are needed).

Administrative Impact Assessment (AIA) considers both immediate and long-term issues, which do not seem obvious at first sight. This assessment is critical for planning organisational needs and resources for implementing policy options. Including detailed implementation needs in the policy proposal may raise the cost of policy options, reduce their efficiency, create delays, and even affect implementation due to the overall reluctance to accept change. However, these implementation needs will support risk mitigation and will increase feasibility of the policy options.

Specifically, AIA includes consideration of the following aspects:



New legislation or amendments to existing legislation and/or additional regulations to the existing ones. It is important to analyse the likelihood of smooth

introduction of legislative changes and the likelihood of behavioural change of targeted groups and whether they are going to trigger unintended consequences. For example, increasing taxes on tobacco items, in addition to rising prices on cigarettes and reducing the number of smokers, might encourage smuggling, which would require offsetting administrative interventions.



Enforcement mechanisms of the policy choices that might be needed – sanctions, penalties, disciplinary, civil, administrative or criminal responsibility.



Organisational arrangements and associated requirements – involvement of subordinate agencies, local government bodies, NGOs etc.

Policy options should not be excluded due to high administrative implications, but rather, it would be advisable to identify counter-measures that would reduce the high administrative burden. These considerations are very important, particularly given the need to prepare the action plan for the preferred policy option and the concomitant monitoring and evaluation framework.



HOW TO USE EVIDENCE IN ADMINISTRATIVE IMPACT ASSESSMENT?

-  Describe whether the policy option introduces a totally new system of administration or can be accommodated within the existing system.
-  See if the existing public administration institutions are capable of implementing each policy option.
-  Determine what restructuring (expansion, downsizing, abolition, reorganisation, upgrade of tangible assets, etc.) shall take place within the existing institutions of public administration and what the timeframe for the implementation of the restructuring is.
-  Determine to what extent training is needed for civil servants and the employees working according to the employment contracts in the institutions of public administration. Who will be responsible for the training of civil servants or employees working according to the employment contracts in the institutions of public administration?
-  How many more civil servants or employees working according to the employment contracts in the institutions of public administration will be hired in order to implement the policy option?
-  Determine what new institutions will need to be set up and how much time will be required for this purpose.

Economic Impact Assessment

A large part of public policies developed and implemented by the Government have an impact on the economy. Many state interventions can foster or impede business creation and development, which is ultimately reflected in the country's competitiveness and economic growth. Unlike the Fiscal Impact Assessment that estimates budgetary implications of policy choices, **Economic Impact Assessment (EclA)** estimates the costs and benefits of policy options on the economy in general and businesses in particular.

In this section of the policy proposal authors should look at the policy choices' impacts on competitiveness, productivity and competition. For example, increased subsidies to the garments industry could contribute to increased competitiveness of textile production, the resources being invested in upgrading and improving the quality of garments. At the same time, this policy choice could be sensitive - providing grants to a sector may place this sector in a more favourable

condition than other sectors not covered by grants, thus creating market distortions and unfair competition.

Impacts on companies, especially on Small and Medium Enterprises (SME), are very important because these constitute the foundation of a healthy economy in the country. Therefore, any intentional or unintentional impact of the policy options on SME development or R&D and innovation etc. should be considered.

Businesses and citizens are subject to various requirements and obligations derived from the requirement to comply with a policy. It is therefore important to examine the effects of policy options on individuals and businesses and whether these impose an unnecessary **administrative burden**. To assess **compliance costs**, EIPM authors should identify the relevant activities, which citizens and/or businesses must perform in connection with each option.

There are two main types of compliance costs that have to be considered in conducting EclA: a **one-time cost** and **recurring costs**. One-time costs are incurred once and are related to company's adaptation to a new or modified policy and include information costs (identifying and understanding the policy), costs of upgrading or introducing new production processes/equipment/buildings/software and acquisition costs of specialised services (e.g. accounting, information technology, legal). Recurring costs are related to maintaining compliance with policy and include individual, personnel or time costs, inspection/application fees, deployment of the licensing process (application, correspondence, advertising) and costs related to clerical/administration/office work (compiling the necessary information, consumed time).



HOW TO USE EVIDENCE IN ECONOMIC IMPACT ASSESSMENT?

-  Assess the overall impact on the business environment including, where necessary, different business sectors.
-  Determine what the compliance costs for businesses are. Would some companies be more affected than others? How would this impact SME development?
-  Define what would be the impact on macroeconomic conditions. Is there an impact on inflation, employment, external trade, level of FDI, foreign exchange rate?
-  Examine how competition among enterprises would be affected. Do the policy options have an impact on the barriers to market entry? Have additional measures to ensure fair competition been considered?
-  Examine if productivity will be affected and in what way. Will the policy options have an impact on innovation, technological transfer, returns on investment?
-  Examine if the quality of the products and services will improve as a result of the proposed course of actions. What about consumer protection rights?
-  Determine how will general competitiveness be affected if the policy option is implemented.

Social and Poverty Impact Assessment

The main purpose of **Social and Poverty Impact Assessment (SPIA)** is to identify policy options' impact on individuals or groups of persons with special needs or whose situation could be affected in case of policy intervention.

The affected groups are in many cases vulnerable groups of population, such as the extreme poor, families with many children, elderly people, disabled people, rural or urban population, minorities, the homeless/slum dwellers etc. However, consideration of other categories of people that are not vulnerable but could be affected by the policy options is also important. In assessing the impacts, special attention should be paid to those who face multiple disadvantages, such as extreme poor slum-dwellers who have disabilities or chronic health ailments.

Several sectors/areas are more likely to require consideration of SPIA – education, health, housing, employment etc. Most sensitive to this kind of impact are social policies, which imply a redistribution of incomes. For example, provision of targeted compensation aims at supporting

vulnerable groups, but may also create inclusion errors, resulting in cash benefits being provided to people who, in spite of belonging to one of the targeted categories, are not necessarily poor. Moreover, such a policy can also generate exclusion errors, such as the omission of certain persons who are not part of the targeted categories, but are in fact poor. In this context, it is necessary to reconsider the policy, so that these errors are omitted.

Social impacts could also be generated by economic policies. For example, the decision to build a railway may lead to increased employment, but at the same time, could force households which are located along the railway to change their place of residence.

Gender Impact Assessment could be also considered here, because gender inequalities, their causes and consequences are not always obvious, but can create serious problems if not addressed in advance. The depth of Gender Impact Assessment depends on the type of policy option. The preliminary test for determining the need for a deeper analysis of gender impact depends on the answer to a crucial question: Does the policy option have a differential impact on women and men? If the option generates a gap of at least 20% for/against women or men, then it is necessary to conduct a full gender analysis. Additional relevant information on the Social and Poverty Impact Assessment could be found in the EC Guidance for Assessing Social Impacts and WB Poverty and Social Impact Assessment Toolkit².

² Sources: http://ec.europa.eu/smart-regulation/impact/key_docs/docs/guidance_for_assessing_social_impacts.pdf and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPSIA/0,,contentMDK:20466271~menuPK:1108016~pagePK:148956~piPK:216618~theSitePK:490130,00.html>



HOW TO USE EVIDENCE IN SOCIAL AND POVERTY IMPACT ASSESSMENT?

-  Describe the impact on different social groups (socially vulnerable people, youth, young families, children, the elderly, etc.)
-  Examine if the labour market and employment will be affected by the policy intervention. Are there changes in unemployment rates or labour conditions? Will jobs be lost or newly created? Consider the incentives to seek employment and requalification opportunities.
-  Determine if there are equal opportunities provided through the proposed policy options (equal employment opportunities for men and women, opportunities for the disabled to participate in different sectors of public life, etc.). Consider social inclusion and exclusion.
-  Examine if there is an impact on household disposable income. Are some categories more affected than others? What is the overall impact on the poverty level and, in particular, what is the impact on the poor?
-  Determine if some regions will be more affected than others. What about the urban and rural population?
-  Examine if the social benefits and their financing possibilities are affected. Is the budget of the social insurance fund sustainable in case the proposed policy option is implemented?
-  Examine if there are safety nets. Is there social support provided to those in need?

Environmental Impact Assessment

According to GoB legislation, **Environmental Impact Assessment (EIA)** is required for preparing Development Projects. However, policies which are not implemented through projects may also have a considerable impact on the environment. For example, construction of industrial parks, railways and expansion of agricultural land through deforestation, grassland destruction, and soil erosion will have a greater impact on the environment than public policies on increasing pensions, salaries, or provision of medical services.

Assessing environmental impacts is important through the lens of the policy's effects on peoples' health. For instance, transport is a major factor in traffic injuries, air pollution and noise. However, "healthy transport policies" can help reduce these risks, as well as promote walking, cycling and

greater use of public transportation. In agriculture, fertilizers and pesticides may boost crop yields. At the same time, intelligent use is important in order to protect farm workers and consumers from excessive chemical exposure. More relevant information on the impact of policies on health can be found on the WHO website.³

The European Commission differentiates between environmental assessment undertaken for individual projects such as a dam, motorway, airport or factory ('Environmental Impact Assessment') or for plans, programmes and policies ('Strategic Environmental Assessment')⁴. More relevant information for conducting Environmental Impact Assessment can be found in the World Bank Environmental Impact Assessment Sourcebook.⁵



HOW TO USE EVIDENCE IN ENVIRONMENT IMPACT ASSESSMENT?

-  Examine if there is an impact on air, water, resources of wildlife and inanimate nature (forests and earth), ecosystems, landscape and biological diversity.
-  Define what the impact on people and their health is.
-  Determine what the impact on immovable cultural heritage is.
-  Examine what the impact on recreational resources is.
-  In case of the use of territories, examine if the proposed policy option is in line with the requirements established for the use of territories.

Assessment of Risks and Uncertainties

In conducting EIPM, Government officials tend to believe that there will be relative stability within the public administration during the implementation of the policy. In reality, however, unforeseen or foreseen events or circumstances may emerge. Risks and uncertainties have to be taken into account by authors of policy documents. The **risks** are those situations where probabilities can be set for an event to happen and **uncertainties** are those situations, in which probabilities are not known. For example, drought is a risk for agriculture, because its probability is known and can

³ Source: <http://www.who.int/hia/en/>

⁴ Both have elaborated methodologies that can be found on the web site of the European Commission <http://ec.europa.eu/environment/eia/home.htm>

⁵ Sources: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=EN> and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTENVASS/0..menuPK:407994~pagePK:149018~piPK:149093~theSitePK:407988,00.html>

be measured. However, the losses caused by drought may be only assumed, being highly uncertain. Analysis of risks and uncertainties should be crosscutting across all EIPM steps.

