



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

**SOCIO-ECONOMIC IMPACT ASSESSMENT SYSTEM (SEIAS)
APPLICATION MANUAL**

APRIL 2020

POLICY AND RESEARCH SERVICES

CONTENTS

1. INTRODUCTION	4
2. ABOUT THE SOCIO-ECONOMIC IMPACT ASSESSMENT SYSTEM	5
3. KEY CONCEPTS THAT ARE USED IN SEIAS.....	8
4. SEIAS PHASES.....	9
5. INITIAL IMPACT ASSESSMENT PHASE	11
6. FINAL IMPACT ASSESSMENT PHASE	13
7. PROCESSING OF SEIAS REPORTS BY POLICY AND RESEARCH SERVICES.....	15
8. CONCLUSION	17
9. REFERENCES	17

APPENDICES:

- i. Initial Impact Assessment Template
- ii. Final Impact Assessment Template
- iii. Principles for Effective Regulation
- iv. Detailed application of SEIAS in policy and legislative development process

LIST OF ACRONYMS

- APP : Annual Performance Plan
- PRS : Department of Planning, Monitoring and Evaluation
- FIA : Final Impact Assessment
- IDP : Integrated Development Plan
- IIA : Initial Impact Assessment
- MTSF : Medium Term Strategic Framework
- NEPF : National Evaluation Policy Framework
- NDP : National Development Plan
- NEDLAC: National Economic Development and Labour Council
- PGDS : Provincial Growth Development Strategy
- RIA : Regulatory Impact Assessment
- SEIAS : Socio-Economic Impact Assessment System

1. INTRODUCTION

The Socio-Economic Impact Assessment System (SEIAS) Manual seeks to guide departments on the use of the system during policy and legislation development processes. The document outlines the rationale, objectives, roles and responsibilities, and the two phases of SEIAS.

In 2007, following a project undertaken by the Presidency and the National Treasury, Cabinet approved that Regulatory Impact Assessments (RIAs) be piloted for two years. The proposed end state was for RIA to be integrated into existing Cabinet and Parliamentary processes and to be undertaken for all regulations, including subordinate legislation.

During the pilot period, very few RIAs could be undertaken as RIAs were not integrated into departmental processes. The two-year pilot expired in 2009 and was not renewed. The RIA's narrow focus on economic costs and benefits to business needs to be coupled with ensuring a greater alignment of strategies around the broader cross-cutting national priorities of economic growth, employment, equality, social cohesion and stability, and environmental sustainability. It is also important to evaluate risks as well as static costs and benefits.

SEIAS was approved by Cabinet in 2015 to replace the Regulatory Impact Assessment (RIA) to ensure that policies, bills and secondary legislation are aligned to national priorities and the National Development Plan (NDP). The system is coordinated by Policy and Research Services in the Presidency.

2. ABOUT THE SOCIO-ECONOMIC IMPACT ASSESSMENT SYSTEM

2.1 What is the Socio-Economic Impact Assessment (SEIAS)?

SEIAS is an ex-ante policy analysis tool aimed at improving policy and law making in South Africa for reduction of excessive regulatory and administrative burden placed on different groups of the society.

2.2 The Rationale for SEIAS

- 2.2.1 His Excellency, President Cyril Ramaphosa, highlighted in his Budget Speech of 2019/20 a need for the Presidency to develop and implement national policy in a coherent and cohesive manner to remove policy uncertainty. He outlined that public policy must be evidence based and effectively coordinated, hence the establishment of the Policy and Research Services (PRS) Branch.
- 2.2.2 The President emphasised in his State of the Nation Address of June 2019 that there is a need to ensure that:
 - 2.2.2.1 Programmes and policies across all departments and agencies are directed in pursuit of set seven priorities; and
 - 2.2.2.2 Policy impediments are removed, the ease of doing business is improved and complicated and lengthy regulatory processes are addressed.
- 2.2.3 The National Development Plan (NDP) prioritises a reduction in the burdens placed on inclusive growth resulting from unintended consequences of government actions as well as inefficient and/or inappropriate regulations.
- 2.2.4 The Medium Term Strategic Framework (MTSF) suggests that the host of new regulations required must not impose unnecessary compliance burdens, costs that exceed the hoped-for benefits, or excessive risks of failure. The complex of regulatory and systemic changes adds to the capacity required of the state as well as other stakeholders; and the risk of unintended consequences is high.
- 2.2.5 SEIAS recognises that policy initiatives, legislation and regulations have different impacts on different groups and stakeholders. For instance, the impact of policy, regulation and legislation may be very different to higher income groups compared to low income households; or metropolitan areas in contrast to poorer rural regions; employers and workers; or existing industries which have a range of supporting mechanism from the state and new industries that require new measures and support around infrastructure, skills and access to capital. In addition, it requires consideration of the risks to implementation.

