



ReforMeter

RIA INSTITUTIONALIZATION REFORM ASSESSMENT REPORT

MARCH 2023

The USAID Economic Governance Program Grant Activity: Support to the Reform Progress Tracking System – ReforMeter

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ABOUT THE RIA INSTITUTIONALIZATION REFORM

Regulatory Impact Assessment (RIA) is a process of evidence-based policymaking, which helps in complying with better regulatory principles and designing better regulations. RIA is a tool for transparency of the legislative process. The issue of RIA institutionalization has been a commitment envisaged in the international and national policy documents of Georgia. Therefore, the RIA Institutionalization Reform aims to incorporate this mechanism into the routine of policy planning, design, and implementation in Georgia. Institutionalization implies establishing procedures, rules, and a set of logical steps to be followed while preparing policy proposals. This process creates evidence for political decision-makers on the advantages and disadvantages of possible policy options by assessing their potential impacts. The results are summarized and presented in the Impact Assessment report. Given the high flow of draft normative acts in Georgia and the current limited capacity and resources, the initial stage of the reform involves mandatory use of RIA for such draft laws only that have potentially significant impacts. It further includes some capacity-building measures - the main ones involving training the civil servants to carry out and scrutinize RIA, developing a manual providing guidance in applying analytical tools, and organizing campaigns to motivate large participation of the private sector and civil society in consultations and scrutiny of RIA. Georgia has introduced requirements for RIA and RIA Methodology into the legal framework. The Methodology includes principles of better regulation and requirements related to the RIA content and the process of RIA. The requirements for RIA content were designed to serve as quality check criteria, which could effectively guide both the RIA drafters as well as its reviewers/scrutinizers, including the Government Parliamentary Secretary and other stakeholders.

REFORMETER METHODOLOGY

Under the ReforMeter project, reform assessment is conducted through three distinct tools:

1. **Government survey** evaluates the government's progress in reform implementation across four domains: legal framework; infrastructure and budget; institutional setup; and capacity development. The survey measures the government's distance from the stated reform objectives on a scale from 0% (no action has taken place) to 100% (all desired systems are fully implemented, monitored, and evaluated).
2. **Stakeholder survey** is used to assess the reform progress across four dimensions: reform content and adequacy; current performance; reform progress; and expected outcomes. Members of the stakeholders' group (excluding the implementing GoG stakeholders) set scores on a scale from 1 (poor performance) to 10 (strong performance) for each dimension (for more details regarding the questionnaire, please see Annex I).
3. **Reform-specific objective indicators**, used as a proxy for reform effectiveness, are designed to track the reform progress.

RIA Institutionalization Reform assessment integrates all the above-mentioned evaluation tools with slight modifications in the government survey component. Considering that the current event was the first attempt to evaluate the reform's progress, instead of setting scores, a qualitative assessment of the



government's progress was conducted. The responsible government institutions' progress in the reform implementation was evaluated against critical milestones that were initially planned to be achieved as identified based on desk research and consultations with key stakeholders of the reform (including the government of Georgia and the USAID Economic Governance Program).

The First assessment of the RIA institutionalization Reform was conducted on March 1, 2023. In total, it is planned to conduct three PPD events devoted to the RIA institutionalization Reform evaluation in 6-month intervals under the ReforMeter project. Thus, RIA Institutionalization Reform will be again evaluated in September 2023.

ASSESSMENT OF THE REFORM IMPLEMENTING INSTITUTIONS' PROGRESS

There are several institutions implementing RIA Institutionalization Reform in Georgia. The process has been championed by the Ministry of Economy and Sustainable Development of Georgia (MoESD). The Economic Policy and Regulatory Impact Assessment Division was created in 2007, specializing in issues related to Regulatory Impact Assessment and assisting different state institutions in the preparation of RIA reports. Further, according to the new RIA Methodology adopted by the Government in 2020, The Parliamentary Secretary of the Administration of the Government of Georgia has been assigned the core role of quality assurance of the RIA reports prepared by the Governmental bodies. Considering the decentralized character of the RIA institutionalization reform, every state institution involved in policy-making has a role in the process of the reform implementation – the very essence of the RIA institutionalization is that the mechanism should be incorporated into the daily routine of policymaking on every level including ministries, public agencies, parliamentary committees.