Assessments covering only the immediate future, such as the next year's budget, may be more accurate, but could result in “short-sighted” decisions. However, for most policy choices, the nature and magnitude of impacts cannot be predicted with certainty, especially when they cover a longer period of time.

The analysis of acceptability and feasibility of an option can be based on quite real assumptions and estimates, which however are not absolutely accurate. These may be optimistic or unduly pessimistic. For example, assessing the capacity to assimilate economic subsidies may be underestimated, while the number of families who bring their children for vaccination may be overestimated. In addition, risks might include considerable resistance from the companies identified during consultations, lack of funding planned from Development Partners, reluctance of the Government to uphold the commitment or Parliament to adopt necessary legislation.

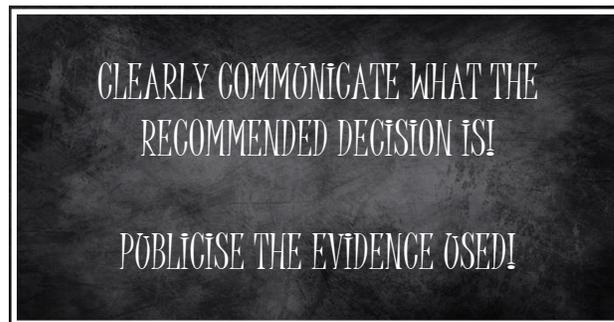
It is useful for decision makers to know how much confidence to put in an estimate, or alternatively how much reality might vary from the estimate put forward. These are generally qualitative assessments that need to be introduced into the analysis of options. Government officials who are unaccustomed to giving policy advice may find themselves providing unduly pessimistic assessments, in order to avoid responsibility for reform proposals. Alternatively, those who are attempting to promote a preferred policy option might be tempted to provide very optimistic estimates, for example of compliance or revenues.

Ultimately, the risk assessment is not about creating a huge amount of paperwork but about identifying appropriate mitigation strategies in dealing with risks and uncertainties with regard to the implementation of the policy options. It is useful to describe the risks in qualitative terms and consider their magnitude using simple categories (e.g. high, medium and low). A probability of the risk event may be quite different from the impact that such risk can imply for the implementation of the policy options. Therefore, besides considering the probability, the magnitude of impacts should be also described using similar categories (high, medium and low). The overall risk before the mitigation strategy would be the multiplier of the previous 2 categories, so that, if ‘High’ is equal to ‘3’, ‘Medium’ is equal to ‘2’ and ‘Low’ is equal to ‘1’, a medium risk probability with high impact will have a score of ‘6’. The final risk after mitigation will assess how the overall risk can be diminished after the mitigation strategy. Table 2 overleaf provides a possible template for the assessment of risks and uncertainties.

	Status Quo	Option 2	Option 3	Option 4
Probability of the risk event				
Impact of the risk event				
Risk before mitigation				
Mitigation Strategy				
Final risk after mitigation				

Step 4. Comparison of Policy Options and Selection of the Best One

The last EIPM step refers to the **comparison of policy options** in order to determine which the best option recommended to policy makers for approval will be. The purpose of this stage is to compare the strengths and weaknesses of each option in order to decide which one is most effective in achieving the objectives, having fewer or insignificant shortcomings. At the same time, authors of the policy proposal should bear in mind that there is no perfect policy option. All options have advantages and disadvantages.



There are several qualitative and quantitative techniques to compare options (Annex IV). An easy qualitative method that can be used by any public official is **Multi-criteria analysis**, which allows the assessment of options by taking into account the different types or aspects of the impact, each of them having their own weight. This method is especially useful in those cases when the impact of policy options is difficult to quantify or monetise.

The most important quantitative techniques are **cost-benefit analysis** and **cost effectiveness analysis**. Cost-benefit analysis is a comprehensive estimate of costs and benefits to society. This analysis is very suitable for policy choices that have a strong economic component – whose costs and benefits are tangible and can be easily quantified and monetised. For most public policies, costs and benefits in particular, cannot be quantified and monetised, as required by traditional cost-benefit analysis. In these cases, an alternative is to apply cost-effectiveness analysis, which is only monetisation of costs, the benefits being translated into quantitative values, such as units and percentages. For example, the cost of increasing unemployment allowances can be monetised, while the benefits will be measured as the decrease in the number of unemployed people, unemployment rate or the unemployment income growth rate, depending on the purpose of the policy.

Overall, this EIPM stage implies the comparison of the relevance, efficiency, effectiveness and sustainability of all policy choices developed in the previous EIPM stages. However, a lot in this stage is about the common sense – the EIPM authors have to engage stakeholders into discussion and agree on the best policy option that is accepted by everybody (or most of the participants), notwithstanding which comparison criteria have been used.

The final decision about the option to pursue rests, however, with the political level. There may well be political considerations that could result in choosing an option other than the one identified as being the optimal one.

An important, sub-step is to detail the practical steps for implementing the selected option, with a designation of who is responsible and a time frame for delivery and the monitoring and evaluation arrangements.



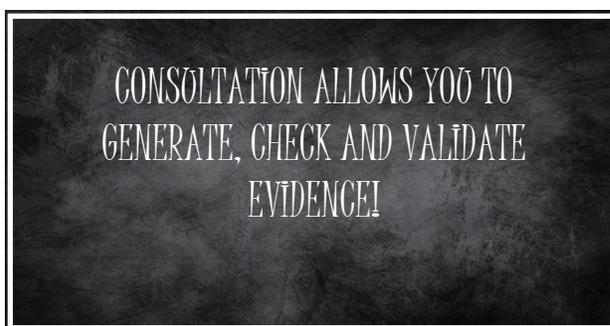
HOW TO USE EVIDENCE IN RECOMMENDING A POLICY OPTION?

-  Consider all positive and negative effects of each option in contrast to each other, regardless of whether they are expressed in qualitative, quantitative, or monetary terms.
-  Outline the arguments for and against each option.
-  Make comparisons among the options on each of the criteria for overall characteristics, such as benefits, fiscal impact, implementation feasibility, effect on the economy, effect on poverty, responses from the consultation, and risks and uncertainties.
-  Summarise key conclusions about each option that can be used in the policy proposal.
-  Prepare an action plan for the implementation of the selected option as well as a complementary monitoring and evaluation plan.

Consultation Process

The importance of consultation on policies should not be overlooked. Consultation allows the production of high quality and credible policy documents, increases the acceptance of the policy from the point of view of stakeholders and citizens, and leads to sounder decisions.

The consultation process of policies is to some extent covered by GoB legislation⁶. Although the GoB Rules of Business contain provisions on inter-ministerial and public consultations, the latter is not described in great detail. It is provided that public consultation on draft proposals for making or amending any rule or regulation might be carried out if the Government decides so. However, GoB legislation does not describe public consultation stages and requirements and there are no guidelines that describe public consultation techniques and tools.



Despite insufficient coverage of public consultation in the existing GoB legislation, it is important to note that sound EIPM requires considering opinions not only of GoB officials, but also of external stakeholders that could be affected by the draft policy proposal or could contribute with expertise or resources to policy development and/or implementation processes.

Therefore, internal and external consultation during preparation of evidence-informed policy proposals should ideally be mandatory (with the exception of sensitive policies, which the Government might decide not to disclose during the drafting phase), though the level of depth and the precise techniques used may vary.

⁶ Chapter III of the Government Rules of Business (from 1996, revised in 2012) describe the inter-ministerial consultation. Also, according to Article 31A of the Government Rules of Business, public opinion might be sought and considered upon the decision of the Government. The inter-ministerial consultation process associated with preparation and amendment of development projects is extensively covered in the so-called 'Green Book'.

Consultation Process Stages

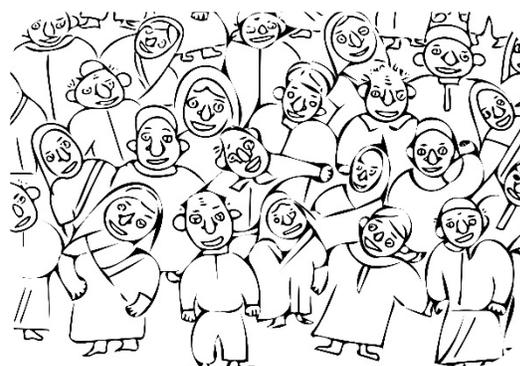
Consultation on draft policy proposals is not a one-off event, but a dynamic process, ideally consisting of four basic steps, specifically:

1. **Planning consultation at the early stages of drafting the policy proposal.** Planning starts with developing a consultation plan, which will include the timeline for the consultation process, milestones and tools utilised to informing, consulting and engaging stakeholders in preparing the policy proposal. The choice of consultation modalities is extensive, ranging from setting up working and expert groups to conducting focus group discussions, open debates, ad hoc meetings, consultation via internet, questionnaires etc. This diversity may result from differences in policy formulation approach, in types of expertise and institutional affiliations or contrasting opinions over the assumptions underlying the policy.
2. **Conducting a stakeholder analysis and ensuring all important actors are engaged.** The stakeholder analysis allows the identification of organisations, groups and individuals that are important or influential and could bring value added to the process⁷. The target groups range from the general public, a specific category of stakeholders that could be affected by the policy options or involved in implementation, or designated individuals who could share knowledge and experience on the analysed topic. Annex IV illustrates an example stakeholder analysis technique.
3. **Ensuring stakeholders can provide feedback at all EIPM stages.** To make sure stakeholders have time for providing feedback on draft policy proposals prior notice about the kick-off of consultation has to be sent to all stakeholders, accompanied by clear and concise consultation documents that include all necessary information on the matter discussed. While a 3 weeks' notice is requested by GoB Rules of Business (Art. 31A) there are circumstances when a longer period might be necessary, particularly if public discussions are to be organised. Ideally, stakeholders have to be involved in discussing the draft policy proposal early in the preparation process, so that the feedback is generated for all EIPM steps. However, if this is not possible, an extensive public consultation on the draft policy proposal before submission to the Cabinet will be necessary.
4. **Analysing stakeholders' contributions, providing feedback and describing the consultation process in the policy proposal.** The consultation should not be treated as

⁷ More on stakeholder analysis technique could be found on the WB link:
<http://www1.worldbank.org/publicsector/anticorrupt/PoliticalEconomy/stakeholderanalysis.htm>

a box-ticking exercise, but rather as a process, which brings important ideas and suggestions for improving the draft policy proposal. Therefore, besides collecting feedback, the responsible ministry has to make sure consultation inputs are properly analysed, integrated in the draft policy proposal and stakeholders are briefed whether or not their suggestions have been considered and incorporated in the draft. The summary of the consultation process has to be included in the draft policy proposal.

