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International School of Economics at TSU  
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## **POLICY PAPER**

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# **Ensuring Quality of Regulatory Impact Assessment in Georgia: Options for the Certification of Experts**

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# INTRODUCTION

The Government of Georgia (GoG) started the process of institutionalizing RIA as an integral part of policymaking almost a decade ago. These efforts culminated with the realization of Ordinance No. 35, Tbilisi, 17 January 2020 (“ordinance” from here on).

Under this ordinance, Georgia formally institutionalized the Regulatory Impact Assessment (RIA) (“On the Approval of Regulatory Impact Assessment (RIA) Methodology”). The ordinance also introduced amendment #4607 to the Law on Normative Acts, from 29 May 2019,<sup>1</sup> which promotes enhanced evidence-based, participatory decision-making in the country. Following the Ordinance, RIA became mandatory:

- a) In the course of preparation of a draft law on amendments to the legislative acts, those included in the list of such acts, determined periodically by decree of the Government of Georgia, if a draft law is initiated by the Government of Georgia;
- b) In certain cases, by decision of the Government of Georgia, during the preparation of a draft law by the executive body.

This partially addressed the criticisms raised in the 2018 SIGMA/OECD report, according to which the RIA implementation process was delayed by the absence of tools and capacity and by the lack of official documents institutionalizing the RIA practice and defining minimum standard characteristics, with a negative impact on the quality of analysis supporting new policies and laws.

The approval of the ordinance shifted the emphasis to the need to accelerate capacity-building efforts in different government institutions, to put them in the condition of abiding by the new legal requirements. At the same time, it put the GoG in front of the challenge to set up a long-term sustainable system for the training of current and future public servants, aimed at the continuous upgrading and upscaling of their skills in RIA. In the immediate aftermath of the approval of the ordinance, ISET-PI experts were asked to develop and deliver a series of training programs to the benefit of public servants conducted between 2020 and 2021. At the same time, at the request of the GoG and of other key stakeholders – and with the financial support of the USAID Good Governance Initiative - ISET-PI experts developed and published an RIA Manual for Practitioners, which was introduced to the public during an online event held on April 8, 2021. The onset of the COVID-19 pandemic and the dramatic impact it had in Georgia and worldwide, however, did slow the process significantly. For example, the Parliament of Georgia – that was contacted while drafting this report – has reported not to have received any draft law accompanied by RIA over

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<sup>1</sup> The law defines the scope and hierarchy of any normative act prepared in Georgia.

the period 2021-2022, although several RIA studies (14 according to our sources – of which about half were started in previous years) were conducted over the same period.

In parallel to the initial capacity-building efforts, donors coordinated discussions between the GoG, the Georgian Parliament, representatives of Business Associations, and Civil Society about how to complete the institutionalization of RIA in the country, which involves ensuring a sustainable long-term program for capacity-building and upgrading, as well as the development of a RIA revision/quality control system, possibly involving academia, and CSOs. The discussion continues. According to experts, donor organizations seem to have different views about the ideal structure of such a quality control system. The government, and national stakeholders, at the moment, do not appear to have a strong view of the issue.

Now that Georgia, like most countries around the world, seems to have exited the toughest phases of the COVID-19 crisis, the country's policy agenda should be seeing a comeback of RIA's implementation as envisioned when Ordinance No. 35 was approved. More recently, trainings and other initiatives to support RIA institutionalization have indeed been restarting, although the pace remains slow relative to what was expected following the RIA institutionalization. Some RIAs appear also to have been commissioned by international donors, although not immediately connected to any planned legislative change. This acceleration of this comeback is expected to be accompanied by increased demand for RIA experts to staff RIA units in ministries, the Parliament, Academia, Civil Society, Think Tanks, etc.

## NEEDS ASSESSMENT

The number of individuals currently proficient in RIA in Georgia is difficult to assess. While, over the years, between 200 and 300 current or former public servants, plus a limited number of individuals working in CSOs and academia, might have been at some point involved in RIA trainings of some kind, the number of people able to conduct a full RIA exercise (in its most basic form) in the country can be expected to be much lower. A rough estimate from expert RIA trainers puts it below 40 units. This is due both to the complexity of the issues at hand, requiring quite specific skills, and to the impossibility to develop\transfer these skills during short trainings to participants with heterogeneous backgrounds. The number of individuals capable of conducting the most complex RIAs goes down further, very likely below 15 units. It is also important to keep in mind that not all those able to conduct a full RIA (standard or in-depth, the two types mentioned in the ordinance) are currently working as public servants and/or even working on RIAs, also due to the great turnover experienced by public servants since the first RIA trainings started.

