

# concept

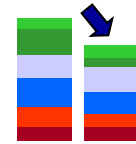
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DECISION MAKERS, DOERS AND ADVISORS  
– JOINING FORCES TO ENHANCE UTILITY OF INVESTMENTS

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Concept Symposium 2010  
Oscarsborg, Norway  
16 – 17 September 2010

Symposium web-site: <http://www.conceptsymposium.no/>  
Concept Research Programme: <http://www.concept.ntnu.no/english/>



# A comparative survey of the application of SIA in the UK, Brazil and Nigeria

Donald Macrae

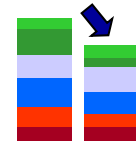
The 4th Concept Symposium on Project Governance  
Oscarsborg Fortress, Oslo 15 – 17 September 2010



Front-end Management of Major Projects

 **NTNU**  
Norwegian University of  
Science and Technology

# Outcomes vs Outputs



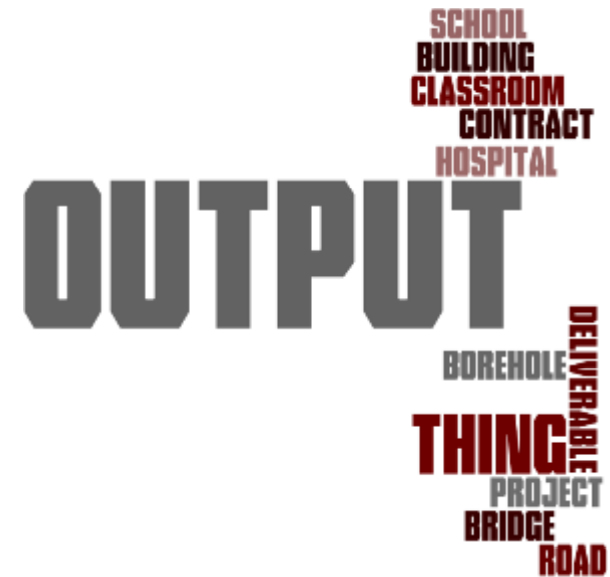
An **outcome** is a statement of how life is better than it was before, in some way, for some people.



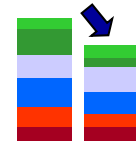
Outcomes

An **output**, rather than an outcome, is usually a thing, delivered by a project or a contract.

It may be very valuable and necessary but is not an end in itself. It depends on what people do with it to create outcomes.



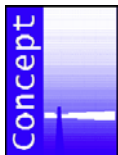
# Overview



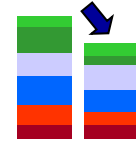
As a structure, I will look at Impact Assessment as:

- Process – how the tools fit with other key processes, such as Project Management, Risk Management and the Policy Cycle; and
- Politics – how the application of this “meta-instrument” is used as a form of institutional control.

I will also compare approaches to IA across the UK, Brazil and Nigeria to see if there may be universal themes.



# Impact Assessment of What?



There are two historical strands, each going back to the 80's – Environmental Impact Assessment in the EU and Regulatory Impact Assessment in the USA.

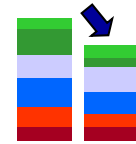
Sustainable Impact Assessment developed out of EIA (and Strategic Environmental Assessment for major projects) but the three “pillars” of Sustainable Development could also be present in RIAs.

The EU settled for simple “Impact Assessment” in 2005 and the UK re-launched “IA” in 2006 as a much simplified form of report.

I will refer simply to Impact Assessment and by that will mean – at its most fundamental – **becoming aware of the consequences of the project.**



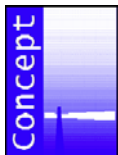
# What is Impact Assessment?