Table 1 given below, provides a detailed overview of the main reform activities and their current status as of March 2023.

Table 1: Reform activities and their status.

	<i>Implemented</i>	<i>Planned</i>
LEGAL FRAMEWORK	<ul style="list-style-type: none"> The Mandatory RIA has been imposed on Government legal initiatives related to 20 laws; RIA Methodology has been adopted. 	<ul style="list-style-type: none"> Adoption of RIA SME Test.
INSTITUTIONAL SETUP	<ul style="list-style-type: none"> Division specialized in RIA has been established in MoESD; Parliamentary Secretary of the Administration of the Government of Georgia has been assigned the mandate for RIA quality assurance; RIA Support Platform has been established. 	<ul style="list-style-type: none"> Preparation of the Methodology for RIA report quality assurance
INFRASTRUCTURE AND BUDGET	<ul style="list-style-type: none"> RIA reports are published on the websites of MoESD and the Parliamentary Budget Office. 	<ul style="list-style-type: none"> Development of the RIA Portal and RIA Library
CAPACITY BUILDING	<ul style="list-style-type: none"> The employees of the Office of the Parliamentary Secretary have been trained in RIA quality assurance; A significant number of civil servants have been trained in RIA Methodology. 	<ul style="list-style-type: none"> Another round of civil servant training on RIA Methodology

A qualitative assessment of the reform’s progress revealed that even though the use of the RIA mechanism is not fully institutionalized in Georgia, important steps are being made in this direction: the mandatory development and submission of RIA reports have been introduced in relation to amendments initiated by the Government, the list of the laws subject to mandatory RIA has been defined, and the methodology for Regulatory Impact Assessment was adopted. The Parliamentary Secretary of the Government Administration was assigned to perform the function of RIA reports quality scrutiny according to methodology. With USAID’s Economic Governance Program’s support, the RIA Support Platform was established, including three independent RIA experts available to assist the state institutions in the process of report preparation. A number of civil servants from various state institutions have been trained in RIA methodology.

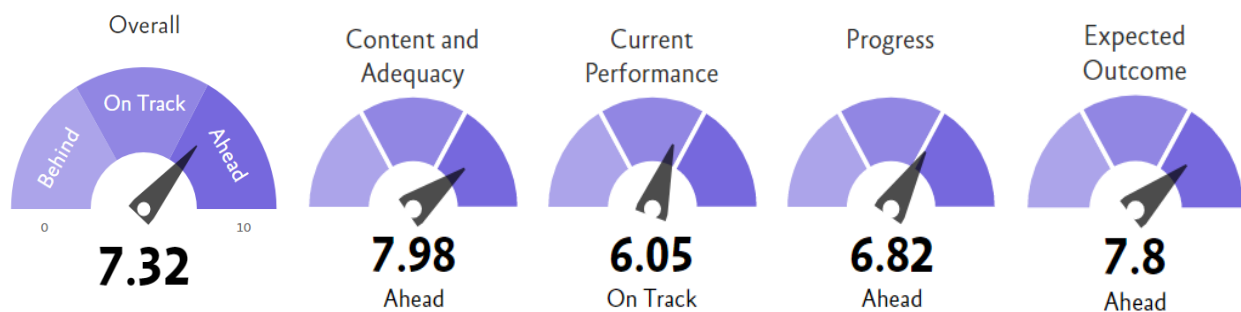
As for ongoing and planned activities, the development of the RIA SME Test, the task defined by Georgia’s SME Development Strategy 2021-2025, is on the agenda of MoESD. The idea of establishing the Peer Review Platform as a quality assurance mechanism for RIA reports is still under discussion. The process of

preparation of methodology for quality check of RIA reports with the support of the USAID Economic Governance Program is progressing. Further training of public servants on RIA methodology is also envisaged by the PAR Strategy of 2023-2026. Lastly, the creation of a unified platform – RIA Library is considered, ensuring the accessibility of all RIA reports. However, no specific plan is in place yet.