For a successful RIA institutionalization, and considering the potentially large number of amendments to legislative acts that might require a RIA assessment every year (across – potentially – all ministries), the number of qualified RIA experts should be significantly larger.

In the aftermath of the approval of Ordinance No. 35, during discussions with representatives of GoG and several donors emerged the aspiration to have about between 60 and 100 individuals be fully trained in conducting (basic) RIAs over 12 months, just in the public sector<sup>2</sup>. These individuals were expected to receive training focusing mostly on standard RIAs – the less technically complex and more qualitative version, which is expected to be the norm, accompanied by an initial period of “mentoring” as they were engaging in RIA exercises, to become fully autonomous. The demand for trained RIA experts was expected to more than double over a 24-month time horizon, as the demand from business associations and civil society would kick in, compensating for declining demand from the public sector. In the longer term, the number of new trainees receiving “basic training” was expected to stabilize at 60-80 per year, including both demand from the public and the private sectors (and keeping in mind the physiological turnover of personnel). In addition, the demand for RIA experts with intermediate and higher skills was also expected to grow over time, reaching a yearly demand of 20-30 individuals per year over 24 months and up to 10 per year, respectively.

The insufficient number of experts in the RIA field in the country constitutes a significant hurdle to the true and effective institutionalization of RIA, and it can be expected to hamper the development of fully transparent and proper governance.

## WHY CERTIFICATION IS IMPORTANT

As mentioned above, the existing number of RIA experts at all levels remains substantially lower than the projected needs for the country.

Over the last few years, courses aiming at providing basic RIA knowledge across the academic institutions of the country have been proliferating (at least on paper), often with the support of international donors. However, this might not be sufficient to ensure the country can close the gap in a satisfactory way and over a reasonable amount of time. There are several reasons for this. First, the quality and depth of the RIA courses and trainings delivered are still heterogeneous and, in several cases, scarcely connected to real practice. In most cases, these courses are delivered by lecturers with either limited (or partial) practical RIA experience, and/or relatively weaker academic/technical background. In our experience, most of these courses do not provide

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<sup>2</sup> This number appears realistic, considering the number of ministries (10) who will need to train some of their staff members to perform RIAs, to which should be added the Administration of Government (AoG), the Parliament Secretariat and other public institutions/agencies.

adequate preparation to conduct even a complete standard RIA. Second, RIA cannot be taught in isolation. This is acknowledged also by the OECD in its recent report (2022) about how to establish RIA in Mauritius. According to the OECD, “Developing appropriate skills for RIA needs to be understood as a strategic priority for the implementation of a RIA framework [...]. Relevant capacity notably refers to technical and methodological skills, crucially including problem appraisal, costing methods, and collecting and interpreting relevant data” (OECD, 2022). More specifically, being able to perform a Regulatory Impact Assessment correctly requires, on top of learning and mastering the RIA methodology, having at least a basic knowledge of – among others – economics, quantitative methods (data collection and data analysis methods), cost-benefit analysis, impact evaluation, as well as of the legislation regulating the drafting and approval of legislative amendments. The challenge looks even greater if we consider in-depth RIAs, which require a mastery of the above-mentioned subjects (and more). It is important to highlight that making sure RIA analysts possess such skills and knowledge remains a challenge not only for developing and emerging countries (Adelle et al. (2016)) but also in developed countries who led the institutionalization of RIA (see the UK case discussed in: Regulatory Policy Committee, 2020).

At this stage, no existing RIA course is properly embedded in relevant higher education programs providing adequate training for such type of analysis. Among the existing academic programs, only very few, such as the BA and the MA in Economics offered by the International School of Economics at TSU, could be adjusted to provide a proper specialization path for those wishing to start a career as RIA analysts and experts.

