

***Impact Assessment in the EU: The State of the Art and the Art of the State* by Andrea Renda 2006**

Widely used across Anglo-American countries, 'Impact Assessment' (IA) is increasingly viewed as *the* tool with which to gauge the impact of policies on the economy, environment and society. Hooked by this promise, and in response to the pressures for more transparency and evidence-based arguments in the formulation of EU legislation, in 2002 the European Commission introduced its 'Integrated Impact Assessment' (IIA) procedure. At the outset, the idea was to integrate economic, environmental, and social policy considerations in the analysis of proposed EC legislation, although the current drive to meet the targets of the Lisbon agenda has made economic competitiveness a key concern in IIA.

The book evaluates the early deployment of IA (covering the period between its first applications in 2003 through to July 2005). On the face of it, the findings are not promising with the early years of IA in the EU resulting in what the author – Andrea Renda – calls a 'sea of disappointment' (p. 2). At the same time, one has to be aware of the limitations of this study, both in terms of internal coherence, and its scope. But let us have a quick look at the findings first.

Renda is clear. IA's failure to deliver is not symptomatic of any inherent weakness in the policy tool itself. It is the procedure's development within the EU and, in particular, the Commission's execution of its IIA framework which has undermined the tool's viability. The second section of the book anatomises this failure. Drawing upon previous evaluations of IA in the US and earlier studies of the EU's nascent system, the Commission's first seventy assessments of major policy initiatives are rated using a specially devised 'scorecard' – in large part adapted from the US literature. With this, Renda catalogues a litany of inconsistent, incomplete and, apparently, confused implementation.

In organizational terms, IA's early application has been dogged by intra-Commission conflict. Theoretical problems have also arisen – just over half of the IAs conducted has considered the principles of proportionality and subsidiarity. However, it is the methodological shortcomings of the Commission's approach that are placed centre stage. The dearth of the monetised costs and benefits that IA is designed to yield is presented as the most pressing problems faced by the Commission. The case against is appears compelling. Only 40% of the IAs conducted so far quantified any costs this drops to 27% for monetised costs. The burden for businesses was identified in only ten cases.

Perhaps most alarmingly, the central goal of this *ex ante* tool – the identification of alternative policy options – appears increasingly displaced. In 2003 only 19% of cases outlined and monetised policy alternatives. In 2005 this figure stood at just 4.5%. The outlook is not entirely bleak however. Social and environmental implications of regulations were recorded in 81% and 64% of cases, respectively, and consultation reported in almost all seventy assessments.

Turning to the book's limitations, the internal coherence of this study suffers from two problems. First, the Commission has used IA in an experimental fashion between 2003 and early 2005. In a sense, 2005 is the real 'year 1' of the Commission's journey into impact assessment. Accordingly, the Commission has raised its own standards between 2003 and 2005 with different releases of its own guidelines. The 2005 guidelines for IA get very close to the scorecard used by Renda. Interestingly, neither Renda nor other observers have made any criticism of the 2005 guidelines. Yet, Renda is applying sophisticated criteria retroactively, using high standards to score IAs produced in a pilot stage – a period in which the Commission's guidelines were less sophisticated, and the regulators were not expected to match the current high-level standards.

Second, internal coherence is compromised by the fact that items such as quantification of benefits are fundamental for some types of proposed rules, but not for others. In the pilot period, the Commission has impact assessed broad framework directives, pilot projects for the simplification of the tax environment of small and medium enterprises, and non-regulatory proposals. To look for percentages of IAs that quantify benefits across the universe is misleading. One should tailor scorecard to a coherent universe, or produce a sample from the universe with the same structural properties.

It is also likely that some of the good news stories on IA have been missed by the evaluation technique deployed in the book. Renda provides a shorthand of results, not fine grained analysis. Notably, the Commission's progress in terms of transparency, accountability, communication, quality of consultation, and mandatory standards is not captured as these concepts fall outside the scope of a quantitative scorecard approach and are not acknowledged in the book.

Integrative learning in complex organisations takes place across relatively long period of time and the experience of practically all countries shows that the institutionalisation of impact assessment is a slow process. The success of IA in the US and UK did not happen overnight. As the book's account of IA's application in these places makes clear, efficiency gains were the result of iterative development. Between 1996-1999, over 15 years after IA's introduction in the US, policy alternatives were only being considered in 27% of cases and costs and benefits quantified in 31%.

The book's final section looks to the future outlining ten detailed amendments to the current model. Drawn from the lessons of the US, UK and the EU's application thus far, these 'roadmaps' range from proposals to enable the Commission to fully implement its existing IA commitments to longer term aspirations. The roadmaps are strongly normative in character and have no clear theory behind them. To illustrate, Renda mentions that some observers have used a 10% discount rate (.p.90), but this can be criticised as a solution that makes environmental policy goals irrelevant in impact assessment. The positive and normative theories from which suggestions are derived should have been clearly delineated to enable to reader to formulate a balance judgement.

This text has much to recommend itself to several audiences. Renda provides an accessible account of IA's development both within and outside the EU. The updated

scorecard provides a starting point to academics (particularly from law, public administration and economics) wanting to get up to speed on the subject. However, the book must be read with an awareness of its limitations. One can only hope that scholarly interest in this topic will soon increase, and other approaches to data analysis and policy appraisal will be produced to complement Renda's valuable book.

23 March 2006

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