STAKEHOLDER ASSESSMENT

The first PPD event on the RIA Institutionalization Reform was attended by the representatives of all key reform stakeholders, such as the Parliamentary Secretary of the Administration of the Government of Georgia, representatives of the Ministry of Economy and Sustainable Development of Georgia, Ministry of Finance of Georgia, Ministry of Justice of Georgia, Committees of the Parliament of Georgia, Parliamentary Budget Office, Parliamentary Research Center, Office of the Business Ombudsman of Georgia, Insurance State Supervision Service. The non-governmental stakeholders such as the USAID Local Governance Program, United Nations Development Programme (UNDP), Policy and Management Consulting Group (PMCG), PMCG Research, PMO Consulting, Investors Council, American Chamber of Commerce in Georgia, Georgian Chamber of Commerce, Small and Medium Enterprises Development Association (SMEDA), European Business Association (EBA), Center for International Private Enterprise (CIPE), the Ilia State University and field experts also attended the event.

Overall, stakeholders (besides reform implementing state entities) assessed the RIA Institutionalization Reform with a score of 7.32 showing strong performance. Significantly, the evaluation in each assessment category also showed strong performance.



PUBLIC-PRIVATE DIALOGUE

PPD attendees shared their perspectives on the significance of the RIA Institutionalization Reform and suggested possible improvements to the current state of its implementation. The event participants highlighted obvious progress as through donor support, more reports are being prepared, and the quality of those reports has improved over the years. However, the establishment of the use of RIA as a regular practice and the quality of prepared documents remain the problem that can not be solved with the imposition of mandatory RIA.

Precise insights from the PPD event are given below:

- David Songulashvili, The Chairman of the Sector Economy and Economic Policy Committee, in his opening statement, primarily emphasized the importance of RIA institutionalization in the legislative process. He stressed the role of the Parliamentary committees in the reform implementation. The Parliamentary Secretary of the Government Administration, Vakhtang Bachiashvili, highlighted the role of his office as the RIA quality scrutiny body. The office of the Parliamentary Secretary performs this function according to the Methodology. He further noted that the office focuses on formal compliance of RIA reports with the requirements of the methodology. According to him, the adoption of the methodology for RIA quality scrutiny will improve their operation in this direction. Mikheil Sarjveladze, the Chairman of the Human Rights Committee at the Parliament of Georgia, stated that it is important to not only oblige state institutions to commit to RIA processes but rather incentivize them, and these incentive mechanisms need to be developed. Aleksi Aleksishvili, a member of the ReforMeter Steering Committee, noted that the obligatory nature of RIA preparation by government institutions might push them to prepare low-quality reports solely aiming to tick the box. He added that therefore the imposition of the formal duty is not enough and it is also important to develop RIA culture and a sense of ownership among policymakers seeing RIA as a useful instrument for critically assessing their policy choices and utilizing it effectively during policy development. He considered it absolutely necessary to institutionalize RIA for regulations at the sub-legal level as well as policy documents.
- Attendees expressed their concerns about the lack of competence among civil servants to prepare quality RIA reports independently, without any support from external actors. Tea Loladze, the Head of the Economic Policy and Regulatory Impact Assessment Division at the Ministry of Economy and Sustainable Development (MoESD), confirmed that although MoESD is assisting other state agencies in the preparation of RIA reports, the lack of competent human resources is an obvious challenge. She mentioned that as Georgia's SME Development Strategy 2021-2025 envisages the development of the RIA SME Test, the training series is also considered in this direction. Maia Guntsadze, Regulatory Impact Assessment /Monitoring, Evaluation, and Learning Advisor at the USAID Economic Governance Program, noted that the Program had trained civil servants from more than 14 state institutions. She highlighted the usefulness of the RIA Support Platform involving three independent experts ready to assist state agencies in RIA preparation.