In absence of a systematic and concerted effort to monitor, streamline and improve the way RIA and its related subjects are taught in the country, or at least to assess objectively the level of preparation of RIA experts graduating from different institutions, the risk is that poorly qualified individuals enter the job market as RIA experts, ultimately lowering the quality of the pool of experts, and resulting in sub-standard RIAs and less effective policymaking.

This issue is problematic to solve in a decentralized manner, given the limited number of individuals and institutions able to conduct and lead RIAs in the country (especially of the most complex type), and – therefore – able to assess whether the level of preparation of candidates to RIA expert jobs is sufficient for the task at hand and/or to train them “on the job” in sufficient numbers.

A possible step towards addressing this challenge is to ensure a proper certification and capacity building system, designed to test the qualifications of RIA experts and/or to ensure that institutions and individuals involved in the RIA process possess a minimum set of skills and knowledge commensurate to their role. This might constitute an ideal complement to the institutionalization of ex-post RIA quality control.

# THE INTRODUCTION OF A CERTIFICATION SERVICE IN GEORGIA

There is currently no unique international standard that regulates certification schemes for RIA experts. Academic institutions and training centers that conduct RIA training programs in Europe and around the world are not accredited by any International Accreditation Center. Therefore, such training programs cannot be perceived as certification schemes, as per international standards on examination of qualifications. Such trainings are rather in-house or tailor-made (short duration) courses for individuals who already possess a sufficiently strong academic/practical background and use them to strengthen their position in the national or international market. Despite that, international certificates are issued to the successful trainees and their international/national recognition relies mostly on the issuer's reputation and the complexities/contents of the training courses.

Based on consultations with international RIA experts, and on the study of reports on best practices and on the experiences of countries in which RIA has been institutionalized, national certification standards (and programs) are also missing. In all countries, both developing and developed, trainings seem to remain the favored method of capacity building, although (as mentioned above) it shows clear limitations, especially in developing and emerging countries. In a 2016 study analyzing the experience of 16 developing and emerging economies, Adelle et al. found that the lack of institutional capacity remained one of the main barriers to a successful and sustainable institutionalization of RIA, even in countries (e.g., Uganda) in which substantial training efforts were put in place, for several years, with the support of international donors.

## Certification in Georgia – possible institutional setup

After considering the existing national legislation about education, accreditation, and certification schemes, as well as the international experience, the three most plausible directions to follow for the development and establishment of certification of RIA experts and RIA trainers in Georgia appear to be:

1. **Formal process based on (currently non-existing) national legislation.** This case would be characterized by an official legal requirement that RIA experts and RIA trainers are certified. In this case, the establishment of a certification program would require following a formal process, in line with the national legislation, according to which the scheme of certification should either be accredited by the [National Center for Educational Quality Enhancement](#) (EQE) or the [Georgian Accreditation Center](#) (GAC). Institutions aiming to provide accredited training programs would have to comply with the legal requirements for

a certified program. Currently, however, the Georgian legislation does not require any certification to operate as an RIA expert and/or a RIA trainer, in absence of which neither EQE nor GAC can currently accredit any scheme of certification for RIA experts and RIA trainers. The situation might change only if the GoG decided to introduce the requirement of certification by law. The certificate of proficiency issued by an authorized institution would, then, serve as proof of qualification. It is fair to say, however, that at this stage this option appears to be implausible, as there are no discussions about the intention to introduce the legal requirements for certification in this area.