There are essentially two types of consultations on draft policy proposals, depending of the consulted groups, specifically:



Inter-ministerial consultations

Consultations with external stakeholders

Ideally the draft policy proposal has to be consulted both within and outside of the Government. The implications of internal and external⁸ consultation are described in the sections below.

Inter-Ministerial Consultation

During the process of developing the policy proposal, the responsible ministry has to consult the relevant Government institutions, particularly if the matter addressed is cross-sectorial. It is not practical to leave discussions with other line ministries to the final stages of EIPM development, because important findings could be missed.

Inter-ministerial consultation is covered in Chapter III of the Rules of Business. According to Chapter III, inter-ministerial consultation shall take place as early as may be practicable, but in

⁸ The European Commission and OECD countries have a long tradition of consulting interested parties on its policy and regulatory proposals. In order to improve its consultation processes, the European Commission adopted a set of General Principles and Minimum Standards for Consultation of Interested Parties. Similarly, OECD prepared a publication *Citizens as Partners*, OECD 2001. See also *Communication from the Commission on the collection and use of expertise by the Commission: Principles and Guidelines*, [COM \(2002\)713 final](#).

case of urgency and with approval of the Prime Minister, this requirement may be dispensed with, but the draft policy proposal shall, at the earliest opportunity thereafter, be brought to the notice of the concerned Ministry or Cabinet Division (art. 10).

The GoB Rules of Business require mandatory consultations with a range of GoB institutions before submission of the draft policy proposal to the Cabinet for approval, if its type and topic might concern other ministries or Cabinet Division and require a procedural or content review. These institutions are:



Cabinet Division (if the policy proposal concerns, among other things, reorganisation of a Ministry/Division, a change in the Allocation of Business, remuneration for high level officials etc.)



Ministry of Public Administration (if the policy proposal concerns, among other things, reorganisation of a Ministry/Division, organisation of a working unit, creation and reorganisation of an Attached Department, rules for recruitment to any post or service etc.)



Finance Division (if the policy proposal concerns, among other things, relinquishment, remission or assignment of revenue, levy of taxes, duties, cesses of fees, floatation of loan, preparation of an export programme and import policy, negotiation of trade and barter agreements, determination of tariff, pricing, investment and labour policies etc.)



Law and Justice Division (if the policy proposal contains, among other things, legal questions, interpretation of any law, provisions on involving the GoB in a criminal or civil proceeding instituted in a Court of Law etc.)



Legislative and Parliamentary Affairs Division (if the policy proposal is a draft legislation and also if it concerns, among other things, preparation of important contracts, international agreements, issuing authorisation of the issue of a rule, regulation or bye-law in exercise of statutory power etc.)



Ministry of Foreign Affairs (if the policy proposal affects foreign relations of Bangladesh)

In case of preparing Development Projects the Finance Division should provide a financial appraisal and the Planning Commission is responsible for the final appraisal.

The ideal manner for developing cross-sectorial policy proposals is through setting up inter-ministerial working groups/committees led by a senior official from the responsible ministry, involving representatives from responsible ministry and other concerned ministries and GoB institutions. The members of the working group should have relevant expertise and access to information. They should take on concrete tasks, under the direction of the group's leader. If they are assigned from another ministry, a clear portion of their time should be dedicated to their

contribution to policy proposal development. Even if one official is responsible for most of the writing, the contribution of others can be valuable.

The first draft of the policy proposal, discussed in the working group/committee and validated by the responsible Minister should be further submitted for feedback to selected GoB ministries and institutions. Besides the range of institutions mentioned in Chapter III of the Rules of Business, the draft policy proposal should be ideally submitted for appraisal to the following institutions:



Ministry of Social Welfare, Ministry of Labour and Employment and Ministry of Health and Family Welfare – for social and poverty impact assessment review



Ministry of Environment and Forests - for environmental impact assessment review

Cross-sectorial policy proposals, with policy implications on areas beyond the mandate of the responsible ministry, should be submitted for feedback to other relevant ministries and GoB institutions.

After the revision of the policy proposal based on received feedback by the responsible ministry, the second draft has to be submitted to the Cabinet Division for procedural and quality check (in case of Development Projects this responsibility lies with the Planning Commission). Otherwise, the responsible ministry has to revise the policy proposal, as suggested by Cabinet Division and resubmit it once it is finalised for the second round of opinions.

The Cabinet Wing of the Cabinet Division has to ensure that the draft policy proposal complies with the following criteria:



The policy problem and objectives are well defined and quantified



All relevant policy options that might tackle the problem have been considered



The policy options are consistent with Government strategic and budget priorities



Impact assessments of policy options (fiscal, economic, social, environmental, administrative impacts) are sound and thorough



The proposed policy option is well substantiated



Sectoral and cross-sectoral issues have been considered and addressed



Disagreements between ministries are resolved or minimised

To this end, the Cabinet Division might use a number of quality questions from the template included in the Annex II of these Guidelines.

The Cabinet Wing should not rewrite the policy proposal or change the policy options. When the Cabinet Wing and/or other concerned ministries and divisions have differing views from those expressed in the policy proposal, they should discuss these with the responsible ministry. In case

agreement was not reached and procedural and quality standards were not met, the Cabinet Wing should return the draft policy proposal to the ministry for further work.

Nonetheless, there may be occasions when, at the end of developing the policy proposal, there are outstanding concerns with the content and/or the recommendations. These concerns and differences of opinion may not have been resolved, and one or more ministries may have disagreements that still need to be dealt with. The fact that these concerns exist does not necessarily mean that the policy proposal should be changed. But the existence of unresolved disagreements can make the decision makers' task more difficult. Frivolous disagreements should not be considered, only ones of substance. These disagreements often reflect different views of the impact of implementation of a proposed policy.

Consultation with External Stakeholders

Consultation with external stakeholders is crucial in order to inform both targeted groups and experts about planned policy interventions, enrich the policy proposal content, as well as check and informally validate the policy options. Existing GoB legislation requires the public to be informed through pre-publishing the draft policy proposal in the official Gazette as well as website of the concerned ministry or division with a notice specifying at least three weeks' time for seeking public opinion (Art. 31A of GoB Rules of Business). It also requires each received opinion to be taken into consideration. However, other forms of information and consultations with external stakeholders are not covered in the existing GoB legislation.

Ideally, in order to develop an evidence-informed policy proposal, considering all views and suggestions the four consultation stages described in the section above should be followed.

A consultation plan specifying the consultation modality and frequency (see Step 1) has to be developed, along with the decision which organisations, groups and individuals (both affected and benefiting from planned policy intervention) outside of the Government will be involved.

Before selecting external stakeholders (see Step 2), it is important to assess the capacity and willingness of stakeholders to express their views. Some stakeholders are vocal, demanding, well-organised and influential. Others are invisible and inaudible. An obvious example of a group who will find it hard to participate in consultation is people who suffer from mental illness - yet their input would be extremely important in developing policy for some types of medical services. Identifying the range of possible stakeholders, and adapting the means of consultation to make it easy for them to respond, is essential to making consultation a useful tool for developing effective policy.

When the stakeholders have been identified and categorised, it can be useful to assess them according to their interests or to whether they will be positively or negatively affected by the policy options. This can assist in identifying likely conflict among stakeholders, which is inevitable

because a new policy is likely to change how things are done or to grant new benefits to a particular group. But policy makers can mitigate or at least predict conflicts by considering the interests of different groups. Identifying likely “winners and losers” and/or likely “opponents and supporters” can assist in formulating policy alternatives and potential mitigating measures or actions.

The responsible ministry has to select from a range of consultation methods (see step 1 of the consultation process) that will be used to engage external stakeholders in discussing the Policy proposal. Largely there are two widely used methods, specifically:

1. Submitting the draft Policy proposal for notice-and-comments

The Government might most commonly use the notice-and-comment procedure, which takes the form of notifying stakeholders and/or the public of a proposal, and inviting comments by a stated date. Written consultation can take different forms, depending on the nature of the policy. Whether widespread or restricted, written consultation needs to be based on a policy document published by the responsible line ministry.

It is important to provide sufficient time for the notice-and-comment procedure. Too short a period for response affects the quality and usefulness of responses. GoB officials may complain that the timetable for policy-making does not allow longer consultations, but it is made much more achievable if a timetable is planned when the development of a policy begins, and time for consultation is built into the timetable.

2. Using deliberative consultation methods, such as workshops, public debates, focus group discussions etc.

Essentially, a deliberative mechanism is any meeting - workshop, round table, public meeting, or focus group - at which policymakers meet with stakeholders or the public to hear their views directly. The big advantage is that this allows for questions and dialogue: stakeholders and members of the public can ask questions to GoB officials (or the minister), who in return can ask the respondents to explain more deeply the reasons for their opinions. These can be valuable and revealing forms of consultation, but they usually take time and other resources to set up and implement.

The simpler forms of deliberative consultation can be set up without expert help: for example, a public meeting or a round table discussion. Some of the more sophisticated mechanisms, however, require expert help. An example is focus groups, which bring together a group of people to give opinions on a particular topic and to be questioned in some depth about them. This can be a very useful device for probing public reactions to a proposal in depth, but eliciting useful responses requires considerable professional skill for which a trained facilitator should be

employed. Ministries are advised, when using deliberative mechanisms for the first time, to stick to the simpler formats: public meetings and roundtable discussions.

Informal contacts with experts may provide quick results. These are often appropriate at very early stages in the policy process and for non-sensitive questions. On the other hand, plurality in the composition of working groups and committees encourages brainstorming about ideas, stimulates debate and leads to substantiated arguments and opinions. This range of views should result in a better quality policy product and will add to the credibility of the process. It is important to remember, however, and to remind experts that they do not necessarily represent the general public interest or the concerns of citizens. The Government will, in the end, determine the balance of policy. Experts need to understand that the final decision will rest with political leaders, and that their advice may not be adopted in full or in part.