She confirmed that the National Environment Agency and the Service of State Supervision of Insurance have already utilized the Platform while preparing RIA reports. This was later confirmed by the Deputy Head of the Service of State Supervision of Insurance, Eka Tsereteli. Shorena Kakhidze, the representative of the parliamentary Budget Office, also shared her concerns regarding the outflow of trained human resources preventing the establishment of civil service capable of preparing RIA reports independently. She emphasized the general role of the Parliament as an institution for the quality check of RIA reports submitted by the Government and as a provider of reports on its own initiatives. According to her, although this role is not confirmed in Georgian reality, the institution needs to be prepared anyway. Therefore, she suggested the creation of an online training course and methodological handbook, especially for quantitative analysis. Marika Gorgadze, the representative of the USAID Local Governance Program, contributed to the discussion by pointing out that the lack of willingness from state institutions to engage in RIA scrutiny is the major factor setting back the RIA institutionalization process. She further noted that this reluctance is even more problematic at the municipality level, which is often forgotten while discussing the reform. Aleksis Aleksishvili also commented on the topic and highlighted that outsourcing of services for RIA is a normal international practice. According to him, it is more important to ensure that policymakers are aware of their policy choices they make, give well-defined tasks to RIA experts, and are genuinely interested in the results of RIA analysis.

- All the above-mentioned led to the discussion regarding RIA experts. Mariam Tsulukidze, Senior Researcher at ISET Policy Institute, reviewed the ISET PI's policy note on Expert Certification Models and Relevant Options for Georgia. Attendees highlighted the role of the qualified experts but advised certification to be implemented as a soft tool rather than a strict exclusion mechanism. Nino Chokheli, the Deputy Chief of Party at the USAID Economic Governance Program, noted that certification could be discussed as a horizontal self-regulatory option, not vertically imposed by the state. David Lezhava, the Public Policy Director of PMCG, shared the opinion in this regard, adding that quality is primarily defined by motivation, which is the aspect the efforts should be focused on. He also advised the ReforMeter team to observe indicators related to the process of RIA preparation – the results of public consultations and whether the RIA results are considered and reflected in changes in regulations.
- In the final part of the dialogue, the importance of preparing ex-post RIA was highlighted by Mariam Chachua, Associate Partner at PMO. Irina Tsakadze, Head of the Department of Legal Drafting at the Ministry of Justice, further developed the topic by suggesting the creation of a separate methodology for ex-post Regulatory Impact Assessments.
- The attendees also underlined the importance and benefits of the transparency of the RIA processes. Most of them approved the idea of creating an electronic library unifying RIA reports to improve accessibility. Lastly, monitoring the fulfillment of the mandatory regulatory impact assessment process imposed by the adopted methodology was named an important aspect of the reform assessment.