2. **Joint initiative between the GoG and a selected specialized institution(s).** In this scenario, a partnership could be established between the GoG and one or more recognized institutions with a proven (and outstanding) track record in terms of *academic excellence, competence, reputation and experience in the realization of high-quality complex RIA reports, RIA training experience*. A such partnership should have the purpose of defining the desired levels of knowledge and skills for RIA experts and RIA trainers and, ideally, allow the establishment of standardized examinations and certification procedures for all involved institutions. Within the 'designated' institution(s) this process should be supported by international experts as well as domestic RIA experts with deep knowledge and understanding of Ordinance No. 35 and substantial experience in the realization of RIAs in the Georgian context, to ensure the best international and national practices are embedded in the certification process. In this case, there would not be any need to go through the expensive formal process of authorization and/or accreditation of the training and certification institution/program. This self-administered certification process, involving a very limited number of institutions, would have the potential to grant some visibility and recognition of the certification, as well as significantly reduce the heterogeneity in the qualifications of certified experts and trainers. As a potential drawback, setting up and sustaining this arrangement would require the commitment of on the government side to get involved in the process, and the institution of a joint institutional mechanism for monitoring and quality control (among the certifying institutions), which might have a slight impact on costs of delivery, and limit to some extent the autonomy of each individual educational institution involved. The initial selection of the institution(s) and the identification of the individuals and bodies representing the GoG in the process would likely be the most critical step, conditioning the evolution of the system.
3. **Informal recognition at the stakeholder level, based on the reputation of the issuing institution and content of training courses.** This is the least bureaucratic and costly option, which does not require drafting any general legislative provision, nor to go through the expensive formal process of authorization and/or accreditation of the training and certification program, nor to set up a joint initiative between the GoG and selected institutions. In this case, the most critical requirements for the success of the training and certification program would be the capacity of the certifying bodies to test and certify objectively the existence of the required competencies and skills, to provide courses in all

the key subjects, and to enjoy a strong reputation in the field. This solution, although potentially the easiest to implement, can be expected to take longer to reduce uncertainty and to increase awareness about the true quality of training and certification institutions unless one or more highly qualified and reputable certification institutions emerged quickly. Until then, the risk to perpetuate a heterogeneous and fragmented training system might persist.

All these certification systems will be ideally substituted – when enough certified RIA professionals and trainers are in the market – by a new system in which RIA professionals and RIA trainers form a professional association that takes over the main responsibilities for the certification process, while educational institutions maintain their educational role.

The training/certification program should be developed in a way that maximizes its relevance and adherence to market needs, both present, and future. In this sense, it would be important to develop a modular approach to certification, with different levels of certification associated with different levels of complexity of the functions to be performed by RIA experts and RIA trainers. The contents of the modules should be updatable (and updated) regularly, based on the evolution of the needs and the characteristics of the market, as determined by the evolution of national legislation about RIA as well as national and international best practices.

## **Certification in Georgia – possible certification program structure**

Ordinance No. 35 introduces two different types of RIA exercises, standard and in-depth. While there are important similarities between the two types of RIAs, completing a high-quality in-depth RIA requires higher-level quantitative skills and a full understanding of the RIA methodology, which is usually not necessary to implement standard RIAs. Moreover, team leaders (also for standard RIAs) need greater expertise and preparation than other team members. Finally, RIA trainers need not only to have a full understanding of the RIA methodology and master the skills required to successfully conduct the type of RIA presented during their trainings, but also to be trained in delivering trainings effectively.

Based on the different combinations of skills required to properly conduct and/or lead an RIA exercise, as well as deliver trainings, a modular structure for RIA certification could be based on three main levels for each of the groups to be certified (RIA experts and RIA trainers). For each level, it is suggested that RIA experts and RIA trainers prove their proficiency in several areas, necessary to conduct high-quality RIAs. The tests for the lower levels of certification should be conducted more frequently as the demand for such certifications can be expected to be higher (and achieving such certification would be required to apply for higher-level certifications).

## **The professional development path for RIA analysts/experts**

The path should be opened to all individuals satisfying the agreed prerequisites. For example:

## **Level I (Basic – for juniors assisting in realizing standard and in-depth RIAs).**

*Pre-requisites:* open to all those documenting the possession of a relevant<sup>3</sup> BA diploma plus one year of relevant working experience<sup>4</sup>; relevant MA diploma; relevant Ph.D. diploma; other relevant international certifications (e.g., Certified Analytics Professional (CAP) certification); non-relevant BA or MA or Ph.D. plus 2 years of relevant working experience.

- Achieving Level I certification requires passing an exam (written and, potentially, oral) on a set of topics such as:
  1. Basic economic concepts (micro and macro);
  2. Fundamentals of economic, social, and environmental analysis of the impact of regulation;
  3. Basic statistical and financial analysis concepts (with applications in Excel);
  4. Knowledge of Government Decree #35 on RIA and associated methodology;
  5. Written in-class development of a synthetic RIA document;
  6. Critical analysis of a RIA document.

