



**OFFICE OF THE COUNCIL OF MINISTERS**

**REGULATORY IMPACT ASSESSMENT  
HANDBOOK**

**ECONOMIC, SOCIAL AND CULTURAL COUNCIL  
(ECOSOCC)**

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## Introduction

### About the Regulatory Impact Assessment Project in Cambodia

The Regulatory Impact Assessment (RIA) project in Cambodia aims to enhance competition and regulatory efficiency through institutionalizing principles of good practice in regulation making within government. The RIA system will require Ministries to follow principles of good practice and assess the merits of all proposed regulations that impact on business compliance costs and competition.

The project includes the establishment of an Office of Regulatory Impact Assessment (ORIA) within the Economic, Social and Cultural Council (ECOSOCC) at the Office of the Council of Ministers mandated to provide advocacy information to line ministries on principles of good practice regulation making processes, assist with training on RIA, support line Ministries in the implementation of RIA and oversee the rollout of the project.

The project starts with four Implementing Agencies (IAs) that are Ministry of Commerce, Ministry of Environment, former Ministry of Industry, Mining and Energy and Ministry of Tourism - which pilot the RIA process during the training phase of the project, developing RIA for regulatory proposals identified in individual actions plans that they compiled during the inception phase of the project in 2011.

The project is implemented over 30 months from October 2011 by ORIA and IAs with the assistance of a team of international and local experts until March 2013. After the mid-term review by the Asian Development Bank (ADB) on June 2013 reporting on the successful of the project implementation, the Royal Government of Cambodia and ADB agreed to add 3 more line Ministries, namely Ministry of Agriculture, Forestry and Fisheries,

Ministry of Education, Youth and Sports and Ministry of Labor and Vocational Training, to participate in the programme in January 2014 and to extend the project by 6 more months.

So far ECOSOCC and ADB have organized more than 31 RIA awareness seminars among all line ministries, institutions, General Secretariat of National Assembly with participation from officials of General Secretariat of Senate, universities and private sector with more than 4500 participants who all supported and wished to see the RIA process implementing in Cambodia.

More information on the RIA project in Cambodia can be obtained at the ECOSOCC website ([ecosocc.gov.kh](http://ecosocc.gov.kh)). You can also contact the ORIA to arrange an introductory presentation if you would like a tailored overview of RIA suited to your organisation.

## About this Handbook

This handbook describes the RIA process that applies in Cambodia and the requirements for completing each element of regulatory impact analysis adequately. Its purpose is to assist government staff working on the development of regulation, to produce quality information to support decision makers.

The handbook is a living document. This second edition has been developed from the first edition that was published with the aim of assisting staff during the establishment of the ORIA and the development of RIA for the regulatory proposals contained in the IA's action plans. The focus of this version, therefore, is on outlining the principles of good practice in regulatory impact assessment and providing an overview of the RIA process.

This handbook has been prepared with the assistance from POHL & Associates' consultants from Germany such Mr. Sabesh Sivasabesh, Mr. Steve Rowley and Mr. Sam Gow, and the active participation of H.E. Yim Nolson, H.E. Pech Sokha, H.E. Eng Rathmoni, H.E. Mam Sarith, H.E. Chhoy Aun and other ORIA staff.

# What is Regulatory Impact Assessment?

## A *systematic appraisal* of new regulatory proposals

The purpose of the RIA is to improve the robustness of policy-making in Cambodia by ensuring that:

- a range of options is considered to ensure that the most efficient forms of regulation are adopted
- regulation is not made when it is demonstrably a worse option
- there is an adequate level of public consultation.

Undertaking a *systematic appraisal* of regulatory proposals, consisting of seven elements (Table 1), will allow the need for regulation to be tested and options to be considered equally.

Three principles will also guide the preparation of RIA:

- **Improving information for decision makers:** RIA will provide information on the costs and benefits of regulation and options to achieve the objective to decision makers enabling them to make better informed decisions.
- **Simplicity:** Most benefits of the RIA are likely to be gained through good consultation, simple logic, elementary calculations and rigorous testing of assumptions – rather than through the application of complex techniques. So the RIA in Cambodia will be light-handed.
- **Transparency:** Transparency enables good consultation and good governance. This will be achieved at low cost by placing the information on relevant websites. To assist small businesses which may not have internet access, an easily accessible 'public-file' will be maintained so that interested parties can read the hard-copy.

Improving transparency will help to achieve the final objective of the project.

## Table 1 : The seven elements of RIA

### Problem

- Symptoms, cause and who is affected. Provide evidence and explain why existing regulation is insufficient.

### Objective

- Define the objective of the intervention in terms of outcomes, rather than the means by which they will be achieved.

### Options

- Identify a range of options. Discard options that are clearly unworkable or inappropriate and describe the remaining viable options in detail.

### Impact Analysis

- Identify and estimate the costs and benefits of the viable options as well as assess gender and competition impacts.

### Consultation

- Consult with affected parties during the preparation of the PAS or RIS and use the results of the consultation to inform the other six elements of the RIA.

### Conclusion

- Identify the preferred option – the option that most effectively achieves the objectives of the intervention and generates the highest net benefit to society.

### Implementation and Monitoring

- Explain how the preferred option will be practically implemented and evaluated.

## Two Stage's Process

### Targeting RIA where it is needed most.

For easy administration and procedural efficiency a two-stage RIA process is proposed for Cambodia.

- All regulatory proposals that may have impacts on business require a **Preliminary Assessment Statement (PAS)** (in the template, impact on Social-Economy and Environment. Please consider the consistency).
- A **Regulatory Impact Statement (RIS)** is required for proposals if the PAS confirms that these impacts are significant on socio-economy or competition.

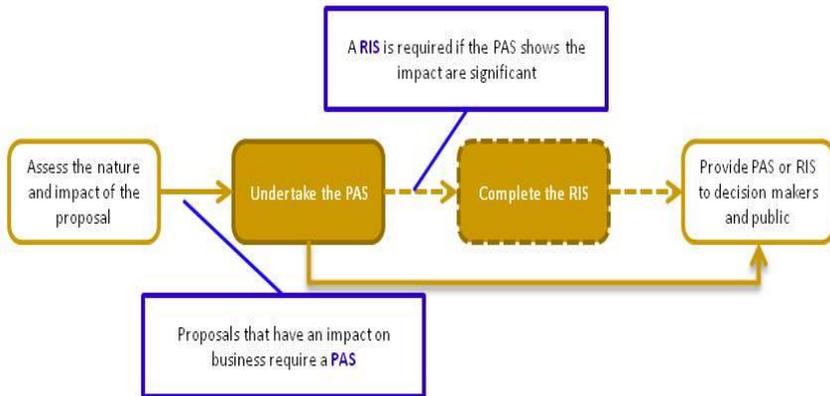
The steps in the process are shown in the figure below.

Both PAS and RIS consist of analyzing the seven elements. The purpose of the PAS is to provide a quick assessment of the proposal to identify whether the impacts on business or competition are significant. Proposals that do not result in significant impacts are not required to undergo further analysis. Proposals with significant impacts will require a RIS - which requires further, more robust, assessment.

- Requiring a Preliminary Assessment Statement for all regulatory proposals will ensure that no regulatory proposal escapes scrutiny.
- Requiring only proposals with significant impacts to be subjected to the complete RIS ensures that impact assessment is properly targeted at those regulations that have the largest impact.

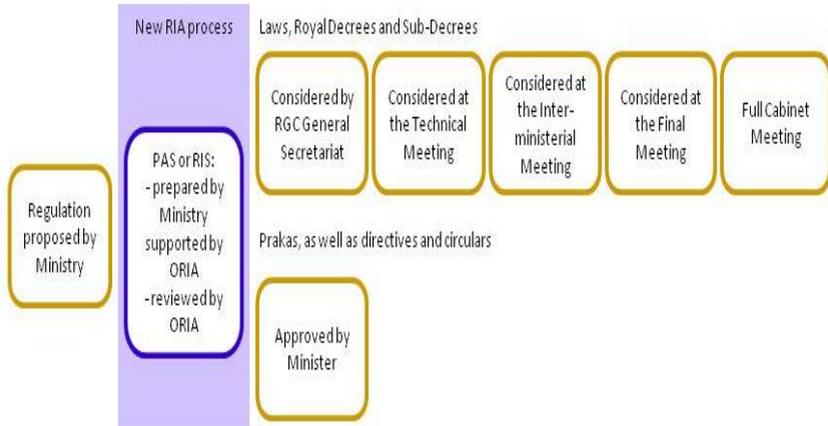
During the training phase of the project these rules will be relaxed somewhat. Only proposals included in the implementing agencies will require a PAS. Any of these proposals that have significant impact will be analyzed further in a full RIS.