REFORM TRACKING INDICATORS

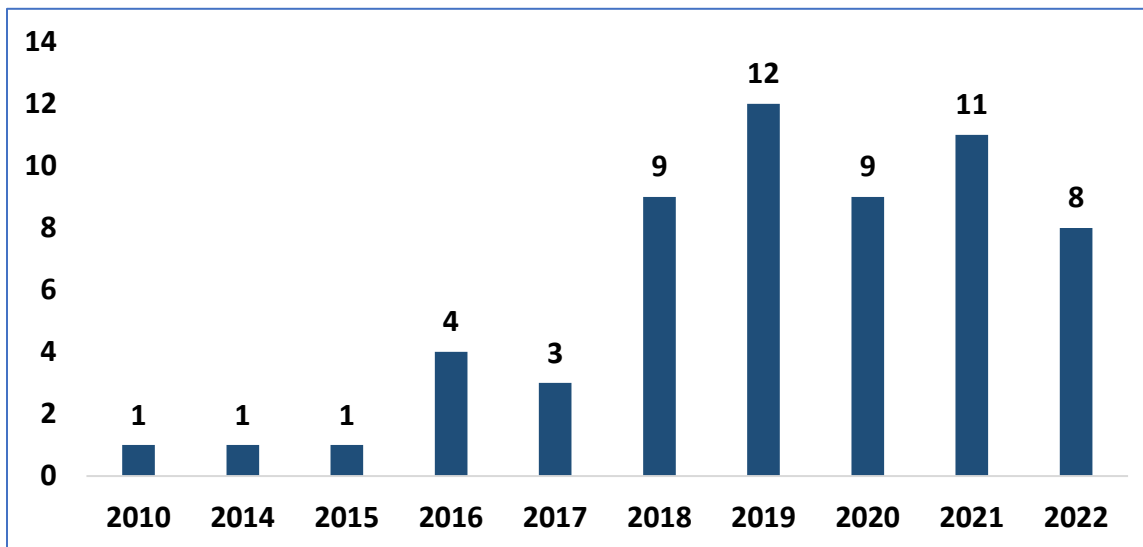
Tracking reform-related objective indicators is one of the key components of reform progress evaluation under the ReforMeter project. A set of indicators are selected in an attempt to capture developments in terms of RIA Institutionalization. The selected indicators are based on the data collected and analyzed by the ReforMeter team. It allows for assessing the level of institutionalization based on the frequency of use of RIA in policymaking and the capacity and willingness of state institutions to adopt RIA in their practice.

1. NUMBER OF RIA REPORTS

1.1. Number of reports per year

The number of developed RIA reports is a useful indicator for evaluating the dynamics of RIA Institutionalization. Figure 1 shows that the number of prepared RIA reports increases over time. This indicates improved capacity and willingness to use the RIA mechanism in policymaking. However, it should be noted that despite the introduction of mandatory RIA in 2020 for specific legal amendments, the number of RIA reports has remained more or less the same for the last few years, and there is no ongoing tendency for a dramatic rise in number. This can be partly due to the limitations imposed by the Covid-19 pandemic.

Figure 1. Number of RIA Reports (2010-2022)

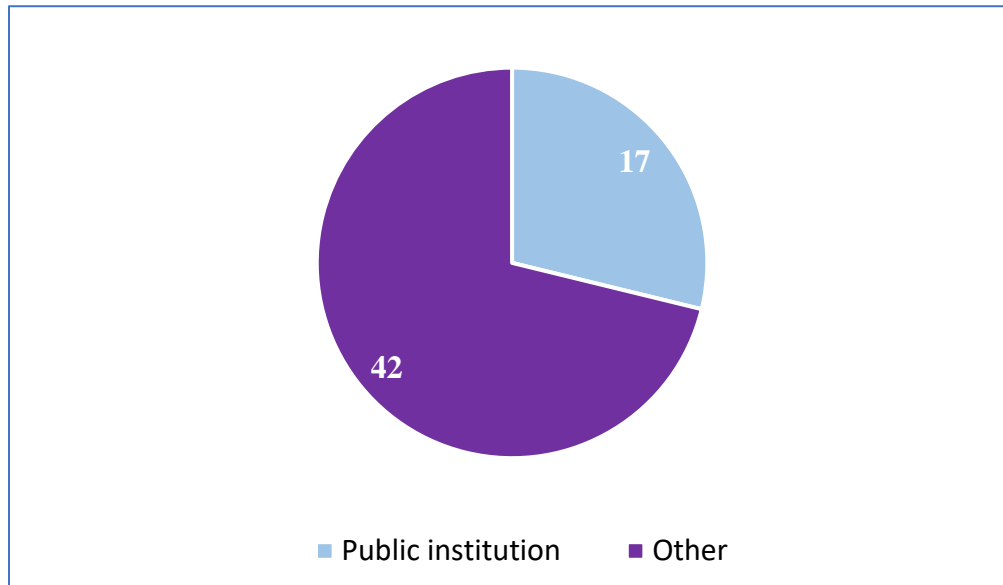


1.2. Number of RIA reports by authors

Considering the fact that the donor organizations were supporting and have been involved in RIA Institutionalization from the very beginning, a large number of Regulatory Impact Assessments have been conducted within the scope of donor-funded projects and implemented by the private institutions. Therefore, it is worth observing the division of prepared reports based on whether it was a state or