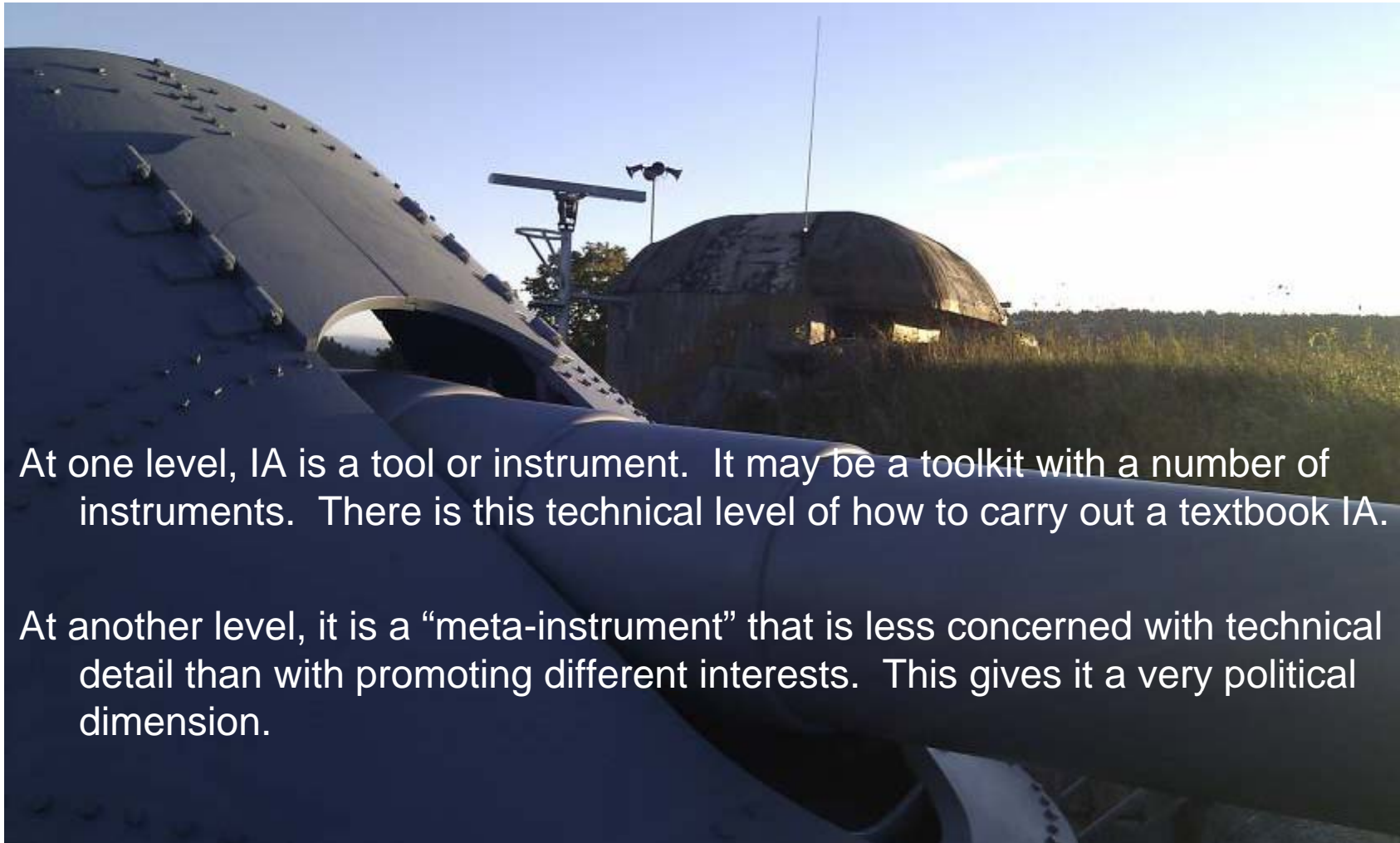
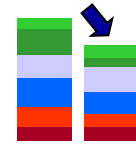
IA is a form of:

- Risk Management - managing the uncertainty of the consequences of the policy intervention or project;
- Economic analysis – the build-up to a crucial Cost Benefit Analysis;
- Performance management – placing an objective, rational structure on policy decisions;
- Stakeholder engagement – allowing interaction with (and informing of) special interests.

But each of these can be either strengths or weaknesses.



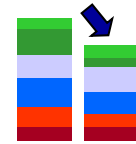
# IA at two levels



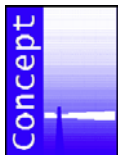
At one level, IA is a tool or instrument. It may be a toolkit with a number of instruments. There is this technical level of how to carry out a textbook IA.

At another level, it is a “meta-instrument” that is less concerned with technical detail than with promoting different interests. This gives it a very political dimension.

# IA and Risk Management

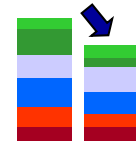


- IA is about managing the uncertainty of a policy intervention or a major public sector project – what are all the things that will happen if we do X?
- Risk management can also be an integral part of IA, in which individual risks identified in the IA are managed, but is itself a broader element of the overall risk management of the project.
- The key distinction between IA and conventional RM is that **IA is about managing the risks of success, rather than of failure**. That is, even if we succeed, what might be the unintended consequences – socially, economically, environmentally?





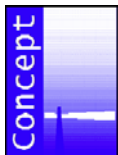
# IA and Programme and Project Management



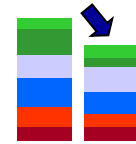
- IA is inherent in Front-End Management, whether articulated as IA or not. It is about the viability / feasibility / consequences of the basic objective. It should balance the Conspiracy of Optimism.



- It goes beyond the clear end-point of the project and these factors should also influence the Business Case for the project.
- IA tools may well mesh with PPM tools or even duplicate them because of the breadth of the toolkit. IA may not be seen as a discrete process in commercial projects.