**Figure 1: Overview of the two-stage process**



## RIA in the Regulation Making Process

Figure 2: The revised regulation making process in Cambodia



### RIA and the regulation making process

The RIA will provide information to decision makers about the costs and benefits of the regulation and the alternatives which can achieve the same objective. This enables decision makers to make better informed decisions, without restricting their options.

Figure 2 illustrates where RIA fits into the regulation making process in Cambodia. RIA will be prepared by a Ministry identifying the need for government intervention and first presenting the regulation to the decision makers.

- For laws, royal decrees and sub-decrees a Ministry will prepare the PAS and, if required, the RIS prior to the proposal being submitted to the RGC General Secretariat.
- For Prakas, as well as some directives and circulars, a Ministry will prepare the PAS and, if required, the RIS prior to the proposal being submitted to their Minister.

## Interim arrangements

The RIA process will only apply to regulations identified in the implementing agencies action plan during the training phase of the project.

At the outset, implementing agencies and ORIA will work collaboratively on PAS and RIS, with assistance from the international experts, to learn how to produce good analysis.

Over the course of 2012, the ORIA's role will transition to one of capacity builder and assessor. IA will be expected to produce PAS and RIS with little or no assistance from the international experts (assistance will be provided in the future by ORIA). The PAS/RIS will then be submitted to ORIA for review.

Once capacity to produce and assess RIA has been developed, it is hoped that the above process will be mandated for all Ministries.

# Preliminary Impact Assessment

## Preliminary Assessment Statement

The *Preliminary Assessment Statement* (PAS), prepared using the template included as Attachment 1, commences with a test of whether the proposal meets the threshold for RIS.

The first step of this test is to determine whether the proposal is regulatory. That is, does it compel individuals or businesses to change their behaviour. Laws, Royal decrees, sub-decrees and prakas are all regulatory. Other government documents that are binding on business are also likely to be regulatory.

The second step of the test is to determine whether the proposal will have an impact on business, which includes situations where the proposal may produce one or more of the following effects:

- add to business costs
- create a disincentive to private investment
- impose restrictions on firms entering or exiting a market
- affect the ability of businesses to innovate
- lock consumers into particular service providers
- reduce the range, price or quality of goods and services provided in the marketplace.

If the answer to these steps is yes, then the PAS continues through the seven elements of a RIA on a qualitative basis, though a quantitative assessment of the impact on business is good practice.

The draft PAS will then be submitted to the ORIA for review.

If the PAS shows that the impacts are negligible, then no further analysis is required. The PAS will be submitted to the decision maker along with the regulatory proposal and published on the ECOSOCC website.

### Figure 3: The threshold test

**Step 1:**  
Is the proposal  
regulatory?

Is the proposal binding in nature?  
Is compliance mandatory rather than  
voluntary?

**Step 2:**  
Does the  
proposal  
impact on  
business?

By:

- . adding to business cost
- . discouraging investment
- . restricting market entry
- . stifling business innovation
- . locking consumers into particular service providers
- . reducing the range, price or quality of goods and available services

### Figure 3: The threshold test

#### ***Do I need to undertake a preliminary assessment?***

If regulation is being considered, you must prepare a PAS to assess whether the proposal will have an impact on business.

#### ***How do I know if the costs are low or negligible?***

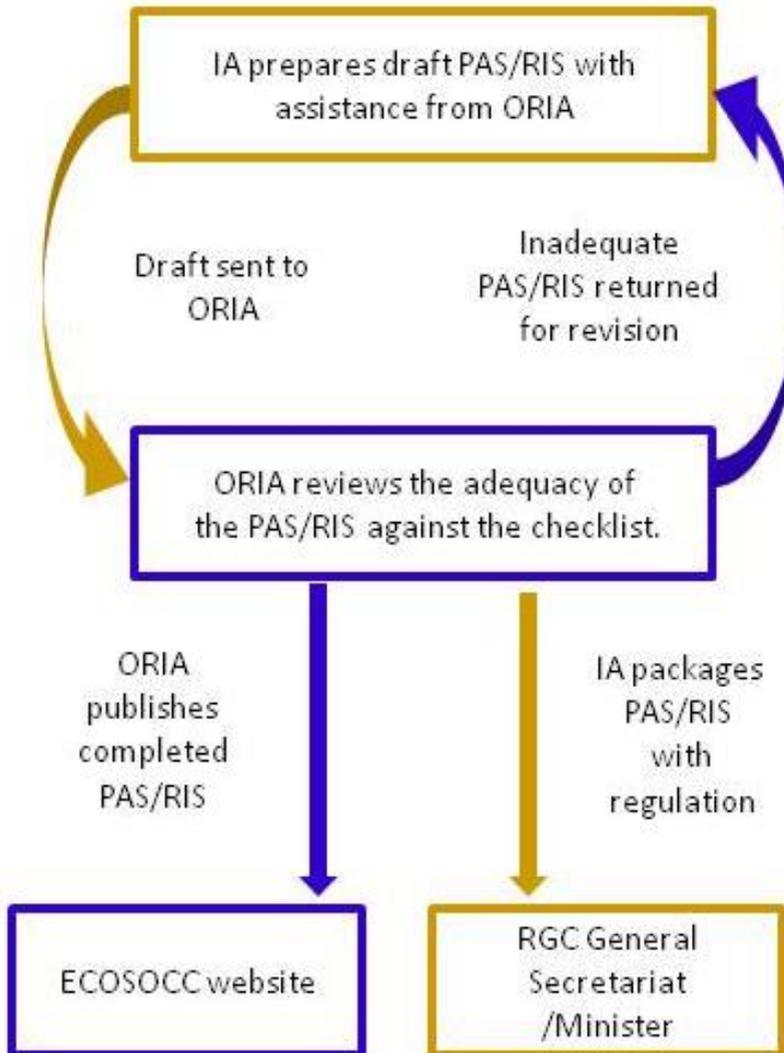
Low cost situations arise when only a few businesses are affected, the costs are one-off or the changes to the regulation are only minor.

#### ***Do I net off the benefits when working out the impact?***

The impact on business should be assessed with reference only to the cost or negative impacts. Cost should not be offset against benefits at this stage. This is undertaken as part of the RIA.

## The Assessment Process

### The drafting and assessment process



## Preparing and assessing RIA

The RIA process shall be implemented by ORIA in conjunction with the RIA team in each line ministry (IA).

The IAs will be responsible for identifying regulatory proposals that will go through the RIS process.

Having identified a regulatory proposal the IA will prepare a draft PAS. They may seek ORIA assistance or advice to complete the draft, but ultimately it will be their document. Once the IA is satisfied with the draft, they will submit it to ORIA for review.

The ORIA will rate each element of the draft PAS against the Checklist, which is included as Attachment 2, and give it an overall rating of adequate or inadequate. If the draft is rated inadequate, then it will be returned to the IA with ORIA's advice. The IA will make any necessary changes and resubmit the draft to ORIA. This process may be repeated two or more times until the draft is adequate.

Once the draft is rated adequate, the IA will either prepare a RIS if required or submit the PAS to the decision maker along with the proposed regulation.

The same process is followed for drafting the RIS.

## Interim arrangements

In the training phase of the project, ORIA and the IAs will work collaboratively on PAS/RIS while they learn about the seven elements of good RIA. The PAS/RIS during this phase of the project will be developed in training workshops conducted by international experts.

The above process will only commence when the IAs and ORIA are comfortable with their ability to draft and assess PAS and RIS.