Notwithstanding which consultation method is chosen, it is important to notify and involve the stakeholders at the early elaboration stage (see Step 3). A simple way is to set up an e-mail notification system and e-mail policy groups, which improve communication. The notification system can be made public by having a list of issues on which a ministry is currently working available on its web sites (and/or the government official site). In this way, external interest groups and experts are aware of the work and prepare themselves to participate in consultation at a later stage. This means that each time a line ministry intends to start work on a policy proposal, it notifies the stakeholders by sending out a brief bulletin that includes:

- The name of the intended policy proposal
- A summary, preferably no more than one page long with a description of the issue, proposal or problem being addressed
- A preliminary time frame within which the work is to be conducted

As a minimum requirement, consultation with external stakeholders occurs in two stages:

1. **Consultation with key stakeholders and experts is usually undertaken at the early stages of EIPM**, to assist in clarifying the scope of the problem and in identifying options and their impacts.
2. **Wider consultation with the public at large is more commonly used at a later stage**, usually after a certain option has been selected as the preferred course of action. At this later stage, consultation is more commonly used for verification: to test the assumptions and data on which the policy options are based, to test its public acceptability, and particularly to check on issues of implementation.

Once stakeholders have taken part in a consultation exercise, they will naturally want some feedback on the outcomes. Good feedback will tell those who were consulted the overall findings of the consultation and explains how these findings have been taken into account. A standard

email or letter can be useful for this. And once the government finally agrees on its proposal and announces it to the public, the ministry should out of courtesy again notify this to those who responded to the consultation (see Step 4).

It is difficult to offer detailed guidance on how to analyse responses, because the feedback will vary enormously according to the subject matter and the range of people consulted. However, the analysis is made much easier if the ministry organising the consultation identifies a number of key questions to be answered, and asks respondents to structure their responses as answers to those questions.

In analysing stakeholders' feedback, it is important to:



Identify the main issues that people see as important (which may not be the same as the issues the ministry sees as important).



If possible, try to **identify the main reasons** why people reacted to the policy option as they did.



Focus on qualitative rather than quantitative responses. Stakeholders who respond to consultation events are not necessarily representative of the population as a whole, so there is no point in striving for spurious precision (e.g. precise percentages for and against particular options), which are likely to be misleading. The important thing is to give some approximate idea of the overall balance of reactions from the public, for and against (e.g. approximately half of respondents were in favour, one third against and the rest expressed no preference).



Be prepared for unexpected responses – for example those that raise issues not previously considered by the government. If these raise significant or substantial points, be prepared to change the outline structure that you had intended for your report to reflect them.

Do not suppress information, or try to "bend" the responses to fit into any preconceived solution. Consultation is valueless if it does not give a true picture of the views of stakeholders and the public.

Glossary



Administrative Impact Assessment (AIA) – is a policy impact assessment that considers whether new legislation, creation of public bodies, adjustments to the planning documents, changing existing functions etc. are needed.



Building Capacity for the Use of Research Evidence (BCURE) – is the title of a project that seeks to increase the use of evidence in policy-making by building the capacity of policymakers across the Government of Bangladesh to make better use of rigorous data and evidence in decision-making.



Economic Impact Assessment (EclA) – is a policy impact assessment that estimates the costs and benefits of policy options on the economy in general and businesses in particular.



Environment Impact Assessment – is a policy impact assessment by which the anticipated effects on the environment of a proposed policy are measured.



Evidence – is any type of information and data presented to support and assertion and/or test a hypothesis.



Evidence Informed Policy Making (EIPM) – refers to a policy formulation process that builds upon research data, uses policy analysis and follows all the logical steps, starting with problem definition and objective setting, considering a range of policy options, as well as their impacts, and ending with the selection of the best option.



Fiscal Impact Assessment (FIA) – is a policy impact assessment that envisages the impact of policy options on the budget and Medium-Term Budgetary Framework.



General Objective – is a statement, in more or less precise terms, of what the policy wants to achieve. The statement defines the policy outcomes (and occasionally impacts) and is the highest in the hierarchy of objectives.



Impact Indicator – measures the effect of a policy outcome, such as increasing or decreasing the level of literacy, competitiveness, longevity, water or air quality etc.



Input Indicator – measures the resources needed to achieve the operational objectives. These are people, money and time necessary to obtain outputs.



Operational Objective – is a measurable short-term goal intended to attain the policy specific objectives. Operational objectives rank lower than the general and specific objectives and reflect policy inputs and occasionally outputs.



Outcome Indicator – measures the direct and immediate results of policy outputs and are define whether the general or specific objectives were met, such as changes in behaviour, skills, abilities or performance.



Output Indicator – measures the activities carried out to achieve the specific or operational objectives, resulting from utilisation of inputs.



Policy – is whatever the Government does (or does not do) in response to public demands and needs. Policies are embedded in laws, rules, regulations, projects, strategies, plans etc.



Policy Formulation – implies the policy analysis and drafting preceding the decision.



Policy Impact Assessment – is assessment of the expected intended or not intended costs and benefits of the policy, expressed in qualitative or quantitative data. EIPM considers fiscal, economic, administrative, social and environmental impacts.



Policy Instrument – is a means to implement the policy. It can be informative (information, awareness and education campaigns etc.), financial (provision of grants, subsidies, guarantees, transfers etc.), administrative (setting-up institutions, assigning managerial, coordination, advisory roles etc.) or regulatory (traditional prescriptive legislation, self-regulatory mechanisms, performance-based regulation etc.)



Policy Proposal – is a policy document which describes the proposed policy intervention supported by thoroughly assessed and synthetized evidence. The Policy Proposal is prepared by the Government in case the solution for certain problems is yet to be decided.



Qualitative Data (opinions and attitudes) – is the type of evidence that reflects the life experiences of individuals and organisations. They can be important measurements of skills, such as communication and inter-personal skills, which are usually overlooked by quantitative indicators.



Quantitative Data (numbers and statistics) – are specific and measurable evidence. They are useful for demonstrating baseline positions and concrete facts and outcomes, such as financial expenditure or numbers of people receiving training. But they do not always capture the 'wider picture'.



Social and Poverty Impact Assessment (SPIA) – is a policy impact assessment that tries to identify policy options' impact on individuals or groups of persons with special needs or whose situation could be affected in case of policy intervention.



Specific Objective – is a statement that is usually expressed in measurable terms, and is unequivocal, which means that it is expressed clearly and has only one

interpretation. The specific objectives define the policy outputs and derive from general objectives.



Status Quo Policy Option – is the policy option, which does not imply any additional intervention to the current situation.

ANNEX I: Template for Policy Proposal

Once all EIPM steps have been taken, the authors should formulate the policy proposal based on all accumulated findings. A possible policy proposal template is the following:

Policy proposal Template	
<i>Title of policy proposal:</i>	
<i>Responsible institution:</i>	
1. Introduction	Overview of the rationale and background information, including correlation with Government priorities, long-term and medium-term planning documents and legislation
2. Beneficiaries of the Policy	Targeted/affected organisations, groups or individuals
3. Problem definition	Description of the size, nature and magnitude of the problem, its underlying causes and effects
4. Policy Objectives	Listing general, specific and operational objectives, at least the latter two should be SMART
5. Policy Options and Impact Assessment	Overview of the analysed alternative policy options (including the “status quo” option) and impact assessment (fiscal, administrative, economic, social and poverty and environmental)
6. Recommended Policy Option	Description of the recommended policy option and the reasons why it is the preferred one, including action plan for its implementation (including planned legislation, if needed) and M&E implications
7. Synthesis of Consultation Process	Overview of internal and external consultation process, including the list of consulted authorities and their main feedbacks
<i>Date</i>	
<i>Signature of the head of responsible institution</i>	
<i>Annexes: X pages</i>	

Overall, the policy proposal should have the following characteristics:



Should be clear and written in a simple language. There should be a balance between technical substantiation and “user-friendly” language that could be easily understood by decision-makers and interested stakeholders.



Should be relatively concise. Ideally, it should not exceed 30 pages, including annexes. However, the lower limit should not be less than 10 pages.



Should be well substantiated. The arguments to justify findings in each of stage of EIPM should be sufficient in terms of both quantity and quality to inform decision-making process.

ANNEX II: Check-list for policy proposal appraisal

The Cabinet Division might use the following check-list to appraise the quality of the policy proposal:

Evaluation Criteria	Yes/No/Partial	Comments
Introduction		
The policy proposal contains the introduction which reflects the rationale and background information, including correlation with Government priorities, long-term and medium-term planning documents and legislation		
Beneficiaries identified		
The policy proposal lists all beneficiaries of the policy		
Problem Definition		
The policy proposal contains a sound and clear definition of the problem. The nature, size, magnitude are described with as much as possible quantitative information		
There is a clear distinction between core problems, root causes and effects		
Setting Objectives		
The policy proposal contains general, intermediate and operational objectives that are linked with the problem and its causes		
The objectives are SMART		
Identifying Options		
The policy proposal contains a status-quo option (baseline scenario)		
The proposed options are alternatives to each other and all lead to full achievement of objectives		
The options consider a variety of instruments (regulatory and non-regulatory)		
No important options have been missed		
Options Impact Assessment		
All options (including status-quo) have been assessed through the lenses of fiscal, administrative, economic, social and poverty and environmental impacts		
The impacts are quantified where possible and where is not possible analysed thoroughly qualitatively		
Comparing options and selection of the best one		
All options (including status quo) are compared using the same criteria and based on the analysis the best option is proposed		
The recommended option is accompanied by the action plan for the implementation		
The recommended option is accompanied by the overview of the monitoring and evaluation arrangements		
Consultation Process		
The policy proposal contains a summary of the consultation process		

General Evaluation		
In general the level of evidence used and analysed is adequate and proportional		
Overall the policy proposal is well written and contains all necessary evidence to take the decision		
Conclusion		

ANNEX III: Programmes which support access to evidence

1. Access to Global online Research in Agriculture (AGORA)

Web site: <http://www.aginternetwork.org/en/>

Description from their web site: “The AGORA site provides access to over 400 journals from major scientific publishers in the fields of food, agriculture, environmental science and related social sciences. AGORA is available to students and researchers in qualifying not-for-profit institutions in eligible developing countries.”

2. BioMed Central (BMC)

Web site: <http://www.biomedcentral.com/>

Description from their web site: “All the original research articles in journals published by BioMed Central are immediately and permanently available online without charge or any other barriers to access. This commitment is based on the view that open access to research is central to rapid and efficient progress in science and that subscription-based access to research is hindering rather than helping scientific communication. All research articles and most other content in BioMed Central's journals are fully and rapidly peer-reviewed.”

