

Performance-Based Full Policy Cycle for Digital Single Market

Presentation

**Committee on Internal Market and
Consumer Protection**

Working group on the Digital Single Market

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Structure of the presentation

- Objective of the study
- Context
- The Digital Single Market
- The policy cycle
- The performance-based policy cycle – best practice
- How the material supporting the DSM initiatives rates against the best practice performance-based full policy cycle
- The way forward

Objective of the study

- Provide a best practice model of a comprehensive performance-based policy cycle, from conceptualisation of the policy to ex-post assessment and evaluation
- Benchmark the analytical framework of the model to policies aiming to achieve the Digital Single Market
- Identify areas where the current policy process is deficient and develop recommendations for improvements

Context – 3 key factors

- **Performance-based policy-making** and assessment have become mainstream in most OECD countries
 - For whole government departments/agencies, programs and regulatory initiatives
 - Mixture of ex-ante (impact assessments, regulatory impact assessments) and ex-post assessments (evaluations)
- **“Big data”** – wealth of data to potentially inform policy-making but not very well harvested at the present time (both ex-ante and ex-post)
- **Digital economy is a not very precise concept** (definitional issues, measurement issues, etc) – different from traditional industries because of the pervasiveness of the digital dimension

The Digital Single Market - overview

- The original *Digital Agenda for Europe* (DAE), which was launched in May 2010 as one of the key Europe 2020 initiatives
- It comprises 101 actions of which 21 which are regrouped under the heading ***Digital Single Market (DSM)*** – according to EC website , 16 of the 21 DSM actions are completed, other 5 in progress
- May 2010 announcement was complemented by January 2012 DSM/DAE communication on e-commerce and other on-line services
- April 2013 EC e-commerce progress report – *many actions initiated*
- Overall, **still early days to observe actual results in market place in many cases**

The Digital Single Market – list of policy initiatives covered by the study



- The DSM package comprises a variety of policy initiatives – consultations, reviews, news or updates of Regulations/Directives
- Some initiatives are only one stage of a few policy cycle while, in theory, others are the outcome of a full policy development process
- Focus of the study is on the latter - list provided on next slide

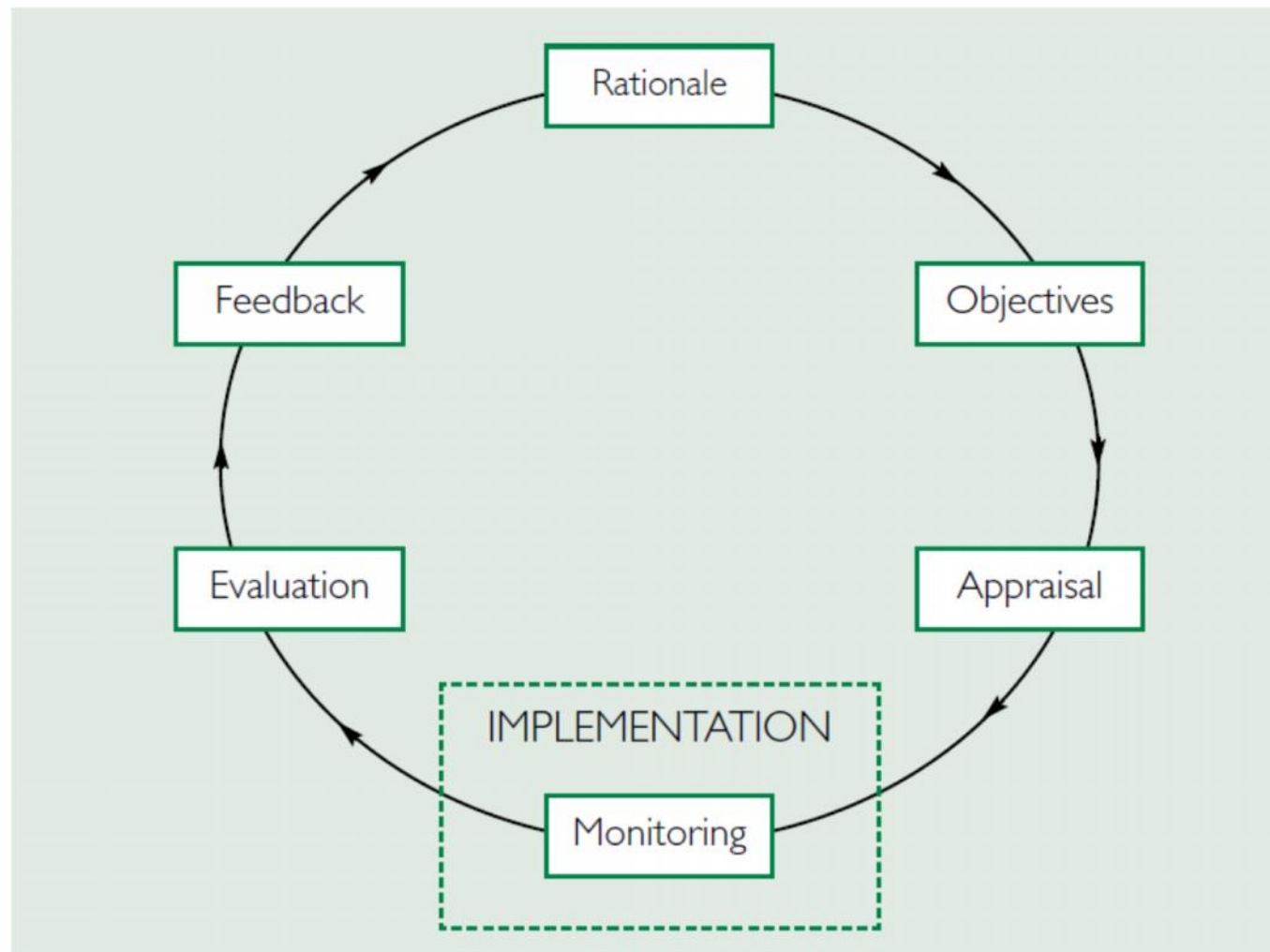
The Digital Single Market – list of policy initiatives covered by the study