**THE SEVEN ELEMENTS  
OF REGULATORY IMPACT ASSESSMENT**



# Identifying the Problem

## Element 1: Problem

The first step of a RIA is to identify the nature and extent of the problem to be addressed.

It is important to establish that a problem exists before determining whether government action, such as regulation, is necessary. Unless the source, nature and magnitude of the problem are fully understood, the proposed policy solution is likely to be inadequate, inappropriate and/or inefficient.

Clearly defining the problem helps focus attention on what needs to change and the magnitude of the required changes; and it will often suggest potential solutions, while eliminating others that are clearly not appropriate.

Government intervention may be justified in order to achieve social or environmental objectives that would not be achieved by the market. These may include:

- correcting market failures
- promoting equitable outcomes or a minimum standard of living across the community
- ensuring the safety of society by protecting people from crime or abusive behavior.

## Checklist: Can you answer the following questions?

How big is the problem and how severe are its consequences?

What are the broad impacts of the problem and who is affected?

Do you have evidence or examples to support your position?

Why is existing regulation not sufficient?

What will happen if no action is taken?

Can government intervention address the problem?

## Correcting market failures

Well-functioning markets generally provide the most efficient means of allocating goods and services between members of the community, maximising the well-being of the community. They are also generally the best means of ensuring goods and services are produced efficiently. Competitive markets also encourage innovation and lead to greater consumer choice.

However, in some instances, markets do not deliver the best outcome for society – for example, due to market distortions or imperfections. When markets fail like this, Government intervention may be justified on the grounds that economic outcomes could be improved. Causes of ‘market failure’ include:

- **market power** – uncompetitive market structures (monopoly or oligopoly) and anti-competitive conduct (collusion) may lead to prices being higher or output lower than is optimal. Government intervention may be required to ensure market power is not exploited to the detriment of consumers.
- **externalities** – occur when an activity imposes costs (which are not compensated) or generates benefits (which are not paid for) for others. Externalities can result in too much or too little of an activity taking place. Government intervention may be required to ensure these costs or benefits are accounted for.
- **inadequate information** – to make good decisions, consumers need access to information on the quality or risks of products. Government intervention may be required to ensure that seller’s better knowledge of the goods and services they provide is not withheld to the detriment of consumers.
- **public goods** – are goods or services whose consumption by some individuals does not diminish the amount that can be consumed by others (they are non-rival) and no individual can be prevented from consuming them (they are non-excludable). Public goods are likely to be undersupplied without government intervention.

## Why are existing regulations not sufficient?

An important part of identifying the existence of a problem is to examine existing regulations and demonstrate that they are not working. This examination helps to ensure that new regulation is only introduced when it is needed. This process would bring more coordination to the regulation making processes of different ministries.

A careful consideration of existing regulations can also help to identify options. Improvements to the design or implementation of existing regulation may address the problem at less cost than establishing a new regulatory framework.

## Providing evidence of the problem

Identifying a potential problem is insufficient for the first element of the RIA. It is also important to provide evidence that the problem exists.

Evidence can provide in the form of statistics, case studies or examples depending on the size and consequences of the problem. More significant problems should be supported by more robust data.

Statistics on the extent of the problem – collected by the Government, non-government organisations or other stakeholders/researchers – are the preferred form of evidence.

However, often these are not available or would be too costly to obtain. In such cases, it may be appropriate to use case studies or provide individual examples of the problem.

Data from other countries with similar economic, geographic, social and or cultural characteristics as Cambodia may also be used as a substitute for primary evidence.

# Specifying the Objective of Intervention

## Element 2: Objective

Having identified the problem that government intervention needs to address, the next element of RIA is to state the objective of government intervention. Stating an objective provides a benchmark to test different forms of intervention against.

It is important that the objective be stated in terms of the outcome that government intervention is intended to produce and not in terms of the form of government intervention. This allows different options to be assessed fairly.

- Stating the objective in terms of one method of achieving the outcome would bias the analysis in favour of particular options.

For example, the government undertakes many interventions to reduce deaths on the roads – mandating helmets for motorbike riders, enforcing speed limits and controlling intersections with traffic lights. When considering new proposals to reduce the road toll, the objective should be stated as “improving road safety” or similar. If the objective were stated as “mandating helmets”, this would preclude many valid options from consideration.

It is also important to avoid defining the objective either too broadly or too narrowly

- Too broad a definition will make analysis vague (e.g. for the wellbeing of people)
- Too narrow a definition will restrict options.

The chosen objective should also take account possibly competing of other government’s objectives. Otherwise, one government intervention may cancel out other initiatives. For example, the objective of government intervention to improve the energy efficiency of homes should also include consideration of housing affordability, if this is an objective of government.

## S.M.A.R.T. Objectives

The quality of the objectives and the value they add to analysis are greatly improved if the principles of **S.M.A.R.T.** are applied.

### **S**PECIFIC

- Provide enough detail to allow meaningful analysis – vague objectives lead to misdirected efforts. Be careful not to specify how you will achieve the objective, as this could exclude good options.

### **M**EASURABLE

- Putting a number in the objective helps you talk about what can or will be achieved. This improves your comparison of options as you analysis can measure how far towards the goal each option takes us.

### **A**TTAINABLE

- Perfection is not always achievable. Government cannot eliminate all risks for example. Stating objectives that recognise the limitations of Government action helps to avoid making false claims about the benefits later.

### **R**ELEVANT

- The objective should be related to your Ministry's responsibilities and capabilities. If addressing the problem is beyond your responsibility, you may need to reconsider whether regulations is appropriate at all.

### **T**IMEFRAME

- Specify the timeframe for achieving the objective. Improvements are unlikely to take place overnight. Implementing change too quickly may also lead to poor outcomes. It is better to achieve your objective over time.

## Example 1

The Australian Government is in the process of establishing a build a National Broadband Network (NBN) to allow the vast majority of Australians to connect to high speed broadband.

In this case the end, or the objective, is that all citizens should have access to the internet with high download and upload speeds.

One of the means (or methods) to achieve this objective is for the Government to build a fibre-optic cable network. Other means include subsidizing connections in areas that it is not commercial for private companies to operate. Connections in major urban areas would be provided on a commercial basis.

To define the objective as building the NBN is a common mistake that would be unacceptable in the RIA framework as it would bias the analysis against all other options for achieving the objective.

## Example 2

A government wanted to address the problem of children being poisoned after consuming pills they had found in their homes.

A regulatory proposal was designed to achieve the objective of making medicine bottles harder to open. However, the solution resulted in more poisonings, as many adults could not open the bottle easily so replace the lid after opening it the first time.

The regulatory proposal was redesigned to achieve the objective of reduce access to medicines by children. With this broader objective, the solution involved a campaign to educate parents to store medicines out of reach of children, warning labels on bottles, and the design of bottles that could be opened easily by somebody who could read. These actions reduced the number of poisonings.

## Selecting a Range of Options for Analysis

### Element 3: Options

Options are alternative courses of action that can achieve the stated objective – they are different means to the end.

All regulatory impact analyses need to consider a range of options. In particular, non-regulatory options and less onerous options should be considered alongside any regulatory proposal. If the RIA only considers the regulatory proposals, then it is not possible to ensure that the most efficient and equitable option will be chosen.

To select options to include in the regulatory impact analysis, a list of all possible options should be compiled. The range of options is then narrowed by removing options that are unfeasible, such as options that cannot be implemented practically or violate international conventions.

Once a final selection of 3 to 4 options (more in some cases) is made, each option should be described in detail sufficient to enable stakeholders to understand what is proposed and to allow meaningful comparison of the options in the impact analysis.

More information on different options that you might consider including in your analyses shall be provided.

#### Quick reference guide: Do you have the right selection of options?

All options need to be practically implementable within the framework of existing legislation, international conventions, social and cultural structures.

A non-regulatory option should be considered in all RIA unless this is not feasible.

Each option should be described in sufficient detail to enable stakeholders to understand what is proposed and to allow meaningful comparison of the options in the impact analysis.