3. British Medical Journals (BMJ) Publishing Group

Web site: <http://bmj.bmjournals.com/>

Description from their web site: “Free to users from the World Bank's list of 120 low and lower middle income countries. The *BMJ* aims to publish rigorous, accessible and entertaining material that will help doctors and medical students in their daily practice, lifelong learning and career development. In addition, it seeks to be at the forefront of the international debate on health. The web site was launched in May 1995 and contains the full text of all articles published in the weekly *BMJ* since January 1994. In addition, it contains material that is unique to the website.”

4. FreeMedicalJournals.com

Web site: <http://www.freemedicaljournals.com/>

Description from their website: “The Free Medical Journals Site is dedicated to the promotion of free access to medical journals over the Internet. “

5. Health InterNetwork Access to Research Initiative (HINARI)

Web site: <http://www.healthinternetwork.org/>

Description from their web site: “The Health InterNetwork Access to Research Initiative (HINARI) is a new initiative to provide free or nearly free access to the major journals in biomedical and related social sciences, to public institutions in developing countries. Starting in January 2002 with over 2000 journals from the world's leading biomedical publishers, HINARI is part of the Health InterNetwork, which was introduced by the United Nations' Secretary General Kofi Annan at the UN Millennium Summit in the year 2000.

Led by WHO, the Health InterNetwork aims to strengthen public health services by providing public health workers, researchers and policy makers access to high-quality, relevant and timely health information, via the Internet. It further aims to improve communication and networking.”

6. ICTP e-journals delivery service (eJDS)

Web site: <http://www.ejds.org/>

Description: Aware of the new technologies available and the advent of electronic journals, the Abdus Salam ICTP/TWAS Donation Programme, in collaboration with the ICTP Scientific Computer Section and ICTP Library, has developed a prototype information retrieval system called 'eJournals Delivery Service'. It distributes individual scientific articles via e-mail to world scientists who do not have access to sufficient bandwidth to download material from the internet in a timely manner and/or cannot afford the connection. Famous publishers such as Elsevier, American Physical Society, Institute of Physics Publishing, World Scientific give free access to their journals through the eJDS. Providing scientists with current literature will support their ongoing research. The eJournals Delivery Service allows scientists to search and/or download articles using e-mail only and to follow hyperlinks as if they were surfing the web via a live internet connection.

7. International Book Project (IBP)

Web site: <http://www.intlbookproject.org>

Description: Founded in 1966, the International Book Project (IBP), Inc. boasts a long and successful history of supplying books worldwide. It is a non-profit organisation that distributes books to virtually any location in the developing world. It sends basic subject textbooks of the pre-kindergarten through the graduate school level, as well as library books, nursing and medical books, and popular and technical journals. Requests are received from schools, universities, study groups, hospitals, clinics, churches, organisations, and libraries. The friendships, created across the globe, have been the centerpiece of IBP's mission to broaden Americans' understanding of their neighbours, promote education and literacy, and strengthen world unity. IBP's unique tracking systems links American contributors with foreign book recipients, establishing relationships that often endure for years.

By providing needed, quality books to the peoples of the developing world, the International Book Project seeks to:



Promote education and literacy in developing countries and in areas of need in the United States;

-  Broaden Americans' understanding of their neighbours;
-  Foster global friendships and strengthen world unity.

In 2003 IBP distributed 108,968 books to nearly 100 developing countries and to areas in need in the U.S. IBP shipped container shipments to Thailand, Guatemala and India. In addition, IBP shipped almost 700 smaller shipments to needy organisations in the most remote areas of the developing world. IBP, and its partners and donors across the world, helped make a total contribution of educational materials valued at over \$3.0 million in 2003.

8. Medbioworld

Web site: <http://www.sciencekomm.at/>

Description from their web site: "With 25,000 links, Medbioworld is the largest medical reference site, including all medical journals and medical associations, and similar resources in the biological sciences. Links include 6,000 medical journals in 80 subspecialties, and the home pages of 4,000 medical associations. Other research tools include medical glossaries, disease databases, clinical trials and guidelines, and medical journals offering full-text articles."

9. **Programme for the Enhancement of Research Information (PERI)** (this has been updated to the Strengthening Research and Knowledge Systems project)

Web site: <http://www.inasp.info/en/work/what-we-do/programmes/srks/>

Description: During 1999/2000 the International Network for the Availability of Scientific Publications was approached by research partners and librarians in Africa, Asia, Latin America and the New Independent States to assist them in the design and implementation of a programme of complementary activities to support information production, access and dissemination utilising ICTs. Following two brainstorming workshops and a large number of country-wide discussions, the Programme for the Enhancement of Research Information (PERI) was born.

The immediate objectives of the programme are to:

-  Facilitate the acquisition of international information and knowledge
-  Improve access to research through the promotion of national and regional journals.
-  Provide awareness or training in the use, evaluation and management of electronic information and communication technologies (ICTs);
-  Enhance skills in the preparation, production and management of journals.

The objectives are being met by interlinked and complementary activities including:

-  Delivering information: INASP has been working with individual publishers, 'packagers' of information and consolidating subscription agents in facilitating the acquisition of full text online journals, current awareness databases and

document delivery. The goal is for resources available through PERI to be affordable so that their acquisition is sustainable in the long term. INASP has been successful in negotiating differentially-priced country-wide access licenses at 90-98% discount.

PERI currently provides in excess of 17, 000 full text journals and many of the world's leading bibliographic and reference databases including those from Blackwells, CABI, EBSCO, Emerald, Gale, Institute of Physics Publishing (IoPP), Oxford University Press, OVID (Silver Platter), Springer, the Royal Society and Update Software. Negotiations with further publishers are ongoing.

In addition, attention is drawn to all those resources which are available without cost to researchers in developing countries: Document delivery is available through the British Library Document Supply Centre (BLDSC).

10. PubMed Central (PMC)

Web site: <http://www.pubmedcentral.nih.gov/>

Description from their web site: "PubMed Central is a digital archive of life sciences journal literature, developed and managed by the National Center for Biotechnology Information (NCBI) at the U.S. National Library of Medicine (NLM). With PubMed Central, NLM is taking the lead in preserving and maintaining unrestricted access to the electronic literature, just as it has done for decades with the printed biomedical literature. PubMed Central aims to fill the role of a world class library in the digital age. It is not a journal publisher. NLM believes that giving all users free and unrestricted access to the material in PubMed Central is the best way to ensure the durability and utility of the archive as technology changes over time."

11. The Essential Agriculture Library (TEEAL)

Web site: <http://teeal.cornell.edu/>

Description: TEEAL (The Essential Electronic Agricultural Library) is a full-text collection of core journals in the field of agricultural and related sciences. The CD-ROM is available at low cost to 111 developing countries around the world. Journals in the TEEAL system cover many subjects, including: rural development, sustainable agriculture, natural resources, environment, food processing and veterinary medicine.

12. The **Rockefeller Foundation**, Cornell University's Albert R Mann Library, and major scientific journal publishers have co-operated to create TEEAL for the purpose of revolutionising access to information in the developing world. Over 55 universities and research institutions in more than thirty developing nations have implemented TEEAL.

Currently, eight years of over 140 journals subscriptions (dating from 1993-2000) are available comprising 1.5 million pages of full text and graphics scanned on to 337 CD-ROMs. Updates for 1997, 1998, 1999 and 2000 are at present available. Future updates will be available one year after the original year of publication.

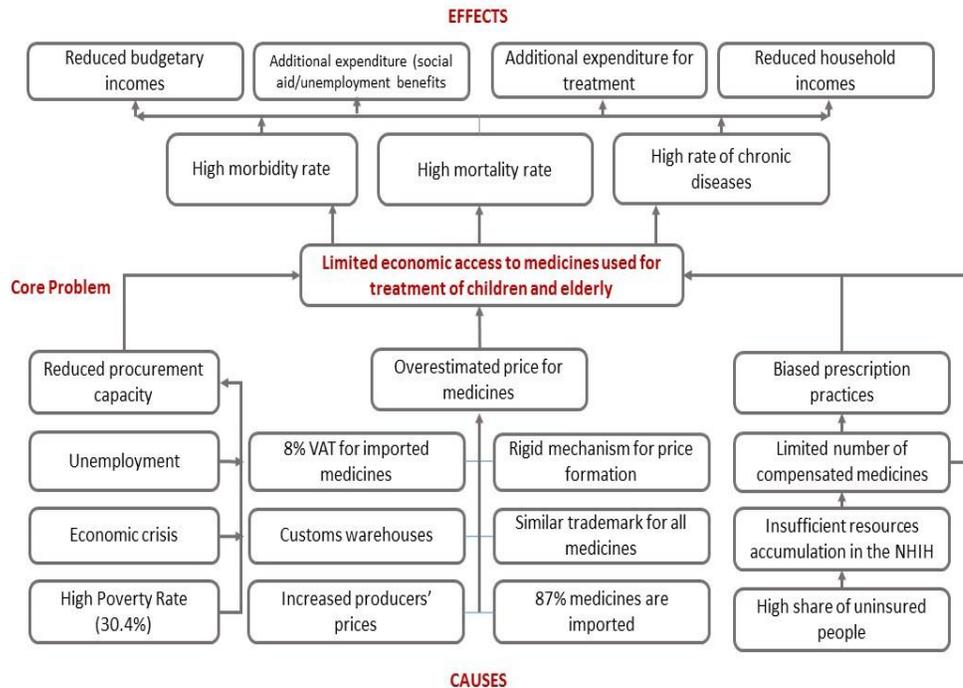
ANNEX IV: Examples of EIPM tools

Tool 1. Problem Tree

The Problem Tree is a simple tool recommended for the first EIPM step “Problem Definition”. It allows determining cause-effect relationship of the defined problems/challenges. The Problem Tree Analysis comprises the following steps taken in a participatory manner:

1. Brainstorms the challenges, issues, constraints, drawbacks, etc. that lead to the need for a policy response through EIPM.
2. Define among this list the central problem that will be tackled in the policy proposal.
3. Define the causes and sub-causes that lead to the central problem and arrange them at the bottom of the “tree” as to show causality.
4. Define the effects of the central problem and arrange them on the top of the “tree”, above the central problem.
5. Check the Problem Tree to see whether there initially defined central problem is the one to be tackled through the policy proposal.
6. Rearrange the Problem Tree elements, if needed, and preserve the causality relationship with the causes leading to the central problem and deriving effects.
7. Make sure the elements are sufficiently specific and clear to be further addressed in the EIPM.