1. Regulation establishing the Connecting Europe Facility (The EC aims to launch the Digital Service Infrastructure in 2014 under the facility) (2011)
2. Regulation on establishing the Creative Europe Programme (2011)
3. Regulation on electronic identification and trust services for electronic transactions in the internal market (2012)
4. Recast Roaming Regulation (2012)
5. Regulation on measures to reduce the cost of deploying high-speed electronic communications networks (2013)
6. Directive on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR) (2011)
7. Directive amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing (to allow for e-invoicing) (2012)
8. Directive on the accessibility of public sector bodies' websites (2012)
9. Directive on the collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online uses in the internal market (2012)
10. Directive concerning measures to ensure a high common level of network and information security across the Union (2013)

The Digital Single Market – economic and social dimension

- Unfortunately, the digital economy is not well measured at the present time. But....
- EC (January 2012) *“if e-commerce were to grow to 15% of the total retail sector and Single Market barriers were eliminated, total consumer welfare gains are estimated to be around €204 billion, an amount equivalent with 1.7% of EU GDP”* – not clear whether displacement effect taken into account
- Copenhagen Economics (2010) *“long-run level of EU27 GDP would be higher by 4% as a result of an acceleration of the digital economy involving increased use of online services, improved digital infrastructure, and improved e-skills”*
(broadly the same as for 1992 Single Market Programme in the 1988 Cecchini Report)

The policy cycle – the key stages



The policy cycle – performance assessment

- International Organization of Supreme Audit Institutions :
“independent examination of the efficiency and effectiveness of government undertakings, programs or organisations, with due regard to economy, and the aim of leading to improvements”.
- Efficiency relates to use of resources and getting the most or best output from available resources while effectiveness is about achieving the stipulated objectives. The question is whether the stipulated aims are being met, the outputs produced and the impacts observed?
- Additionality also important.