## Examples of different regulatory and non-regulatory options

Non-regulatory options include

- Public information and education campaigns – effective education campaigns may achieve the objective without regulation's coercive effects
- Rewarding good behaviour

Market-based instruments

- Tradable rights (for example, water permits),
- Taxes and subsidies (for example, taxes on alcohol and tobacco)

Improving existing regulation

- Increased enforcement of existing provisions
- Extending the coverage of existing legislation

Less onerous regulation

- Self-regulation – where companies agree on a set of rules that they will voluntarily comply with (may only work when the risks are low and the industry is concentrated, considered to be responsible and has an effective 'peak-body')
- Co-regulation – when government and industry cooperate in the design and enforcement regulation. Often used when technical expertise is important
- Positive regulation – such as accreditation schemes, which allow businesses or individuals to opt-in rather than applying a blanket requirement
- Negative licensing – applies regulation is only applied to businesses or individuals that have behaved poorly
- Risk-based regulation – where the regulatory requirements will vary based on the risk of the activity being regulated. Activities that create risks with lower consequences or less likelihood of occurring should be subject to regulated more lightly.

## Considering the Costs and Benefits of Action

### Element 4: Impact Analysis

Regulations impose costs on government, business and individuals. Effective regulation will also provide benefits when the government's objectives are achieved.

Impact analysis provides decisions makers with information to weigh and balance these many positive and negative impacts. If decision makers choose to regulate without conducting impact analysis, they may not achieve the objectives or ignore less costly options. The role of the impact analysis is to help decision makers avoid making these errors.

This requires a clear picture of how the regulation will operate, which is not provided by the draft regulations alone. For example, a regulation may prohibit the use of a toxic glue to manufacture shoes in Cambodia. However, it will not state:

- the substitute glue or process shoe manufacturers will use;
- how manufacturers will demonstrate that they have complied with the ban; or
- how government will ensure that this was the case.

The objective of the regulations may have been to prevent fainting, but the regulations will be ineffective if the substitute glue is also toxic, or too costly if the ban results in the same shoes being made elsewhere.

This is the role of the impact analysis, to:

- **identify** the changes in behaviour caused by each option,
- **quantify** the frequency with which these changes occur
- **value** the cost (or benefit) of each of these changes.

## Impact analysis can take many forms

RIA is often promoted as a means of ensuring only social welfare enhancing regulation is implemented and the most efficient forms of regulation are chosen. Using a tool such as cost benefit analysis, allows RIA to demonstrate which options achieve benefits greater than costs and, for a given value of benefits, which option achieves them at least cost.

Definitive analysis of this type is rarely produced in the most sophisticated RIA system. Requiring this high standard for Cambodia would be counterproductive as it would make the task of preparing a PAS or RIS difficult, leading to fewer PASs and RISs being completed. Instead, this guide promotes a form of impact analysis that aims to provide information to the decision makers in a form that allows them to make meaningful comparisons between options.

**Identifying** the costs and benefits of regulations helps decision makers to understand the full range of positive and negative impacts that the regulatory action can cause.

The effectiveness of regulation is often over-estimated. As such, data about both the size of the problem and the extent to which each option will address the problem is very useful. Compliance with regulation usually involves more frequent activity (e.g. monitoring) than it is assumed. **Quantification** of the effectiveness of options and the frequency of costs will help decision makers to better balance the positive and negative impacts of different options.

**Valuing** the costs only allows decision makers to choose based on the cost-effectiveness of each option. Ideally, the costs and benefits would be valued using a common metric, such as dollars. However, this cannot always be achieved, particularly for benefits. Qualitative or subjective measures of value can be used to compare options when monetisation is not possible.

## Identifying the costs of regulation

Complying with (and enforcing) regulation uses resources that could otherwise be utilised elsewhere. The opportunities foregone by not using the resources for an alternative purpose are the **opportunity cost** of regulation. The opportunity cost of a resource is measured by its value in the 'next best' or most valuable alternative use.

The first step of impact analysis is to identify all of the parties that will change their behaviour if any of the options were implemented, and to describe the opportunity costs of these changes in behaviour.

Businesses, government and individuals all forgo time and money that could be put to other uses when they comply, enforce or are otherwise impacted by regulation. Examples of opportunity costs

For the regulated:

- Time – to complete **administrative** tasks and waiting due to **delays**
- Money – to buy items to **comply** with regulations and pay **fees**

For the regulator:

- Time and money – to **enforce** and **implement**

For third parties (customers, competitors, suppliers):

- Time, money and lost opportunities – such as reductions in the range or price or service quality on offer.

While this step of the impact analysis can be completed as a desktop exercise for the PAS, many of the impacts may not be foreseen by the Ministry or Department drafting the regulations. Consultation with stakeholders will help to ensure that all of the costs are identified as they will have a better understanding of how the regulation will change their behaviour.

## Identifying the Benefits

The benefits of regulatory action are reflected in improvements in human welfare – the avoided damages or losses in welfare that humans would have experienced in the absence of regulatory action.

The primary benefits of the regulation and other options analysed in RIA are normally easy to identify – they are the objectives that you are hoping to achieve, such as reducing fatalities, protecting the environment or consumer protection.

If the primary benefits do not match the objective chosen, then you may need to reconsider whether you have chosen the right objective. However, the benefits of the regulation and other options may not be limited to just the objective. For example, government action to improve the environmental performance of electrical appliances may also benefit consumers by reducing the amount they spend on electricity.

### Example: Why making regulation is not a positive impact or benefit

*The Royal Government of Cambodia requires businesses to register the products they sell. The registration of products is not of itself a benefit.*

*However, registration assists the Government to track, which companies have approval to produce trademarked goods. This helps the Government to police and prevent counterfeiting.*

*Preventing counterfeiting has both costs and benefits to Cambodia. It could lead to higher prices for customers, but will also help to attract investment in the country.*

*However, International brands are more likely to establish factories in Cambodia when they are confident that their intellectual property will be protected by government. It is this investment that is one of the benefits of product registration. Also, the information obtained from registrations can be useful to the government and other interested parties.*

## Quantification of the costs and benefits

The second step of impact analysis is to quantify (or measure) the costs and benefits that will be achieved by each option. For example number of applications that will be filed (**cost**), number of lives that will be saved (**benefit**).

It is useful to separate this step (**quantification**) from valuing the costs and benefits (**monetization**). Quantifying costs and benefits can provide useful information on its own. For example, if one option is expected to save ten lives whereas the other is expected to save only one life, this information will be very useful to the decision maker. In comparison, monetization is often difficult and can also be controversial. For example, valuing environmental benefits rather than despairing at this difficulty, separating the two steps allows you to focus on the information that can be estimated more easily.

Quantifying the costs and benefits is also the most important step for comparing options. Remember, all options were chosen to achieve the similar outcomes (**or benefits**) and are likely impose similar types of costs. The value of one unit of benefit or one unit of cost will be the same for each option. As such, the quantification of how successful/effective each option is, and the frequency with which each option will impose costs, is likely to determine the ranking of options.

The aim of this step is to collate all available information about the **impact** of each option. That is, what is the **effect** of adopting each option (what does it do or change). These impacts are measured as the difference between in the absence of any action (**the base case**) and what is expected to occur when the regulation is complied with. In doing so it should be recognized that regulations (and other options) are rarely perfectly implemented, so their effectiveness needs to be determined rather than assumed to be 100 per cent.

## Establishing the base case

RIA involves assessing one or more policy options against what happens in the absence of the proposed regulation – the base case.

Establishing the level of costs and benefits in the base case is important. These costs and benefits need to be deducted from the benefits of each option. Otherwise the options would be credited for benefits that would be achieved without further action and penalized for costs that would have been incurred regardless.

For example, consider a regulation to mandate the wearing of life jackets on boats to reduce deaths from drowning. Many boat owners or users already wear a life jacket voluntarily. Hence they will not drown in the case of an accident. Including the costs of such life jackets would overstate the cost, and including them in lives saved would overstate the benefit.

The base case is defined by identifying all existing regulation as well as cultural and social norms that influence the behaviour of people impacted by the proposed regulation. In the case of life jackets, this could include parental concern for their children, employer safety mandates or sailing club rules. On the basis of these existing rules and behaviour an estimate can be made about the level of existing or voluntary compliance, which establishes the base case for calculating costs.