Below is an example of the Problem Tree diagram and analysis:



Problem Tree Analysis

Healthcare system is hardly able to ensure people's adequate access to qualitative healthcare services. Limited financial means, on the one hand, and people's low purchasing power, on the other, contribute to the fact that the current needs in the system are only partially covered. Imported goods, such as medications become more expensive, while the possibility to cover the needs within the healthcare system is still low. The overall impact of the rising price for medications on health during the economic crisis, coupled with the reducing incomes of population aggravates the situation more.

Under these circumstances, there are two groups of individuals – children and elderly, which shall be the most affected, requiring, as a rule, more medical services, as well as having a lower economic access. The absolute poverty rate among elderly is 33.1%, while that of children – 27.4% versus 22.8% among economically active individuals (year 2007).

Bearing in mind that public and private expenditures for pharmaceutical products as a share of overall healthcare expenditures reached the approximate level of 40% in 2006, compared to 23% in 2003 and continues to go up, while private expenditures vary from 10% to 80% of the total expenditures for pharmaceutical products, the economic burden on the individuals from vulnerable categories is rather severe.

Preservation of healthcare expenditures when people are more and more vulnerable is of crucial importance for diminishing social consequences of the economic decline. Children and elderly

are especially vulnerable to the economic crisis and thus, economic access to medications for these categories is more limited when compared to other groups of individuals. This is so mainly because children and elderly are more responsive to risk factors, have a high incidence and prevalence of diseases and need more healthcare services and respectively more pharmaceutical products.

Therefore, **low economic accessibility to medications used for treating children and elderly** is a priority issue of public health and requires the intervention of public authorities for improving the state of things.

Causes of the Problem

The causes of low economic access to medications can be divided into three large categories:

1. The first category of factors relates to people's limited purchasing capacity that is favoured by high poverty rate, economic-financial crisis, high unemployment rate and other social-economic factors, which together lead to the incapacity to purchase medications by the referred two categories.
2. The second category of factors, which reduces the economic access to medications, refers to the mechanism of setting up of prices. Exaggerated price for pharmaceutical products is caused in its turn by: increase of prices for medications by the producers, prevalence of imported medications (only 13% of pharmaceutical products are of domestic origin), VAT for imported medications, high prices for customs storehouses, the rigid mechanism of the mark-up.

The third category of causes includes the existing mechanism of reimbursement of expenditures for medications. Insufficient accumulations to the funds of the CMCI (Compulsory Medical Care Insurance) does not allow for extending the list of essential compensated medications, nor for extending the compensation share for these medications.

Effects of the problem

As a result, should no intervention with the view to settling the identified problem be made, we shall register an increased morbidity and mortality rates. Subsequently, the increase of the morbidity rate will lead to additional expenditures such as expenditures for treatment or social support, and later, work incapacity – to decrease of budget revenues.

Tool 2. Root Cause Analysis

Root Cause Analysis (RCA) is a popular and often-used technique that can help the Government answer the question why the problem occurred in the first place. It seeks to identify the origin of

the problem using specific set of steps, with associated tools, to find the primary cause of the problem, in order to:

1. Determine what happened
2. Determine why it happened
3. Figure out what to do to reduce the likelihood that it will happen again

RCA assumes that system and events are interrelated. A policy in one area triggers a policy in another, and so on. By tracing back these actions the Government can discover where the problem started and how it grew into the symptom that became obvious to the Government.

Usually there are three basic types of causes:

1. **Physical causes** – tangible, material items failed in some way (for example, the road was destroyed)
2. **Human causes** – people did something wrong, or did not do something that was needed. Human causes typically lead to physical causes (for example, the road was destroyed because heavy trucks and lorries were using often that road)
3. **Organisational causes** – a system, process or policy that people use to make decision or do their work is faulty (for example, according to the existing regulation all trucks and lorries have to use only this road and no alternative routes are allowed)

RCA looks at all three types of causes. It involves investigating the patterns of negative effects, finding hidden flaws in the system and discovering specific actions that contributed to the problem. This often means that RCA reveals more than one root cause.

The responsible ministry can apply RCA to almost any situation. Determining how far to go in problem analysis requires good judgment and common sense. Theoretically, the ministry could continue to trace root causes back to Stone Age, but the effort would serve no useful purpose. The most important is to find a significant cause that can, in fact, be changed.

The RCA Process

RCA has five identifiable steps, namely:

1. Defining the Problem
2. Collecting Data
3. Identifying Possible Causal Factors
4. Identifying the Root Causes
5. Recommending and Implementing Solutions

Step 1. Defining the Problem



What the ministry see happening?



What are the specific symptoms?

Step 2. Collecting Data



What proof does the ministry have that the problem exists?



How long has the problem existed?



What is the impact of the problem?

The responsible ministry has to analyse the situation fully before looking at factors that contributed to the problem. To maximise the effectiveness of the RCA, all relevant stakeholders have to be consulted.

Step 3. Identifying Possible Causal Factors



What sequence of events leads to the problem?



What conditions allow the problem to occur?



What other problems surround the occurrence of the central problem?

During this stage, the responsible ministry has to identify as many causal factors as possible. Too often, there might be temptation to identify one or two factors and then stop, but that's not sufficient. With RCA the responsible ministry doesn't have to treat the most obvious causes but rather to dig deeper. These tools could help in identifying causal factors:



Appreciation – using the facts and asking “So what?” to determine all the possible consequences of a fact.



5 Whys – asking “Why?” until getting to the root of the problem.



Drill Down – breaking down a problem into small, detailed parts to better understand the big picture.



Cause and effect diagrams – creating a chart of all of the possible causal factors to see where the trouble may have begun.

Step 4. Identifying the Root Causes



Why does the causal factor exist?



What is the real reason the problem occurred?

The responsible ministry should use the same tools used to identify the causal factors (in Step 3) to look at the roots of each factor. These tools are designed to encourage the officials to dig deeper at each level of cause and effect.

Step 5. Recommending and Implementing Solutions



What can you do to prevent the problem from happening again?



How will the solution be implemented?



Who will be responsible for it?



What are the risks of implementing the solution?

Despite the fact the clear definition of the problem and its root causes may incline towards some possible policy options/solutions, at this stage we would advise refraining from considering the policy intervention and follow sequentially all EIPM steps.

Tool 3. Cost-Benefit Analysis

The cost-benefit analysis is recommended for steps 4 and 5 of EIPM, when the impact of the policy options is assessed and compared in order to define the best policy option. This tool relies on monetisation of both costs and benefits of each policy option. The difference between total positive impacts (benefits) and negative (costs) expresses the value of the policy option. For more methodological details and examples of cost-benefit analysis, the EC Guide to Cost-Benefit on Investment Projects could be used.⁹

The following steps are to be followed while conducting a CBA:

1. Define the baseline scenario (status quo)
2. Define which costs and benefits are important
3. Make an inventory of all cost and benefits
4. Forecast the impact throughout policy implementation
5. Monetise the forecasts
6. Define the present value of monetary flows
7. Estimate the net present value
8. Conduct the sensitivity analysis
9. Formulate recommendations

While some of the steps are quite straightforward, the monetisation of benefits is not an easy task, especially when it comes to the monetisation of intangible benefits. For the tangible benefits one would normally use **actual market prices**, whereas for the intangible benefits **shadow**

⁹ Sources: http://ec.europa.eu/regional_policy/sources/docgener/guides/cost/guide2008_en.pdf

prices must be derived either through using the Hedonistic method (see Tool 5. Hedonic Pricing) or the opinion polls (see Tool 6. Willingness to Pay).

Once all the benefits and costs have monetary value and are forecasted for a foreseeable future the Net Present Value (NPV) should be used. Below is a brief example how to calculate the NPV.

Costs and benefits of the policy appear in different time intervals. The monetary value of costs and benefits over the years is not directly comparable to their present value, therefore the future costs and benefits are processed (updated) in their present equivalent value. The present value (PV) of a future cash flow (CF) that will be achieved in a year n will be given by the formula:

$$PV = \frac{CF}{(1+i)^n}, \text{ where } i \text{ is the discount rate}$$

A larger size of the discount rate will result in a lower present value of future costs and benefits and vice versa. To ensure evaluation of policy options on the same criteria, these Guidelines recommend using the benchmark interest rate of Bangladesh as the discount rate (currently 7.25%).

Assessment of a policy based on cost-benefit analysis can be performed as follows. Estimated costs and benefits are grouped according to the year in which they occur, then the net benefits are calculated (the difference between benefits and costs) for each year. Net benefits are multiplied by the discount factor for each year. The discount factor is calculated according to the following formula: $1/(1+i)^n$, where i is the discount rate and n - the year for which it is calculated. The resulting value is the present value of net benefits for each year. The number of years for which the net present value is calculated (NPV) depends on the policy, but usually it is calculated for a period of 10 years. The sum of net present values for each year is the value of the policy option. The table below shows the described calculations. The discount factor was calculated taking into account the 7.25% discount rate.

Year	Costs	Benefits	Net Benefits	Discount Factor	Net Present Value
0	50.0	0.0	-50.0	1.0	-50.0
1	50.0	0.0	-50.0	0.9	-46.6
2	40.0	10.0	-30.0	0.9	-26.1
3	30.0	20.0	-10.0	0.8	-8.1
4	10.0	30.0	20.0	0.8	15.1
5	10.0	30.0	20.0	0.7	14.1
6	5.0	50.0	45.0	0.7	29.6
7	5.0	50.0	45.0	0.6	27.6
8	5.0	50.0	45.0	0.6	25.7
9	5.0	50.0	45.0	0.5	24.0
10	5.0	50.0	45.0	0.5	22.3
Total					27.6

These estimations have to be done for all policy options. If the policy option has a positive overall net present value, it means it is going to bring positive benefits to the society. The policy option with the greatest Net Present Value could be recommended as the most efficient one, provided efficiency is the criteria for selecting the best policy option.

Tool 4. Cost-effectiveness analysis

This tool is recommended for step 5 of EIPM, which deals with comparison of policy options and recommendation of the best solution. Unlike the cost-benefit analysis, the cost-effectiveness analysis requires only the monetisation of costs, whereas benefits are expressed in units or percentages¹⁰. The purpose of this analysis is to identify the least costly option for policy. Cost-effectiveness analysis is used in cases where policy benefits are difficult to quantify in monetary terms.

