



IMPACT ASSESSMENT AND SUSTAINABILITY: LIAISONS DANGEREUSES

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INTRODUCTION: THE (R)IA WORLD

- RIA is heavily promoted as a very important tool for the efficiency, transparency and accountability of policymaking
- RIA is also reportedly a success, with several countries adopting it over the past two decades
- A few research projects have looked at RIA implementation over the past years (ENBR, EVIA): results are not encouraging...
- In the US, RIA faces criticisms on substance; in many other countries, on both substance and governance

SUSTAINABILITY IN IMPACT ASSESSMENT

■ **Several challenges:**

- RIA normally looks at specific proposals/impacts, sustainability depends on a broader set of factors
- Hard to interpret sustainability if not case-by-case:
 - **Environment-related:** preserving resources for the future?
 - **Social:** distributional issues, inter-generational altruism?
 - **Economic:** reduction of public debt, achievement of financial stability, Protection of critical infrastructures
- Distributional issues:
 - RIA is often considered unfit for dealing with distribution
 - Should governments address sustainability separately?

Benefit category	Estimation approach
<i>To individuals</i>	
• Mortality	<i>Wage compensation; stated preferences; averting behaviour; human capital (foregone earnings).</i>
• Morbidity (acute, chronic)	<i>Stated preferences; cost of illness (medical earnings, pain and suffering, avoidance); averting behaviour</i>
<i>To production/consumption</i>	
• Crops/forests/fisheries	<i>Consumer plus producers surplus</i>
• Water-using industry	<i>Consumer plus producers surplus</i>
• Municipal water supply	<i>Opportunity cost (alternative aquifer)</i>
• Authorities	<i>Service replacement (municipal treatment, bottled water)</i>
<i>Economic assets</i>	
• Materials (corrosion, soiling)	<i>Replacement cost, service values, household production function</i>
• Property values	<i>Hedonic price models</i>
<i>Environmental assets</i>	
• Recreational use	<i>Unit day, stated preference, property value, travel cost, random utility, hedonic prices, travel cost, service replacement costs</i>
• Other use (visibility)	<i>Stated preferences, property value</i>
• Passive use (non-use)	<i>Stated preferences</i>

Source: elaborated from Freeman (1993)

ANALYTICAL PROBLEMS (1)

- When should sustainability be taken into account in RIA?
 - As a mandatory step on defining the baseline (*e.g.*, are there significant risks of undermining the situation of future generations if nothing is done?)
 - As a mandatory check in analyzing and comparing regulatory options (*e.g.*, even if option x maximizes net benefits, does it feature significant negative impacts on sustainability?)
 - As a separate screen (once the regulatory option has been chosen, possibly leading to ancillary remediation measures)
 - Outside the RIA, as a stocktaking tool in ex post evaluation, possibly leading to specific regulatory or policy measures

ANALYTICAL PROBLEMS (2)

- What are the major methodological problems?
 - Methodological individualism:
 - RIA is often based on neoclassical economics, which relies on the sum of individual preferences as an approximation of societal welfare.
 - The value of public goods (e.g. biodiversity) is often underestimated if one uses stated preferences or averting behavior
 - Accounting for sustainability would require the use of more objective value judgments: neoclassical economics by itself is not suited for accommodating such concerns

ANALYTICAL PROBLEMS (3)

- What are the major methodological problems?
 - “Resourcist” efficiency criteria:
 - RIA is often based on “*efficiency as justice*” and an “*efficiency as sustainability*” criteria. It uses wealth to approximate welfare – and they’re not the same
 - Non-market goods may be misrepresented and under- or over-estimated
 - Cost savings may be weighted together with heavily discounted future environmental or social benefits
 - Impacts related to sustainability are way more difficult to quantify and monetize: e.g. efficiency v. resilience of critical infrastructure; production v. damages to biodiversity

ANALYTICAL PROBLEMS (4)

- What are the major methodological problems?
 - Behavioral problems:
 - Non-market impacts are often monetized based on individual behavior and individual preferences
 - However, human rationality is bounded: individuals misperceive long-term impacts, and in some cases consider long-term as a luxury
 - Need to “nudge” people into more sustainable behavior?
 - Need to change social norms towards more sustainable patterns? (e.g. pooper-scooper norms, Cooter 2000)

EXAMPLE 1: THE US RIA MODEL

- **An increasingly quantitative model**
 - Only for secondary legislation
 - Uses often Kaldor-Hicks net benefits calculation (OIRA A-4)
 - Can force administrations to think about long-term
- **Critiques** (e.g. Heinzerling, Ackerman, Revesz and others)
 - *Too heavy discounting of future benefits leads to short-termism (especially referred to EPA RIAs)*
 - *Knowing the price of everything and the value of nothing*
 - *Reliance on stated and revealed preferences incorporates people's selfishness*
 - *Anti-regulatory bias?*

EXAMPLE 2: THE EU IA MODEL

- **Multi-criteria model with less emphasis on monetization**
 - Binding and non-binding legislation
 - Enables early decisions on sustainability (through several rounds of consultation)
 - Sustainable development AND competitiveness since 2002
 - Use of IA Steering Groups
 - The Impact Assessment Board should check on (at least environmental) sustainability
 - Potentially leaves a more balanced document in the hands of political decision-makers
- **Critiques**
 - *Bad quality, routinization, too many “screens”, rapid obsolescence, absence of external oversight*

CAN WE ADDRESS SUSTAINABILITY IN RIA?

- **Available evidence shows that RIA is simply too seldom performed to be a reliable tool to address sustainability**
 - Before we “make it more complex”, we should try to “make it”
 - Non-market impacts are almost never addressed by the approx. 50 governments that have launched RIA systems (with the exception of the US, the EU and few others)
 - Accordingly, analysis of sustainability in RIA is only occasional
- **A sustainability test without (necessarily performing) RIA?**
 - In certain policy domains, it may be useful to require *ex ante* analyses of sustainability for a number of major new policy actions
 - This would run counter to the current trend towards “integrated Impact Assessment”: are we sure this would be worse?
- **Is RIA sustainable?**



THANK YOU!
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