private/civil initiative. Figure 2 illustrates that most of the RIA reports are prepared based on non-state initiatives indicating the low level of institutionalization. It should be noted that outsourcing of RIA by state institutions, which is a usual practice even in the case of state-led RIA, is not meant under private initiatives.

Figure 2. The number of RIA reports by the authors.



1.3. Number of RIA reports by policy areas

The allocation of RIA reports along policy areas shows that most RIAs are implemented for the policies developed in the energy sector. This indicator, summarized in Figure 3, is informative regarding the fields with a relatively better-established culture of evidence-based policy-making.

Figure 3. RIA Reports by Policy Area

Policy Area	Number of RIA Reports prepared
Energy	12
Labour Market	9
Agriculture	6
Environment Protection	4
Tax Policy	4
Social Policy	4
Private Sector Development	4
Health Policy	3

Human Rights Protection	3
Capital Market	2
Spatial Development	2
Tourism	2
Public Procurement	1
Communications	1
Transportation	1
Sports	1
Customer Protection	1

2. NUMBER OF STATE INSTITUTIONS THAT HAVE DEVELOPED A RIA REPORT

It has already been mentioned that RIA institutionalization reform has a decentralized character. There is no single implementing body responsible for conducting every RIA. The objective of institutionalization is to establish the RIA culture across all government units involved in policy-making within the executive or legislative branches. Therefore, it is reasonable to track not only the overall number of RIA reports but the variety of institutions preparing them. Figure 4 lists the government units that have been involved in RIA. The list is not very extensive yet, indicating the low level of institutionalization among various state institutions. In addition, It is not surprising that the RIA is mostly conducted by executive and regulatory bodies. This tendency will continue considering mandatory RIA is applicable to the government's legal initiatives and not to those of the parliament.

Figure 4. Government units that have prepared RIA Reports

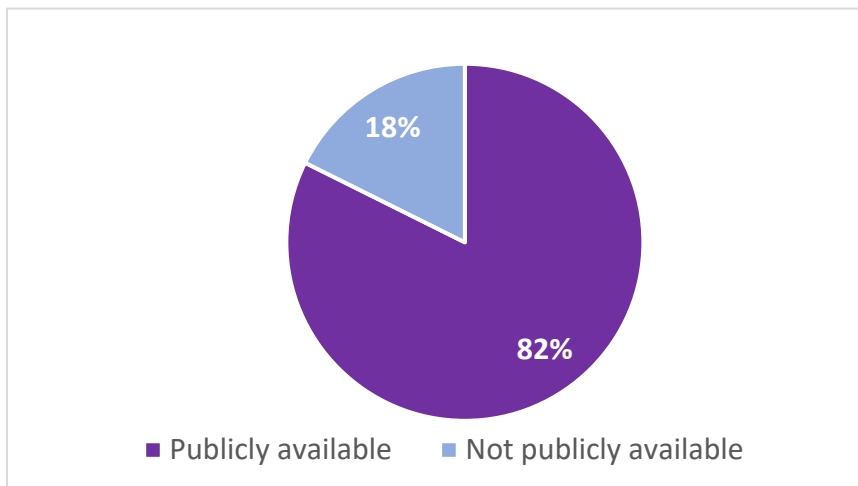
Parliament (6 RIA's)	Environmental Protection and Natural Resources Committee
	The Health Care and Social Issues Committee
	Sports and Youth Issues Committee
	Human Rights and Civil Integration Committee
	Ministry of Education and Science
	Parliamentary Budget Office
Executive (11 RIA's)	Parliamentary Research Center
	Ministry of Economy and Sustainable Development
	LEPL Insurance State Supervision Service