More on the cost-effectiveness analysis can be learned from the EC Guidelines on Cost-Effectiveness Analysis and the WHO Guide to Cost-Effectiveness Analysis¹¹.

Below is a brief example of cost-benefit analysis to give an indication of the logic of the method:

For instance, the Policy Option 1 reduces the number of infections by 1000 at a cost of 5,000 lakhs, while Option 2 will reduce the number of infections by 800 at a cost of 4,800 lakhs. The cost of one unit of benefit is obtained by:

Option 1: $5,000 / 1,000 = 5.0$

Option 2: $4,800 / 800 = 6.0$

This indicates the fact that although Option 1 costs more it saves money, as the cost of one unit of benefit is lower than in case of Option 2. Therefore, Option 1 is the most cost-effective and has to be recommended.

Tool 5. Hedonic Pricing

This tool is also recommended for step 5 of EIPM and represents a component of the CBA or could be applied separately. The hedonistic method assumes that in the absence of a market, prices can be deducted from the price of substitute goods (shadow prices). For example, since there is no market price for the quality of the environment, the value of the environmental impacts,

¹⁰ Cost effectiveness analysis is recommended particularly for health policies, where the health gains can be hardly monetised.

¹¹ Sources: http://ec.europa.eu/europeaid/evaluation/methodology/examples/too_cef_res_en.pdf and http://www.who.int/choice/publications/p_2003_generalised_cea.pdf

such as air or noise pollution can be deducted from the price differences for real estate prices. Similarly, the cost of human life can be determined by observing the wage differences among risky and risk-free professions that otherwise require equal qualifications. This method depends on a solid set of data on property prices and wage gaps, and establishing a causal relationship between these factors and environmental changes that affect those prices. More information and example on the use of Hedonistic Method could be found in OECD library.¹²

Example: Assessing the traffic noise through hedonistic method

The hedonistic method is based on the assumption that in addition to other factors (number of rooms, accessibility of shops, service, etc.) the local environmental quality (or its lack thereof) will determine the price of housing, namely:

$$\text{Housing price} = f(\text{rooms, access, environment})$$

The equation shows that house price is a function (f) of the number of rooms in the house, the distance from the house to local infrastructure and a measure of the quality of the local environment. Suppose it is necessary to estimate the environmental impact on the noise in the locality. It can be measured according to decibels produced by the traffic noise in the houses in question.

For this purpose, it is necessary to evaluate each of these elements - the price of housing, rooms, access and environment for a large number of homes to see how, on average, the house price changes when each of these elements is changing. Housing prices are expected to increase once the number of rooms increases; housing price decreases in case the distance to infrastructure is bigger; and finally housing prices decrease if traffic noise grows. In other words, the typical curve of the relationship between supply and demand shall be observed.

The table below presents the average decrease in the price of housing, which corresponds to a noise increase unit provoked by traffic in some areas of an X country. Thus, if the new road route could contribute to increased traffic noise with a unit, let's say in region A, then a monetary value for this increased noise can be found by setting 0.88% of the average price of houses in the affected area.

Areas in country X	% of house price decrease as a result of increased noise by one unit
--------------------	--

¹² Source: <http://www.oecd-ilibrary.org/docserver/download/3013061ec007.pdf?expires=1418298856&id=id&accname=guest&checksum=AF1B3F5A33812200F4E49755157D8374>

Region A	0,88
Region B	0,14
Region C	0,18 – 0,50
Region D	0,48
Region E	0,08

Tool 6. Willingness to pay

This technique is recommended for phases 4 and 5 of the ex-ante analysis “Option impact analysis” and “Comparing options and selecting the recommended option”. There are situations where other than market assessments should be conducted to estimate the costs and benefits of projects in the absence of market prices for certain types of impact. In these instances contingent valuation methods are used, which are nothing more than methods based on surveys, which attempt to determine what some people are willing to pay for a certain benefit or what would they be willing to accept as compensation for a loss. One of the key issues in this method is that the answers are hypothetical, because respondents do not pay or are not really compensated.

There are a number of studies, which might be used for a better understanding of the willingness to pay method.¹³

Example: Assessment of river quality improvement through contingent valuation

River X is a great river that crosses the country Y. Analysts have questioned a representative sample of households in the area how much would they like to pay extra in the form of extra fees to maintain or improve water quality in the rivers. The analysts have made several versions of the survey. In one version, households found out about three possible scenarios of water quality and were asked how much they are willing to pay for each.

Scenario 1. Maintaining the current quality of the river (suitable for navigation only) rather than allow the degradation to a state where no other activity is possible (even navigation).

Scenario 2. Improving water quality from a navigation state to a state that would allow fishing.

Scenario 3. Improving water quality and more intensely, from the possibility to fish up to the possibility to swim.

Among surveyed households a part preferred resting on the riverbank, and others not. Analysts, therefore, could see how much those who prefer to rest are willing to pay compared to those who do not prefer. Survey results were subsequently evaluated. The table below shows the willingness

¹³ Sources: http://michael.hahsler.net/research/wtp_innovative_marketing2006/wtp_breidert_hahsler_reutterer_preprint.pdf and <http://epub.wu.ac.at/1934/1/document.pdf>

to pay for each scenario for improving the quality of the river, for users, non-users and the entire sample.

Water quality scenarios	Average willingness to pay for the entire sample (taka)	Average willingness to pay for user group (taka)	Average willingness to pay for non-user group (taka)
Maintaining water quality for navigation	24,50	45,30	14,20
Improving water quality from navigation to fishing	17,60	31,30	10,80
Improving water quality from fishing to swimming	12,40	20,20	8,50

A number of interesting conclusions can be generated from these results. The analysis of the willingness to pay reveals that people are willing to pay a relatively high price for an initial level of quality. However, they are willing to pay less for a better water quality. The price, which is ready to be paid by river users, is obviously bigger than the one that is ready to be paid by non-users. But the latter, however, are willing to pay more than zero, because anyway they care about environmental conditions around which they live. From the data provided in the table the benefit for households in case of improving the river quality can be estimated. Total benefit of an improvement can be estimated by multiplying the household benefit with the number of households, which thought that they would be affected by this improvement.

Tool 7. Distributional weighted cost-benefit analysis

This technique is recommended for phase 5 of ex-ante analysis “Comparing options and selecting the recommended option”. As it was mentioned above the cost-benefit analysis estimates the costs and benefits of policy options to calculate NPV. This implies that 1 taka of costs or benefits are equal for all persons affected by policy option. In reality, public policies can have different impacts on different groups of people, which differ depending on income or other social factors. The most important thing in this respect is to determine the proper weight of each group. The most common method for this is based on diminishing marginal utility of income and consumption. Thus, the amount of income and consumption at the average level of income may be offered weight 1; persons’ consumption with incomes below this average may be given a weight above 1; and person’s consumption with a level of income greater than this average will be given a weight below 1. The weighting formula is as follows:

$$d_i = (Y_a/Y_i)^e, \text{ where:}$$

d_i – is the weight for group or person i

Y_a – is the reference income, which is assumed to be national

Y_i – is the per capita income for the group or person i

e – elasticity parameter

More information and examples on the distributional weighted cost-benefit analysis could be found in Matthew D. Adler (2013) paper.¹⁴

Example:

Suppose that the national average of per capita consumption in country A is \$ 10,000 USD. We assume that the average consumption level of the high-income group is \$ 20,000 USD, while the low income group is \$ 3,000 USD. We suppose that $e = 1$. Using the above equation, distributional weights will be:

$10.000/20.000 = 0.5$ for the high-income group

$10.000/3.000 = 3.333$ for the low income groups

Distributional weights can be applied to different beneficiaries of a policy. The table below shows how two policy options affect the high income group and the low income group and the total NPV without distributional weight.

Options	NPV – high income group	NPV – low income group	Total NPV (million lakh)
A	30	20	50
B	20	25	45

In this case option A will be the preferred one in terms of efficiency - it has the highest NPV. However, option B may be preferable in terms of distribution - option B has a greater effect on low-income group, compared to option A. Thus, there is a conflict between economic efficiency and income distribution; choosing option A the equitable distribution is sacrificed; when choosing option B efficiency is sacrificed. It is a good compromise between fairness and efficiency in the society. If we apply distributional weights based on the above estimates we obtain the following results:

Option	NPV – high income group	NPV – low income group	Total NPV (mil. lakh)
A	$30 \times 0.5 = 15$	$20 \times 3.333 = 66.67$	81
B	$20 \times 0.5 = 10$	$25 \times 3.333 = 82.5$	93.333

¹⁴ Source: http://www.ncsu.edu/cenrep/workshops/TREE/documents/Adler_Overview.pdf

Option B is clearly one that needs to be selected, as the total value of its net profits, adjusted according to the weights above, is greater than the ones of option A.

Tool 8. Multi-criterial analysis

This technique is recommended for phase 5 of the ex-ante analysis “Comparing options and selecting the recommended option”. An accessible method that can be used by any public official is the multi-criterial analysis, which allows assessing options taking account different types of impact or impact, each of them having their own weight. This method is especially useful in those cases where the impact of policy options is difficult to be quantified or monetised. There are many variations of the multi-criterial analysis, with different scales and assessment criteria used. Some useful information on multi-criterial analysis was developed by the EC.¹⁵

Largely the multi-criterial analysis consists of the following steps:

1. Each type of impact or point of impact must be assessed using the scale from -5 (highly negative impact) to +5 (highly positive impact) based on the following principles:

Fiscal impact

(–5) - Highly negative fiscal impact. Major expenditures from the public budget

(+5) - Highly positive fiscal impact. Positive action on the public budget

Economic impact

(–5) - Highly negative economic impact. Seriously affects importers and pharmacies, other economic agents

(+5) - Highly positive economic impact. Positive action on economic agents, increased revenues

Administrative impact

(–5) - Highly negative administrative impact. The need for significant administrative resources

(+5) - Highly positive administrative impact. Does not require administrative costs and resources

Social impact

(–5) - Highly negative social impact. High burden on the population

(+5) - Highly positive social impact. Major benefits for the population. Poverty reduction

Environmental impact

(–5) - Highly negative environmental impact. High pollution

(+5) - Highly positive environmental impact. Benefits for the environment

¹⁵ Source: http://ec.europa.eu/europeaid/evaluation/methodology/examples/too_cri_res_en.pdf

2. Each type of impact or point of impact must be weighted by its importance, the total weighted value being 1.

3. Calculate the weighted value of all policy options by multiplying the attributed value to the impact with its weight. The option with the highest score will be recommended.