The 'base case' for the benefits should have been established when identifying the problem. In the example above, the size of the problem is the number of drowning deaths that occur when people fall from a boat. Voluntary wearing of life jackets has already reduced the size of the problem. Any proposed government action should only be credited with further reductions, not lives saved due to life jackets worn by people who already do so voluntarily.

## Effectiveness

A common error in regulation making is assuming that regulation, and only regulation, will address the problem identified. This can be a mistake for two reasons:

- regulation is not perfect, while it can help to reduce the risk of a problem occurring, it is unlikely to eliminate the problem all together due to uncontrolled risks, non-compliance or other factors
- other options often perform just as well as regulation, but are not assessed objectively because the decision to regulate has already been made.

Quantifying the effects of each option helps to prevent these mistakes and better inform decision makers.

The PAS or RIS should provide the decision makers with information about how well each option will address the problem. The effectiveness of each option will depend on:

- enforcement and compliance – an option will address the problem only when it is implemented. Even then a 100 per cent compliance is rarely achieved for various reasons such as enforcement difficulties or restricted scope (e.g. when the option does not apply to the whole population affected by the problem, such as a voluntary scheme).
- how much the risk of the problem can be addressed – regulatory actions usually target specific causes of a problem, so even after these are addressed the problem may persist due to other uncontrolled factors, such as the environment.

As PAS/RIS is assessing how well new initiatives will work in the future, information about their effectiveness may not be readily available.

Estimates of the effectiveness of regulation can be based on evidence from implementation of similar regulation overseas,

knowledge about the industry, group being regulated and the knowledge of causes of the problem.

- The regulatory proposal may have already been implemented in another country. Evaluations of the success of the regulation in that country can be used to estimate the possible impacts of the regulatory proposal in Cambodia.
- Industry which has a good compliance record may be expected to continue the good record. Therefore, knowledge about the industry or group affected may be useful to estimate the impacts.
- Most regulations attempt to address risks to human health, the environment or similar. The cause being addressed may not be the only one that contributes to these risks. For example, the weather may contribute to the risk of road crashes or pollution events. Given regulation cannot control the weather, it may be prudent for some PAS/RIS to acknowledge that some of the risk will remain even after the regulation is implemented.

### **Making assumptions**

Often evidence about the base case or effectiveness of options is unavailable. So, Ministries may need to make assumptions about the quantification to complete their analysis.

When assumptions are made, they should be stated (made explicit) and their effect on results should be clearly explained (i.e. the results should be qualified or caveated). This would prevent decision makers misinterpreting the PAS/RIS.

Assumptions should also be tested. That is, what effect will changes to assumptions will have on the outcome should be assessed. This can be obtained by substituting different values for assumptions and obtaining the corresponding values of outcomes.

## Valuing the costs and benefits

The final step of impact analysis is to *value* the costs and benefits. Assigning a monetary value allows to aggregate cost and benefits and compares them between options.

The direct costs of regulation are usually easy to value. For example: items purchased (cost), staff time (e.g. time taken to fill a form multiplied by wage rate), direct financial costs (e.g. fees).

The benefits and indirect costs of regulation can be more difficult to value. Regulatory proposals primarily aim to address market failures or distributional impacts. Therefore, estimating the benefits involves valuing something that is not priced in the market. Several techniques have been developed to estimate these values, such as “willingness-to-pay”.

Estimating the value of benefits can be costly. An efficient RIA system ensures that effort expended on the impact analysis is proportionate to the expected impacts of the regulation.

For RIA in Cambodia, it is expected that most estimates of benefits will be derived from existing research or simple calculations. In these cases, the costs and benefits of each option over time should be calculated (the quantity multiplied by the unit-value). Costs and benefits in the future should be adjusted by a discount rate, which reflects the fact that people generally attribute a higher value to consumption today rather than later. Summing the adjusted costs and benefits for each option provides a measure that can be used to make informed decisions.

When benefits cannot be valued, then cost-effectiveness analysis, break even analysis, and/or qualitative analysis may be used.

## Cost effectiveness analysis

Cost effectiveness analysis is used to compare two or more options when the benefits cannot easily be valued, but can be quantified.

Options cost effectiveness is the ratio of its cost to the quantity of benefit. The ratio informs decision makers about how much it will cost to achieve each unit of benefit. The decision maker can then choose whether they wish to 'spend' this amount (the ratio) to achieve the outcome sought.

The option with the lowest cost effectiveness ratio will generally be preferred, though options with higher ratios could still be implemented (as well) if the decision maker wanted to 'spend' more to achieve the outcome.

## Break-even analysis

Break-even analysis (BEA) is used to inform judgments about whether the preferred option is worth the costs it imposes when the benefits cannot be valued or the effectiveness of the regulation is uncertain.

BEA involves comparing the quantity of benefits with the costs, to show how valuable or numerous the benefits would need to be to justify the costs imposed. For example, a proposal might need to provide \$10,000 in benefits to break-even or, if each unit of benefit is worth \$1,000 dollars, provide more than ten units of benefit.

This value or number should be compared to the size of the problem and the value of other benefits to test whether it is realistic to expect it to break-even. For example, if the problem only occurs five times a year, then it is very unlikely that an option that requires 10 units to break-even per annum will be worth implementing.

# Qualitative and Distributive Analysis

## Qualitative analysis

Impacts which cannot be valued at all are best dealt with by providing decision makers with a qualitative discussion of the likely impacts and allowing them to make a judgment as to whether the benefits justify accepting a proposal.

Multi-criteria analysis (MCA) is a popular technique for structuring qualitative analysis that ensures all options are assessed fairly and transparently. It can be used to compare options, but due to the subjective nature of scoring, cannot be used to determine whether an option will provide net-benefits. For this reason, MCA should be combined with cost-effectiveness analysis or break-even analysis to choose a preferred option.

MCA involves selecting a series of criterion to assess options against. Options are assigned a 'score' for each criterion and the scores summed to provide a total that can be used to compare options. The table below shows an example of MCA scoring.

It is important not to treat MCA only as a table of scores. MCA only assists decision makers when the criterion is carefully selected and the scores based on evidence. The selection of criteria and scoring should follow the "identify, quantify and value steps" set out above and the selection should be carefully explained. For example, the relative scores of different options should be in proportion to the quantification undertaken; otherwise the scores may be misleading.

	OPTION 1	OPTION2	OPTION 3
Criterion 1	3	5	2
Criterion 2	2	2	2
Criterion 3	-1	-2	-3
Criterion 4	-2	-2	-2
Total	2	3	-1

## Distributional analysis

Sometimes, though a regulation may provide net benefit to the community as a whole, it affects certain groups disproportionately. In particular, while regulations are usually drafted in gender-neutral language they may affect one gender more than another. For example:

- An increase in minimum wage is likely to affect women more, if the majority of low paid employees are women.
- Regulations affecting microcredit may affect women more, if the majority of the recipients are women.

Regulations may also impact disproportionately on different regions, religious or cultural groups. Due to these disparate impacts, assessing whether proposed regulation affects one group adversely is a key part of impact analysis in both the PAS and RIS. Indeed, an analysis of the impact on gender is mandatory and a Gender Impact Statement (GIS) should be prepared and included in the RIS, if the impact on either gender is material.

Analysis of the impacts on particular groups could take the form of impact analysis presented previously in this guide. That is, the analysis should:

- identify how the proposal impacts the group concerned and how this differs to the impact on the general population
- quantifying the size of the group and the size of the disproportionate impact that affects that group
- valuing the negative (or positive) impacts on that group.

Groups impacted should also be consulted separately to record their views on the proposed regulation and to seek their feedback on how the disproportionate impacts can be reduced or offset.

# Effective Consultation

## Element 5: Consultation

Without consultation our knowledge of the problem, options and impacts will be deficient. Consultation will:

- improve the understanding of the problem and allow government intervention to be better tailored to address its causes, including by identifying alternative options
- help to identify and quantify the impacts of government intervention, by facilitating the collection of data and information on the impacts of the proposal, allowing the most efficient option to be chosen
- avoid risks associated with the implementation of government interventions, which may otherwise limit their effectiveness
- promote transparency and trust by exposing the merits of decisions and assumptions and analysis used making those decisions.