	LEPL Pension Agency
	Ministry of Environmental Protection and Agriculture
	Ministry of Justice

3. SHARE OF PUBLICLY AVAILABLE RIA REPORTS

Transparency is one of the most important aspects of the RIA process and better regulation, in general. Different stakeholders shall be involved in RIA, and public consultations should occur; stakeholder responses should be acknowledged; the reasons for disagreeing with dissenting views must be explained. Moreover, the results of RIA and consultations should be included in RIA reports and widely disseminated; RIA reports, including relevant analysis of proposed legislation, should be accessible to any interested party. This is why the share of publicly available RIA reports is an important indicator to observe. Figure 5 shows that most of the reports are publicly accessible. The Ministry of Economy and Sustainable Development publishes most of its reports on the web page. The Parliamentary Budget Office publishes the RIA reports as well. However, there are still 18% of RIA reports not publicly accessible.

Figure 5. Share of Publicly Available RIA reports



4. NUMBER OF CIVIL SERVANTS TRAINED IN RIA METHODOLOGY

International good practices suggest that capacity building is crucial for the proper implementation of RIA. Capacity building should include RIA guidelines/manuals. However, in order to be effective, they need to be explained in greater detail, supported by methods, and assisted by examples. All civil servants supposed to carry out RIA and scrutinize it, need to be trained based on RIA guidelines/manual. Given the high number of people to be trained and the turnover of civil servants, the RIA training need to be institutionalized and delivered on a permanent basis. The comprehensive data on the number of civil servants trained in RIA preparation has not been processed. According to the Government's estimate,



approximately, more than 100 civil servants received training in RIA methodology. However, from now on the ReforMeter shall observe the indicator more closely in order to track the capacity of civil service in terms of human resources. The Public Administration Reform Strategy of Georgia for 2023-2026 and its Action Plan for 2023-2024 include the training of civil servants in RIA methodology as an activity for the direction of Policy Planning and Coordination. The data on the activity implementation shall also be used while tracking the indicator.

5. NUMBER AND SHARE OF REGULATIONS SUBJECT TO MANDATORY RIA AND PASSED WITHOUT THE REPORT

Since the mandatory use of RIA entered into force in 2020, on a number of occasions, the draft laws were adopted without submitting the RIA report, despite being subject to mandatory RIA, in essence. In some cases this was explained by the exception rule to the methodology or because they were initiated by MPs, who are not required by law to carry out RIA. However, this practice highlights the fact that some policymakers might abuse the system. Therefore for future assessment rounds, the ReforMeter shall monitor the legal amendment within the scope of the laws subject to mandatory RIA, adopted without the RIA report and proper justification. This indicator enables observation of the enforcement of methodology and good-faith implementation of RIA institutionalization objectives.

Annex 1. Stakeholder Survey Questionnaire

Please assess reform for each dimension listed below on a scale from 1 (poor performance) to 10 (strong performance) :

Content and Adequacy

1. Is the reform-related policy objectives set by the Georgian Government adequate to Georgian reality?

1	2	3	4	5	6	7	8	9	10
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2. Is the policy-making and legal-drafting process conducted in an inclusive manner that enables the active participation of stakeholders?

1	2	3	4	5	6	7	8	9	10
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Progress

1. Is the economic reform agenda currently implemented by the Government in this area progressing as planned?

1	2	3	4	5	6	7	8	9	10
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2. Do the reform measures address binding constraints to growth?

1	2	3	4	5	6	7	8	9	10
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Current Performance

1. What is your assessment of the performance of the Georgian economy in the reform area?

1	2	3	4	5	6	7	8	9	10
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Expected Outcomes

1. Will the reform reach its targets?

1	2	3	4	5	6	7	8	9	10
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2. Does the reform propose efficient measures to reach its targets?

1	2	3	4	5	6	7	8	9	10
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