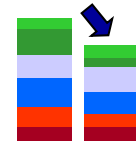
# IA and Policy-making



- Policy-making is the classic home of IA. Classic policy-making is linear or cyclical and IA may be mandated at some stages in policy projects with certain characteristics.
- But actual policy-making is rarely linear and usually driven by political factors, so that stages may be skipped or reversed. Therefore the most effective policy-making tools are those that can be used as a one-off, rather than needing continuous application. A complex, major study is usually inconvenient and is circumvented. It is very common for IAs to be done by external consultants (no skills or knowledge transfer) after the key decisions are taken (pointless compliance).

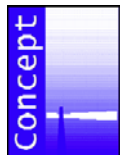


# IA – All Things to All People

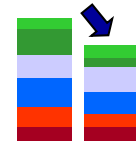


IA can be hard to pin down. Other than some very basic questions, it is not a single tool. It uses tools also used by other processes so can seem to duplicate other processes. It is not really a time-bound process although is supposed to be applied continuously. At its core is the discipline of being more aware of potential consequences of the project on different groups over a longer period.

Its appeal is that it is self-evidently the right thing to do and also that it suggests the possibility that the impact can actually be properly assessed. It suggests that matters of judgement can be more objectively controlled, within a rational framework, and that the uncertain outcomes can be predicted. So it promises a lot and is difficult to reject.



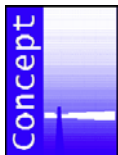
# IA as a “Christmas Tree” of Goodies

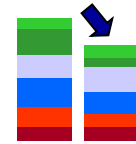


The UK RIA system was radically revised in 2006 to get back to basic questions about the proposed policy, with a 2-page template and a 20 page Guidance paper. But the old habits returned.

In 2010, the Guidance is 95 pages and the form includes the following additional impact tests:

- Equality Duties Impact Test
- Small Firms Impact Test
- Greenhouse Gas Impact Test
- Wider Environmental Issue Impact Test
- Health and Well-Being Impact Test
- Human Rights Impact Test
- Justice Impact Test
- Rural Proofing Impact Test
- Sustainable Development Impact Test





# Political Economy of IA

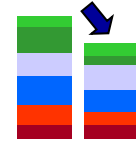
A study in 2009 by Claudio Radaelli of Canada, Denmark, Sweden, Netherlands, the EU, UK and USA examined four “ideal types” of RIA:

- Rational policy-making;
- Political control of the bureaucracy;
- Administrative reform; and
- Symbolic politics.



The UK, USA and EU scored highest on political control (almost absent in Sweden and Denmark), but also high on rational policy-making. A more recent paper (Radaelli and Meuwese 2010) argues that the EU Commission’s use of IA has enabled it to gain some control of the law-making process through this meta-instrument where that control is absent in the formal Treaties.

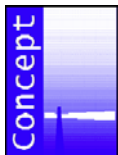
# IA in the UK 1



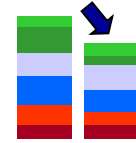
In practice, IA can be done well but is also done badly. The Defra Ministerial Challenge Panel reviewed around 150 policies over two years as internal challenge within the Department: results were very mixed. It focused on IA as a tool.

In parallel, the Panel for Regulatory Accountability tended more towards the meta-instrument level, applying political pressure through IA on disputed policies, strengthening the Centre.

Other Departments also took up internal challenge panels and the PRA gradually faded away. There are now two quasi external bodies that review major policy IAs.



# IA in the UK 2



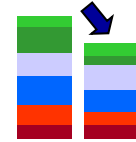
Policy-making in Whitehall is largely a cottage industry, not a systematic, corporate operation, capable of being guided, controlled or influenced. It can also be like the Guilds, with apprenticeship as the method of induction and training. Frequently expressed desires to be “at the heart of policy-making” or to “change the policy-making culture” miss the point. Policy-making rejects external constraints.

IA is seen as a meta-instrument of control by the Centre, a key part of the “Better Regulation” agenda that presents regulation as burdens on business, rather than delivery of policy. But even the peer review of internal challenge panels was resisted.

Yet officials could also use IA as a way of trying to constrain politicians, presenting it as an objective, rational, evidence-based approach that also showed defects in the policy.



# The CBA Lock



Central to the “gaming” of IA is the use of Cost Benefit Analysis. It is powerfully simple – do the costs outweigh the benefits / is one figure larger than the other? Qualitative, subjective, non-rational judgements appear amateur and selective against the mock-science of a monetised CBA.

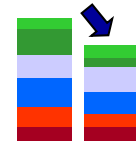
But the simple set of figures is usually arrived at using many qualitative, subjective, non-rational judgements. Monetising the social or environmental benefits of a policy is extremely difficult, yet it is also difficult to assess the costs accurately as well. There is enormous scope for gaming the result, which defeats the purpose.