Consultation does not require lengthy questionnaires sent to all stakeholders. It will be more effective to ask fewer questions of the right people through a conducive forum.

## Checklist: How to consult effectively

Ensure representatives of all parties impacted by the problem and proposal are consulted, including businesses, government, the public and representative bodies.

Consult frequently throughout the regulation making process. Consultation can assist with identifying options and specifying the objective as well as refining the impact analysis and identify implementation issues.

Be mindful that stakeholders have vested interests. Have an open mind and examine the claims carefully.

## Who to consult

The range of stakeholders that should be consulted is both diverse and particular to each PAS/RIS. As a guide, consultation could include the following stakeholders.

- Businesses impacted by the regulation – who should be consulted about the costs and implementation of all options
- Consumers and other individuals affected by the problem or proposed options – who may be able to provide evidence of the problem or the effectiveness of options
- Representative bodies (Chambers of Commerce, industry groups, consumer associations, NGOs) – who may be able to provide you with a broader view.
- Government agencies that will assist with implementation of your proposal (Cambodian Institute of Standards, the Police, Customs or other Ministries)
- Government agencies that regulate the same industries to ensure that your proposal doesn't conflict or overlap with existing regulation or international commitment
- Gender Working Groups and the Gender Mainstreaming Action Groups in your ministry and the Ministry of Women's Affairs to ensure that gender impacts are adequately acknowledged
- Academics or other experts familiar with the sector being regulated – who may be able to provide an impartial view or be aware of similar regulation in other jurisdictions.

Be mindful that stakeholders have vested interests. Have an open mind and examine the claims carefully. You do not have to agree with the views but must consider and respond to them.

Stakeholder input is most effective when it is published with the PAS/RIS, at least in summary form. However, individual stakeholder requests for confidentiality should be respected.

## Forms of consultation

Consultation can take many forms – meetings, seminars, workshops, invited submissions (either publicly advertised in newspapers or directed at individual stakeholders) or social media.

The forms of consultation you choose should:

- allow for a broad range of stakeholders to contribute to ensure it captures the full diversity of stakeholders impacted by the proposal
- span the length of your policy development process to allow stakeholders to make suggestions about the options and objectives as well as the final proposal
- provide sufficient time and confidentiality to allow stakeholders to make considered submissions without fear of the information being misused – you may wish, for example, to consult some groups in separate forums.

## The PAS/RIS is a consultation document

The PAS/RIS, as well as being a statement about the government's proposal, is a consultation document. This should be kept in mind when drafting both documents.

- Draft in language understood by all stakeholders – don't quote the draft regulations, instead describe how they are intended to work.
- Information about the problem and the impacts may not be available when drafting the PAS/RIS. If so, include questions to gather stakeholder feedback.
- Include the results of consultation conducted to date.

Information received from stakeholders should be used to improve the quality of analysis as you go, including after the RIS is published.

## Choosing your preferred Option

### Element 6: Conclusion

Once the impact analysis is completed, the relative merits of different options considered should be compared. The assessment should take into account the results of the impact analysis, distributional impacts and the quality of the available evidence.

The recommended option should be identified with an explanation of why it is the preferred option; reasons for rejecting other options should be detailed as well.

The form of the conclusion will depend on the methodology used in the impact analysis.

- When a cost-benefit analysis is performed, the conclusion section would compare the net benefits (benefits minus costs) of each option and use this value to select the preferred option.
- For PASs/RISs that identify high consequence risks as the problem, the preferred option might be the one that most effectively reduces the risk, regardless of the cost, particularly when the benefits cannot be valued in dollars.
- A break-even or cost-effectiveness analysis may be used to determine whether to proceed with a particular option, but are not useful for comparing options, which may require a qualitative analysis.
- When a decision is made on the basis of a qualitative analysis, then the criteria considered and the assessment of each option against those criteria should be laid out clearly, perhaps using a multi-criteria analysis.

Key variables or assumptions should be highlighted and tested using alternate values to ensure that the same conclusions hold in less favorable circumstances. Stakeholder feedback should be sought on any uncertainties.

## Accounting for uncertainty

All RIA involves making assumptions about what will happen in the future, such as:

- the size of the problem that needs to be addressed and how effective regulations will be at addressing the problem
- the change in behaviour of businesses and individuals that will result from the new regulations.

Small changes to some of these assumptions might lead to a different option being preferred. The importance of specific assumptions and the change in conclusion that would result from adjusting the assumption up or down should be noted in the conclusion. This is particularly important when the audience for the PAS/RIS may have information that could be used to estimate the costs and benefits. Presenting a summary of the key assumptions, invites them to provide feedback.

## Use appropriate language

Most PAS/RIS in Cambodia will use a qualitative methodology to analyze the impacts of options, such as a multi-criteria analysis or a detailed discussion of each option.

It is important that the results of the analysis using qualitative tools are presented accurately. For example, a qualitative analysis is a statement of the author's opinion and preferences. The chosen option is 'preferred' to the options only and cannot be presented as objectively better.

The conclusion should avoid using phrases that would indicate the chosen option is objectively better than alternatives, such as stating it has the 'highest benefits', is 'the best' or has 'benefits greater than costs'. These statements can only be made if more rigorous costs benefit analysis has been performed.

In short, be honest about the analysis you have performed.

# Making sure your Regulation Work

## Element 7: Implementation and Monitoring

If they have not already been considered, the final element of the RIA is to consider the detailed, practical implementation and issues that will need to be addressed before the preferred option is adopted.

Planning for implementation and monitoring in the RIA can improve regulatory design and avoid unnecessary compliance costs. It can also enhance the effectiveness of regulation as obstacles can be planned for and avoided.

In this element of the PAS or RIS, the implementation process should be described, including:

- the date the regulations will become effective
- details of all the departments/agencies that will administer and/or enforce the proposal and their roles
- sources of information about the regulations that the public can consult to learn more about how to comply with the regulations (for example, how to apply for a license).
- Any transitional arrangements to minimise the initial impact of the proposal (e.g. a gradual introduction of requirements, information provision to affected businesses).
- How the performance of the regulations will be monitored, including the performance measures that will be used and when the data will be collected and reported on.

The implementation of regulations requires careful planning and substantial work as regulations do not become effective simply through the act of signing them into law.

If other government agencies will be required to assist in the implementation, for example the police, then the implementing agency should ensure they know what their role is and they are able to perform any tasks required of them.

**Attachment 1:  
Preliminary Assessment Statement Template**



# Preliminary Assessment Statement

(PAS)

[Insert name of the regulatory proposal]

[Insert name of the ministry]

Reference no: [insert a unique reference no – data base]

Date started: [dd-mmm-yyyy]

Date finished: [dd-mmm-yyyy]

A brief description of the proposal

(Include key points such as obligations, scope, and purposes)

--

## Types of proposal

*Tick the appropriate box, if other describe.*

Law	Royal Decree	Sub Decree	Prakas	Decision	Circular	Other (describe)
<input type="checkbox"/>						

This proposal regulation has impact on:

Economic     Social     Environmental     Other

## 1. Problem

*The problem such as* Public health and safety, Environmental protection & conservation, Social, gender equity & cultural conservation, Promote competition, Collection of information, Comply with international agreements, etc.

**1.a.** Main problems to be addressed by this proposal (describe and provide evidence if necessary)

**1.b.** Other related problems to be also addressed by this proposal (describe and provide evidence if necessary)

**1.c.** List any (existing) regulations that are related or similar?

- 1.
- 2.

*(Explain why are these regulations not working? Can these be modified/enhanced to achieve the intent/objective? Can we improve enforcement to solve the problem?)*

**1.d.** Is there any competition impact? If yes please explain

## 2. Objective – What do we want to achieve?

*State the final intent or purpose, not just the immediate outcome or the means to be used.*

*Do not define the purpose narrowly (which is likely to restrict options), nor define it too broadly or vaguely (so it becomes difficult to analyze).*

*Relate to RGC policy objective if relevant.*

*Revenue collection or creating influence is not appropriate objective for regulations.*

## 3. Options - Consider all alternatives

*It is important to explore all alternatives, noting that regulating should not be the first option.*

- 1.
- 2.
- ...