The policy cycle – best practice: key ingredients of performance assessment

Best practice based on review of policy cycle approach in DE, FR, KO, NL, UK, USA and more generally OECD

Ex-ante

- Clear articulation of a) the **reasons** for a particular initiative, b) its **objectives** and c) **relationship** between the initiative's **outputs and impacts** (short to medium-term, long-term) and its **objectives**
 - Output = direct result of an initiative (for example, the setting of ADRs)
 - Impact = the socio-economic effects of the output (for example, the use by consumers/businesses of ADRs and more cross-border e-commerce)
- Essential to draw out **logic map** showing how the realisation of the objectives depends on the particular initiative, other related or un-related initiatives and other broader developments (synergies, conditionality, etc)

The policy cycle – best practice: key ingredients of performance assessment

Ex-ante (continued)

- In order to be able to undertake a robust performance assessment, need to identify quantitative indicators for objectives, outputs, impacts and counterfactual (what would happen in the absence of the initiative)
- In particular, objectives need to be *SMART*, i.e., specific, measurable, achievable, relevant and time-bound
- Specification of the timing of the expected outputs and effects is essential
- Impact assessment guidelines require that an evaluation plan be articulate with the impact assessment. But often, such plan is very “light” -> ex-post assessment more difficult/robust as indicators are only articulated ex-post

The policy cycle – best practice: key ingredients of performance assessment



Ex-ante (continued)

- Often, required data are not available at the IA stage despite “big data” environment
- In such cases, Impact Assessment should clearly indicate how the data should be collected for ex-post performance assessment, either from Eurostat, or national statistical organisations or private sources
- The process of collecting quantitative information needs to start immediately after adoption of initiative

The policy cycle – best practice: key ingredients of performance assessment

Ex-post

- **Several ex-post assessments to be considered as part of an overall ex-post assessment plan – timing should vary depending on the aim of the assessment:** transposition / enforcement outputs / effects / objectives
- **If main focus on achievement of objectives, then need to give time for effects to materialise**
- **Thorough assessment of whether an initiative performed as expected should be based on quantitative indicators – need to be identified ex-ante to avoid ex-post rationalisation**

The policy cycle – best practice: key ingredients of performance assessment

Ex-post (continued)

- If objectives are not met, need to distinguish between **number of failure factors**:
 - The world is different - baseline scenario (counterfactual) is different from the one expected
 - Imperfect transposition (Directives)
 - Imperfect enforcement (Regulations and Directives)
 - Link between outputs and effects/objectives different from those expected (erroneous assumptions, unintended consequences, etc)

The policy cycle – best practice: key ingredients of performance assessment

Ex-post (continued)

- **Lessons learned** -> formal mechanisms for feeding into policy development (adjustment/refinement of existing policies and new ones)
 - Impact assessment should be explicit about how lessons from performance assessment of previous policies (related and unrelated) informed the policy development process
- **Ex-post assessment should be undertaken ideally by independent body** (such as the ECA, the GAO in the USA, the Cour des Comptes in FR, etc., or independent evaluation units in international financial institutions)

The policy cycle – best practice: key ingredients of performance assessment



Ex-post (continued)

- Issue of how to incentivise Member States to improve performance
 - critical issue of distinguishing between imperfect transposition and/or enforcement and other sources of non-achievement of objectives

How well do the DSM initiatives meet the best practice performance model

- Overall, the material related to the DSM initiatives rates poorly against the best practice model
- Reasons for intervening: **yes but often very general statements**
- Clear quantitative objectives: **no in most cases (9/10)**
- Complete logic map with synergies, conflicts, etc: no but sometimes reference to other DSM/non-DSM initiatives

How well do the DSM initiatives meet the best practice performance model

- Identification of indicators for outputs and effects: yes in most cases but not always linked to objectives
- Use of quantitative data or specific identification of a) data to be collected and b) method for collecting: varies

The way forward

- The DSM is/will be a major contributor to the re-launch of the European economy
- But market failures, externalities, non-supportive legal and regulatory environment hamper its development
- DSM initiatives are required to overcome such challenges and ensure that full potential of DSM can be achieved
- However, it is essential to undertake robust ex-post performance assessments to ensure that DSM initiatives achieve their intended objectives and, if not, lessons be learned

The way forward

- To assist such robust ex-post performance assessments, supporting material of any new DSM initiatives should:
 - articulate how “lessons learned” have contributed to shape policy initiative
 - set out **quantitative objectives**
 - provide a **comprehensive logic map** showing expected relationships between outputs, impacts, objectives and highlighting synergies/conflicts with other DSM/non-DSM initiatives and influence of other developments on outcomes

The way forward

- aim to make **greater use of data/quantitative analysis in IA**
 - if data not available at IA stage, provide explanation of what data need to be collected for an ex-post assessment and how to collect the data
- provide clear, realistic **ex-post assessment/evaluation timelines**