**NOTE:** Exams for topics 4, 5 and 6 will require having attended two 21-hour courses on topic 4 and 5. Exams for topics 1, 2 and 3 will require also attending 21-hour preparatory courses on each topic, unless the preparatory courses are waived by the certifying institution<sup>5</sup>.

## **Level II (Intermediate – standard RIA team leaders and analysts in standard and in-depth RIAs)**

*Pre-requisites:* having obtained the Level I certification and proving at least one year of practical experience in conducting RIAs.

- Achieving Level II certification requires passing an exam (written and, potentially, oral) on a set of topics such as:
  1. Principles of Environmental Economics and Social Economics;
  2. Principles of Impact Evaluation;
  3. Principles of Econometrics;
  4. Principles of Cost-Benefit Analysis;
  5. Written in-class development of a synthetic Qualitative Cost-Benefit Analysis with economic, social, and environmental;
  6. Managing Standard RIAs.

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<sup>3</sup> Among relevant fields we include: Business Administration, Data sciences, Economics, Law, Public Administration, Public Policy, Social Sciences, Statistics.

<sup>4</sup> As managers, accountants, economists, analysts, lawyers, social scientists, statisticians.

<sup>5</sup> The course can be waived if an equivalent course has been taken during previous studies, based on the documentation provided by the candidate and on the assessment of the certifying institution.

**NOTE:** Exams for topics 5 and 6 will require having attended two 21-hour courses on topics 5 and 6. Exams for topics 1, 2, 3 and 4 will require also attending 21-hour preparatory courses on each topic, unless the preparatory courses are waived by the certifying institution<sup>6</sup>.

### **Level III (Advanced – Team leaders and analysts for in-depth RIAs)**

Pre-requisites: having obtained the Level II certification and proving at least 2 years of practical experience in conducting RIAs.

- Achieving Level III certification requires passing an exam (written and, potentially, oral) on a set of topics such as:
  1. Time series econometrics;
  2. Panel data econometrics;
  3. Fundamentals of computable General Equilibrium modeling;
  4. Fundamentals of optimization, covering linear and non-linear programming;
  5. Evaluation of impacts from observed behavior: experiments and quasi-experiments;
  6. Estimation of impacts from observed behavior: direct estimation of demand curves and consumer surplus;
  7. Evaluation of impacts from observed behavior: indirect market methods;
  8. Contingent valuation methods: using surveys to elicit information about costs and benefits.
  9. Management of in-depth RIAs.

**NOTE:** Exams for topic 9 will require having attended a 21-hour course on the topic. Exams for topics 1, 2, 3, 4, 5, 6, 7 and 8 will require also attending 21-hour preparatory courses on each topic, unless the preparatory courses are waived by the certifying institution<sup>7</sup>.

## **Professional development path for RIA trainers**

RIA trainers should be individuals able to teach RIA best practices at different levels of complexity. It is important to highlight that teaching best RIA practices does not include teaching specific (specialized) methods or subjects (e.g., econometrics, economics, cost-benefit analysis, impact evaluation), requiring a specific academic background not provided by the RIA trainings. This path should be opened to all individuals satisfying a minimum set of requirements to be defined by the certifying institutions.

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<sup>6</sup> The course can be waived if an equivalent course has been taken during previous studies, based on the documentation provided by the candidate and on the assessment of the certifying institution.

<sup>7</sup> The course can be waived if an equivalent course has been taken during previous studies, based on the documentation provided by the candidate and on the assessment of the certifying institution.

# POTENTIAL CLIENTS FOR A CERTIFICATION SERVICE

The potential customers for such certification service (accompanied by the offer of targeted training) are:

- Public institutions (GoG, individual ministries, Georgian Parliament, etc.) aiming to:
  - assess the preparation of their personnel;
  - identify and close gaps in their preparation.
- Private institutions (training programs, think tanks, consulting companies, etc.) aiming to:
  - certify the preparation of their personnel before offering training and/or consulting services to public administration bodies;
  - assess the preparation of their personnel and/or identify and close gaps in their preparation.
- Employed individuals performing (or aiming to perform) duties as RIA analysts and/or trainers (both in the private and in the public sector), aiming to expand and demonstrate their competencies further, to progress in their career.
- Private individuals interested in proving and extending their competencies to enter the labor market as RIA analysts/experts/trainers.

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## ISET POLICY INSTITUTE

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