## 4. Preliminary estimate of compliance Costs and Benefit

### 4.1. Identification of tasks and cost categories

*This table just provides a list of possible cost categories only, not required to calculate in detail.*

Options	Government	Businesses
Proposed regulation		
Option 1: .....		
Option 2: .....		

#### 4.2. Identification of benefit categories

Options	Benefit categories
Proposed regulation	
Option 1: .....	
Option 2: .....	

#### 4.3. Scope of each Option

*Describe the sectors or types of business affected, and estimate the impact of complying with the proposed options (provide evidences to support the estimate)*

Options	Sector or Business	Amount of business	Reference/Evidence
Proposed regulation			

Option 1:			
Option 2:			

**5. Consultation**

The purpose of this consultation is to refine the above sections. Consult with a representative sample of stakeholders. Treat this process like brainstorming sessions or focus group interviews. Detailed consultation can take place later, if a Regulatory Assessment Statement (RIS) is required.

**6. Conclusion**

*The preliminary conclusion bases on compliance cost and benefit of each option whether which option to be expected to the most benefit or impose the most compliance cost or there are any competition impacts.*

Is a RIS required?

YES - End of PAS, start preparing RIS if the impacts are significant on socio-economy or competition.

NO - Provide justification and complete the rest of the PAS

*(Tick either YES or NO, depending on the level significance of compliance costs and benefits, and whether there are any competition impacts)*

Justification for not proceeding to prepare RIS

## **7. Implementation and Monitoring**

If a regulatory option was selected:

**7.1.** What measures were adopted to enhance transparency and good governance during the implementation stage?

**7.2.** Should this regulation be reviewed/monitored post implementation?

If so when and how should it be reviewed/ monitored?

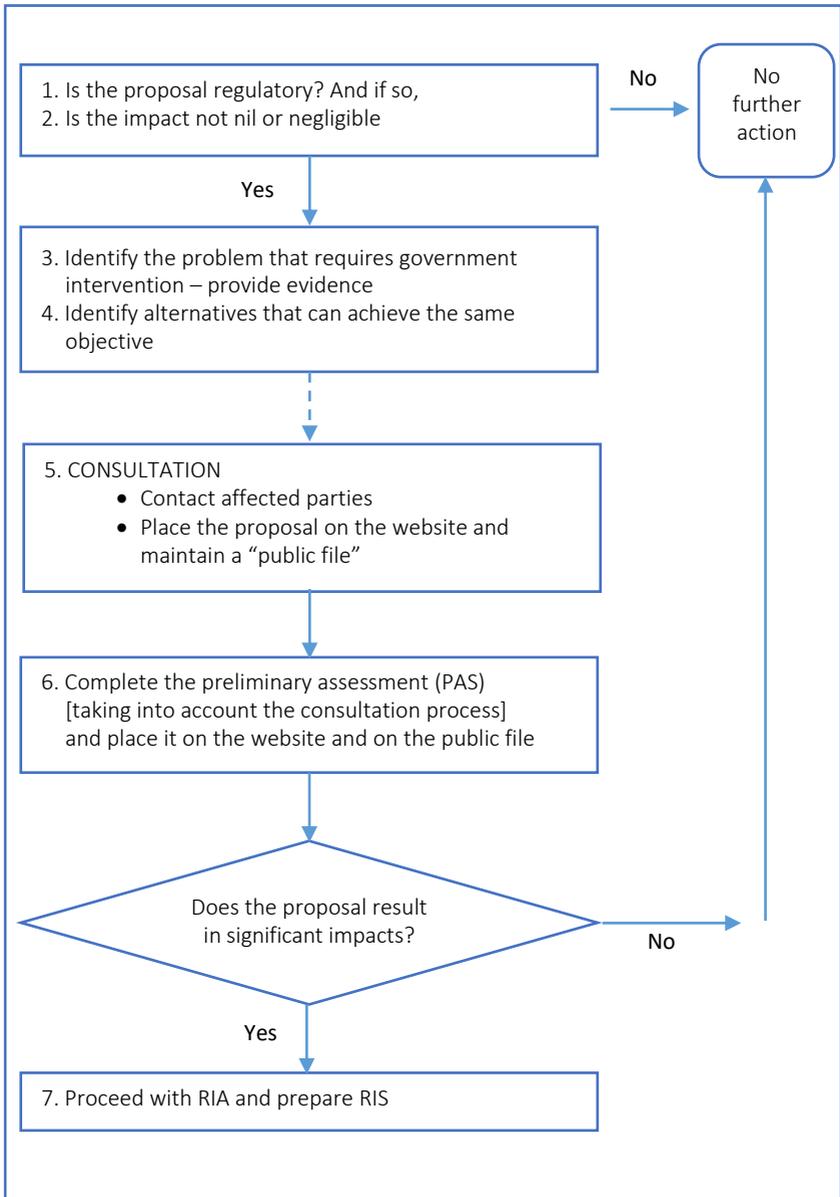
<b>PROCESS</b>	<b>Name</b>	<b>Position</b>	<b>Date</b>	<b>Contact</b>
Prepared by  (line ministry)				
Checked and Commented by (ORIA)				
Entered the database				
Uploaded on website				



**Attachment 2:  
Checklist for Preliminary Assessment Statement**



## Chart: Regulatory Impact Assessment Process



## CHECKLIST for Preliminary Assessment Statement

Element	Comment	Hints
<p><b>1. Problem</b></p> <p>Why are we making this regulation?</p>	<ul style="list-style-type: none"> <li>- Most important part-foundation for the Assessment.</li> <li>- <i>Provide evidence– not opinions or assertions.</i></li> </ul>	<ul style="list-style-type: none"> <li>- What difference would it make if the regulation was not made?</li> <li>- Why market cannot solve the problem?</li> <li>- Why existing regulations cannot solve the problem?</li> <li>- How the regulation will improve the situation.</li> </ul>
<p><b>2. Objective</b></p> <p>What do we want to achieve?</p>	<ul style="list-style-type: none"> <li>- State the final objective, not the purpose of the regulation.</li> </ul> <p>Example:</p> <ul style="list-style-type: none"> <li>- Reduce the number of traffic fatalities (outcome)</li> </ul>	<ul style="list-style-type: none"> <li>- What to achieve (outcomes) rather than how to achieve it (methods).</li> <li>- Avoid defining the objective too broadly or narrowly.</li> </ul>

	- Motorcycle drivers wear helmets, to set speed, traffic control, ..... (for the purpose of creating Regulation)	
<b>3. Options</b>	Set different options (which can solve problems and Achieving the ultimate goal)	Consider multiple options (choose which options apply)
<b>4. Impact Assessment</b>	<ul style="list-style-type: none"> <li>- Consider the impact of each option on all stakeholders.</li> <li>- Consider the impact on gender equity.</li> <li>- Consider competition impacts.</li> </ul>	<ul style="list-style-type: none"> <li>- Quantify compliance costs on government, business, community and individual.</li> <li>- Estimate costs &amp; benefits on government, business, community and individual.</li> </ul>
<b>5. Consultation</b>	- Conducted at all stages of the process of	- Identify stakeholders

	<p>preparing the evaluation report and regulatory framework, especially the third and fourth stages</p> <p>- Consider gender equity.</p>	<ul style="list-style-type: none"> <li>- Actively solicit views, using appropriate medium</li> <li>- Record &amp; consider views.</li> </ul>
<p><b>6. Conclusion</b></p>	<p>Consider the specific size of the impact on the choice</p> <p>Each by selecting any of the options</p> <p>Benefit to the whole society as a whole.</p>	<ul style="list-style-type: none"> <li>- If effects are significant continue to have a full assessment of the impact (RIS).</li> <li>- Publish the report Primary Assessment (PAS). If not continue to do RIS, confirm the option of any option The most effective way to solve problems and achieve goals.</li> </ul>
<p><b>7. Implement and Monitoring</b></p>	<p>Review/post audit</p>	<p>Sunset clauses?</p> <p>Publish the PAS/RIS?</p>

		Is there a clear mechanism for implementation?
--	--	--

Assess on PAS/RIS:

A– Good

B– Edit some

C– Redo



## **Attachment 3: Compliance Cost Model**



## I- Introduction

There are two main sectors when considering Cost analysis in doing RIA of Cambodia: Government and Business.