Yet it must be an essential element in IA, used properly and with other tools and assessments to balance it. IA is about asking the right questions, even if the answers are defective.





# Brazil – Political Control



Brazil commissioned OECD to produce a detailed study of regulation, published in 2008, in tandem with its PRO-REG programme - *Programa de Fortalecimento da Capacidade Institucional para Gestão em Regulação* - to strengthen institutional capacity.



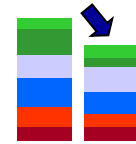
All the OECD recommendations are supported, except one – that of establishing a central oversight body. They have around 40 Ministries and 30 autonomous economic regulatory agencies and nobody pulling it together. The *Comitê Brasileiro de Regulamentação*, the national committee for “regulators”, comprises only the Agencies and they are neurotically independent and suspicious of central authority.

But Brazil’s last experience of central authority was under the military. No wonder they don’t trust. The same applies elsewhere in South America and across Africa.



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# IA and Brazil – a new solution

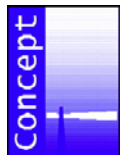


Central to PRO-REG was the *Análise de Impacto Regulatório* (AIR).

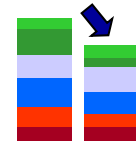
ANVISA, a health regulator, even ran a two day seminar on AIR, broadcast live on TV, but did not share its approach with any other Agencies. It commissioned its own AIR methodology, rather than follow the Centre.



In parallel, so did Inmetro, the technical standards regulator, in partnership with the University of Sao Paulo.



# The Brazilian Solution



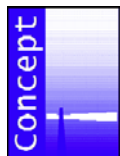
And so did ANTT, the transport regulator, commissioning IPEA (an applied economics agency) to design AIR methodologies for it.



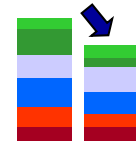
Basically, they avoided the danger of political control by the Centre by each designing its own methodology.

In 2010, PRO-REG is now fully under way, with more and more regulators coming on board on a standardised approach but the Casa Civil has been careful to standardise only a core system, with plenty scope for tailoring.

It will be interesting to see whether a feeling of ownership will also lead to better application of Impact Assessment disciplines.



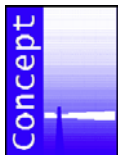
# IA in Nigeria 1



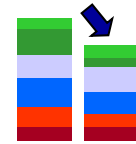
In Nigeria, the issues of IA are at the technical level, not the meta-instrument level. As part of a policy-making process, IA suffers from the lack of virtually any policy-making expertise or practice.



State government activity is almost wholly on infrastructure outputs and not on social outcomes. Regulatory systems are inadequate, with any discretion in enforcement being an opportunity to extract a bribe. The main “policy” tool is funding, not regulating.

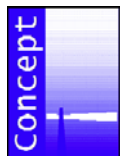


# IA in Nigeria 2

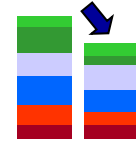


So, the first challenge is developing policy-making.

But there is a lack of data as well as of skills. A pilot on economic empowerment of women and youths in Kano State in 2009 struggled to find remotely accurate estimates of population size, let alone having any statistical data aggregated by gender, age or economic status (for around 11 million people).

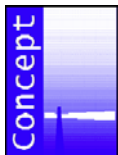


# IA in Nigeria 3

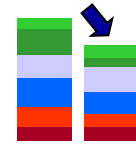


Policy-making is being developed through Medium Term Sector Strategies, where each major sector develops a three year framework plan. These are public sector programmes and project management skills are as nearly as lacking as policy-making skills.

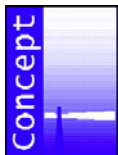
In three States, this is being formalised into better policy-making, with more emphasis on outcomes for people. Jigawa State is considering a new IA test for major infrastructure projects, Lagos State is developing an IA system for all major projects and Kano State is building IA into a new policy-making process.



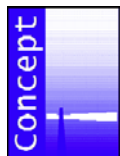
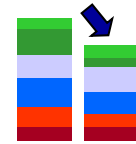
# Common Themes



- The appeal of IA in theory is universal but it remains challenging to implement successfully.
- The key to IA is asking the right questions, not the processes or, perhaps, even getting the right answers. It is the discipline of being aware of potential impacts that is fundamental since it will always be impossible to predict everything.
- There is a genuine level of technical difficulty in practice but there are also genuinely complicating factors at the meta-instrument level involving:
  - Distrust of centrally mandated processes as constraints;
  - The quasi-scientific approach being used to counter political judgement;
  - The lobbying of special interest groups.



Takk



Front-end Management of Major Projects