Below is a simplified example of a multi-criteria analysis, designed for three options to achieve the objective of ensuring the movement of 100% of students in schools from the rural areas. Providing transportation in rural areas is a way to attract students in schools and reduce dropout rates. To achieve this objective there were identified three policy options: 1. Status Quo – the school transport does not work. 2. Establishing a public network of school buses with free transportation. 3. Establishing a network of private school transport and subsidies by the State of tickets for the transportation of children.

Evaluation Criteria	Points from – 5 to + 5											Weights (0-1)		Impact
	-5	-4	-3	-2	-1	0	1	2	3	4	5			
Option 1. Status Quo (no additional action)														
Fiscal Impact						0						0,2	0	-1,2
Economic Impact						0						0,2	0	
Administrative Impact						0						0,2	0	
Social and Poverty Impact		-4										0,3	-1,2	
Environmental Impact						0						0,1	0	
Option 2. Public transportation offered by the state for free														
Fiscal Impact	-5											0,2	-1	0,1
Economic Impact								2				0,2	0,4	
Administrative Impact			-3									0,2	-0,6	
Social and Poverty Impact											5	0,3	1,5	
Environmental Impact				-2								0,1	-0,2	
Option 3. Private transportation with tickets subsidised by the state														
Fiscal Impact			-3									0,2	-0,6	0,7
Economic Impact									4			0,2	0,8	
Administrative Impact		-4										0,2	-0,8	
Social and Poverty Impact											5	0,3	1,5	
Environmental Impact				-2								0,1	-0,2	

Based on the multi-criteria analysis, it can be stated that the status quo option is excluded because it has a negative impact, particularly following the establishment of social impact as the

priority (weight 0.3). Options two and three have positive impacts - both have maximum social impact, although these have negative fiscal, administrative and environmental impacts. Despite many common effects, the third option has gained more points than option two, having a greater economic impact as well as lower fiscal and administrative impacts. This option should be recommended for developing specific actions to maximise benefits and mitigate identified negative impacts.

Tool 9. Piloting

This technique is recommended for phase 5 of the ex-ante analysis “Comparing options and selecting the recommended options”. Often piloting is considered one of the most effective methods of final policy evaluation before its entire implementation. There may be several reasons for carrying out a pilot project for a policy or an alternative:

1. There was no sufficient time, no resources and there wasn't a sufficient capacity in the process of formulating the policy.
2. The pilot policy is useful in those cases where major reforms and procedures with a complicated structure are envisaged to implement the policy. In this case, piloting allows the correction of some inherent errors, to the specific details of such reforms.
3. Piloting is strongly recommended in those cases in which policy outcomes depend on understanding and human perception.

In essence, the piloting is very close to experimental or empirical verification of the proposed model. The minimum piloting requirements are:

-  Before policy or alternative piloting there should be developed a clear pattern that can be tested. The model should contain a complete description of the procedure, the final version of the instructions or regulations, etc.
-  Determination of participants in the pilot phase - institutions, interested organisations and those that have the motivation to be involved in the pilot phase;
-  The policy model and purpose must be presented and explained to participants;
-  Piloting task must be made in writing from the beginning;
-  All the elements of the piloting must be completed in the implementation phase;
-  Conclusions and recommendations concerning changes and improvements necessary for the pilot policy should be written and discussed with the participants in the pilot project.

Unfortunately, many policies cannot be tested through pilot projects by their nature (national tax policies, investment projects). However, in cases where it is possible to organise the pilot phase, the approach must be as practical as possible and allow an efficient and qualitative policy.

Tool 10. Stakeholder Analysis

Stakeholder Analysis is the technique used to identify the key people who have to be consulted during policy formulation process. The benefits of using a stakeholder-based approach are the following:



Opinions of the most powerful stakeholders can be used to shape the policy proposal at an early stage. Not only does this make it more likely that they will support the responsible ministry, their input can also improve the quality of the draft policy proposal.



Gaining support from powerful stakeholders can help the responsible ministry to win more resources – this makes it more likely that the implemented policy will be successful.



By communicating with stakeholders early and frequently, the responsible ministry can ensure that they fully understand what is the planned policy intervention and understand the benefits of the policy – this means they can support the responsible ministry actively when necessary.



The responsible ministry can anticipate what people's/group's reaction to the draft policy proposal may be, and build into the plan the actions that will win stakeholders' support.

How to use Stakeholder Analysis

The first step in Stakeholder Analysis is to identify who the stakeholders are. The next step is to work out their power, influence and interest, in order to know on who the responsible ministry should focus on. The final step is to develop a good understanding of the most important stakeholders so that it's clear how they are likely to respond, and so that it's possible to work out how to win their support – this analysis can be recorder on a stakeholder map.

After the responsible ministry has used this tool and created a stakeholder map, it can plan how it will further communicate with each stakeholder.

The stakeholder analysis steps are explained in detail below:

Step 1 – Identifying Stakeholders

The first step in the Stakeholder Analysis is to brainstorm who the stakeholders are. As part of this, the responsible ministry has to think of all individuals/groups who might be affected by the policy, who have influence or power over it, or have an interest in its successful or unsuccessful implementation. The table below shows some of the individuals/groups who might be stakeholders in developing the policy proposal:

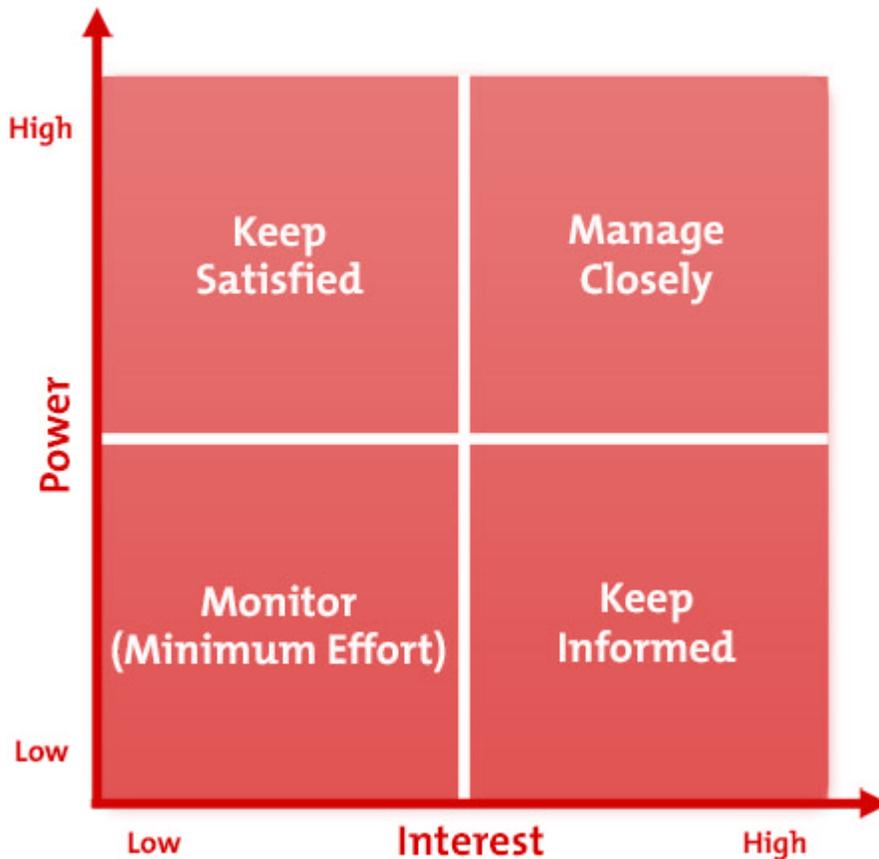
Senior and Mid-Level Officials in the Responsible Ministry	Policy Beneficiaries	Think Tanks
Senior and Mid-Level Officials in Other Ministries/Departments	Affected Individuals/Groups	Policy Analysts
Junior Officials in the Responsible and Other Ministries/Departments	Interest Groups	Sectorial NGOs
MPs	Sponsors	Opposition Representatives

Although stakeholders may be both organisations, groups and people, ultimately the responsible ministry must communicate with people. Therefore, it is important to identify the correct individual stakeholders within a stakeholder organisation/group.

Step 2 – Prioritise Stakeholders

The responsible ministry may now have a long list of people, groups and organisations that are relevant for the policy. Some of these may have the power either to block or advance the policy. Some may be interested in the policy, others may not care.

At this stage the stakeholders should be mapped and classified by their power over the policy and by their interest in it. Below is the Power/Interest Grid for Stakeholder Prioritisation:



For example, some politicians are likely to have high power and influence over the policy and high interest. The beneficiaries may have high interest, but are unlikely to have power over it. Someone's position on the grid shows the actions the responsible ministry has to take:



High power, interested people: these are the people the responsible ministry must fully engage and make the greatest efforts to satisfy.



High power, less interested people: the responsible ministry has to put enough work in with these people to keep them satisfied, but not so much that they have busy agendas.



Low power, interested people: the responsible ministry should keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of the policy proposal.



Low power, less interested people: again, these people have to be monitored, but not bothered with excessive communication.

Step 3 – Understand Key Stakeholders

This step is concerned with the understanding of stakeholders and particularly how they are likely to feel about and react to the policy. Also, the responsible ministry needs to know how best to engage the stakeholders in policy formulation and how best to communicate with them.

Key questions that can help understand stakeholders are the following:

-  What financial or emotional interest do they have in the policy outcome? Is it positive or negative?
-  What motivates them most of all?
-  What information do they want?
-  How do they want to receive information? What is the best way of communicating the message to them?
-  What is their current opinion about the policy? Is it based on correct information?
-  Who influences their opinions generally, and who influences their opinion of the policy? Do some of these influencers therefore become important stakeholders in their own right?
-  If they are not likely to be positive, what will win them around to support the policy?
-  If the responsible ministry doesn't think it will be able to win them around, how will it manage their opposition?
-  Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

A very good way of answering these questions is to talk to stakeholders directly – people are often quite open about their views, and asking people's opinions is often the first step in building a successful relationship with them.

The gained understanding can be summarised on the stakeholder map, in order to see easily which stakeholders are expected to be blockers or critics, and which stakeholders are likely to be advocates and supporters of the policy. A good way of doing this is by colour coding of the Power/Interest Grid of Stakeholders: showing advocates and supporters in green, blockers and critics in red, and others who are neutral in orange.