When categorizing Compliance Cost, you need to identify the compliance tasks/activities associated with the proposed regulation. There are 9 possible cost categories, some of which must be related to the compliance tasks of your in-hand proposal. The cost categories are the costs that businesses and government sectors face under a certain task to be done.

Compliance cost category		GOVERNMENT	BUSINESS
1	Designing	<p>Cost of preparing the proposal.</p> <p>E.g.: Government need to assign working team, draft, and approve the proposal.</p>	NA
2	Consultation	<p>Cost of notifying the public of the regulation, its certain measures and consultation with the stakeholders.</p> <p>E.g.: Costs of issuing notification, designing questionnaire, and stakeholder consultation.</p>	<p>Cost of participating in consultation.</p> <p>E.g.: Time spent, transportation</p>

3	Education	<p>Costs of educating stakeholders (including own staffs) of regulatory requirements.</p> <p>E.g.: Costs of training new staff, re-training existing staff, online training.</p>	<p>Costs of educating staff and keeping up to date with regulatory requirements.</p> <p>E.g.: A business needs to get the details of new legislation and train/communicate the new requirements to staff.</p>
4	Permission	<p>Costs of checking for correctness and giving permission to comply with various administrative arrangements in the regulation.</p> <p>E.g.: Government needs to do verifying (reviewing). It might involve interviewing, sample control, and issuing the licenses.</p>	<p>Costs when applying for (application filling), and maintaining permission to conduct an activity.</p> <p>E.g.: A business needs to pay for license fees. It is also checking and repairing the technical non-compliance continuously to obtain constant permission on</p>

			operation.
5	Purchasing	<p>Costs in purchasing equipment, services, and properties to administer, enforce or comply with the regulation.</p> <p>E.g.: cars, buildings, legal advice, consultancies.</p>	<p>Costs of purchasing a service (advice) or a product (materials or equipment) to comply with a regulation.</p> <p>E.g.: land, fire extinguishers onsite (Equipment) or legal advice (service).</p>
6	Record keeping	<p>Costs of storing and maintaining records to comply with the regulation measures.</p> <p>E.g.: filing time, Data entry, E-docs, paper copies.</p>	<p>Costs of keep statutory documents up to date.</p> <p>E.g.: keep records of cars crossing bridge, number of tourists visiting the site.</p>
7	Publication and dissemination	<p>Costs of printing and publishing documentation relating to the introduction of the</p>	<p>Costs of producing documents for third parties.</p>

		regulation. E.g. printing of regulation, education materials, paperwork, maintenance of websites and online documentation. It also include awareness workshop.	E.g.: A business needs to print instructions for users, display warning signs.
8	Enforcement	Wage-based costs to enforce/comply with regulatory enforcement activities and transportation spending  E.g. compliance officers, time on site, inspections, issuing of fines, and car rent.	Costs of cooperating with audits, inspections and regulatory enforcement activities. E.g.: hosting inspectors when they checks whether a firm meets GMP requirements, fine fee.
9	Other	Any other compliance and non-administrative costs that don't fit into the above categories.	Any other compliance and non-administrative costs that don't fit into the above categories.

Notions: With the exception of 'purchase cost', the cost categories are activity-based costs. The costs could either be start-up or ongoing

## II- Calculation Template

There may be 1 or 2 options along with the regulation proposal. Each option is supposed to be calculated by using excel spreadsheets: (1) for the government and (2) for the business. As a result, the summary table is being made from the combination of government cost and business cost.



## 1) Government Cost

### General information

#### Option1: Proposal

Title: e.g.: Tourism Business Licensing to Tourist Site

Issue date: 2013 (Draft)

Ministry: MoT

### 1.1. Design the regulation

#### a) Drafting the regulation (Example)

<p>Acronyms</p> <p>T = time spent</p> <p>N = number of staff/facilities/site</p> <p>W = wage rate</p> <p>V = value</p>		<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
	<i>Item</i>				
	Technical section				
	Legal section				
	Administrative group				
	...				
	Total = $\Sigma V = \Sigma(T \times N \times V)$				

**b) Approving the regulation (level of the ministry)**

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Discussion meeting initiated by the minister				
Review				
	Total			

**C) Approving the regulation (level of the Council of ministers)**

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Technical meeting				
Co-meeting				
	Total			

<b>Total Design</b>	
---------------------	--

## 1.2. Consultation (according to methods)

Acronyms P = Price		<i>T</i>	<i>N</i>	<i>P</i>	<i>V</i>
	<i>Item</i>				
	Site visit;				
	Interview;				
	Workshop;				
	Phone call				
...					
	Total				

<b>Total Consultation</b>	
---------------------------	--

## 1.3. Education

### a) Training government staffs

<i>Item</i>	<i>T</i>	<i>N</i>	<i>P</i>	<i>V</i>
	Total			

### b) Training stake holder staffs

<i>Item</i>	<i>T</i>	<i>N</i>	<i>P</i>	<i>V</i>
	Total			

<b>Total Education</b>	
------------------------	--

#### 1.4. Permission

##### a) Verification

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Document; Lab checking;				
...	Total			

##### b) License issuing

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
License issuing			
...			
	Total		

<b>Total Permission</b>	
-------------------------	--

#### 1.5. Purchasing

##### a) Purchasing of goods

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

## b) Purchasing of services

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

<b>Total Purchasing</b>	
-------------------------	--

## 1.6. Record keeping

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Data entry				
Data update				
...				
	Total			

<b>Total Record Keeping</b>	
-----------------------------	--

## 1.7. Publication and dissemination

### a) Publication

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

**b) Dissemination**

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

<b>Total Publication and dissemination</b>	
--	--

**1.8. Enforcement**

**a) Site inspection**

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

**b) Transportation costs**

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

**c) Reporting cost**

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

<b>Total Enforcement</b>	
--------------------------	--

### 1.9. Other

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

<b>Total Cost to the Government</b>	...
-------------------------------------	-----



## 2) Business Cost

### 2.1. Design the regulation

NA

### 2.2. Consultation (example)

Acronyms P = Price	<i>Item</i>	<i>T</i>	<i>N</i>	<i>P</i>	<i>V</i>
	Participation				
	Hosting				
		Total			

<b>Total Consultation</b>	
---------------------------	--

### 2.3. Education

<i>Item</i>	<i>T</i>	<i>N</i>	<i>P</i>	<i>V</i>
Training staffs				
...				
	Total			

<b>Total Education</b>	
------------------------	--

## 2.4. Permission

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
License fee			
...			
	Total		

<b>Total Permission</b>	
-------------------------	--

## 2.5. Purchasing

### a) Purchasing of goods

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

### b) Purchasing of services

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

<b>Total Purchasing</b>	
-------------------------	--

## 2.6. Record keeping

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Data record				
...				
	Total			

<b>Total Record Keeping</b>	
-----------------------------	--

## 2.7. Publication and dissemination

### a) Publication

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

### b) Dissemination

<i>Item</i>	<i>N</i>	<i>P</i>	<i>V</i>
..			
	Total		

<b>Total Publication and dissemination</b>	
--	--

## 2.8. Enforcement

### a) Site inspection

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
Hosting				
	Total			

### b) Transportation costs

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

### c) Reporting cost

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

<b>Total Enforcement</b>	
--------------------------	--

## 2.9. Other

<i>Item</i>	<i>T</i>	<i>N</i>	<i>W</i>	<i>V</i>
...				
	Total			

<b>Total Cost to the Business</b>	...
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### 3- Summary

<b>№</b>	<b>Categories</b>	<b>Government Cost</b>	<b>Business Cost</b>	<b>Total Cost of Category</b>
1	Designing			
2	Consultation			
3	Education			
4	Permission			
5	Purchasing			
6	Record Keeping			
7	Publication and dissemination			
8	Enforcement			
9	Other			
	<b>Total</b>			



**FINANCED  
BY  
THE ASIAN DEVELOPMENT BANK**