2.3 Objectives of SEIAS are to ensure that:

- 2.3.1 Departments analyse risks and costs associated with the development of policies, legislation and regulations and propose ways to mitigate them;
- 2.3.2 Contribute more to improving policies, rather than only helping to decide whether they are worthwhile;
- 2.3.3 Help address the blockages to consistent implementation to date and point to ways to improve the effectiveness and efficiency of implementation and;
- 2.3.4 Take into consideration how government actions impact on and relate to the transformation and inclusive growth of the economy.

2.4 Application of SEIAS

- 2.4.1 As per SEIAS Guidelines which were approved by Cabinet in 2015, SEIAS is to be applied to the following:
 - 2.4.1.1 New or to be amended primary legislation,
 - 2.4.1.2 Subordinate legislation that can have a significant impact on society;
 - 2.4.1.3 Significant regulations, legislations and policy proposals; and
 - 2.4.1.4 Major amendments of existing legislation, regulations, policies, frameworks, strategies and plans that have country coverage with high impacts.

It should be noted that SEIAS should also be applied to Sector and Departmental Policies and Regulations which are mainly approved internally within Departments by Executive Authorities and Accounting Officers.

2.4.2 Proposals that are exempted from SEIAS are those of:

- 2.4.2.1 Automatic increases in statutory fees as long as the increase is at or below the headline inflation rate measured by the Consumer Price Index;
- 2.4.2.2 Regulations giving effect to budget decisions (such as the Division of Revenue Act); and
- 2.4.2.3 Individual Departments' operational policies such as Human Resource and Budget Policies. Policy practitioners should however take into consideration of these corporate policies when developing public policies and legislation.

Responsible Departments are required to make submissions of the above 2.4.2.1 and 2.4.2.2 to receive a formal exemption from PRS

2.5 Roles and Responsibilities on implementation of SEIAS

Table 1: Roles and Responsibilities on implementation of SEIAS

Stakeholder	Roles and Responsibilities
The Presidency- Policy and Research Services	<ul style="list-style-type: none"> • Lead, oversee and establish relevant capacity internally for the effective implementation of the SEIAS across departments • Develop guidelines, templates and capacity building materials for SEIAS • Provide continued support to departments on implementation of SEIAS • Conduct analysis and quality assurance on SEIAS reports produced by departments • Issue quality assurance sign off forms for completed SEIAS reports • Chair and provide Secretariat support for the SEIAS Interdepartmental Steering Committee • Coordinate and support coordinated policy/ legislative development across departments and affected stakeholders
The Presidency-Cabinet Office	<ul style="list-style-type: none"> • Ensure that any draft policy, Bill or regulation that requires Cabinet approval is accompanied by the SEIAS form to the relevant Cabinet Memorandum • Provide feedback to the Steering Committee on any matters from Cabinet relating to the submitted draft bill or regulation
SEIAS Interdepartmental Steering Committee	<ul style="list-style-type: none"> • The Steering Committee provides guidance in the development of appropriate guidelines and reviews of the template regularly to ensure that it supports effective evaluation process and aligned with national priorities • Provide support on training and capacity building methodology and approach • Provide guidance on the establishment of panel of experts to be used by government departments • Where deemed necessary, provide guidance to custodian departments that conducted SEIAS to their respective policies or legislation
Departments	<ul style="list-style-type: none"> • Apply SEIAS on policies, legislation, regulations, and where relevant on certain high impact strategies, plans and frameworks for different stages of development • Develop policies and legislation as per policy or legislative programme (SEIAS does not replace action plans/ legislative programme) • Ensure that Final Impact Assessment reports are publicised on the website when gazetting the proposals for public comments
SEIAS Champions within Departments	<ul style="list-style-type: none"> • Ensure that Units responsible for developing/ amending policies, legislations and regulations apply SEIAS which happen at different phases (Initial and Final Impact Assessments) • Ensure that proposals that are internally approved are subjected to SEIAS • Become a link between PRS and respective office of the DG • Provide progress on the SEIAS implementation in the Department • Coordinate internally for PRS to facilitate or provide training to staff • Ensure that units finalise SEIAS reports , post inductions
Policy crafting team/line function	<ul style="list-style-type: none"> • Ensure that SEIAS is aligned to the APP targets on development of proposals, action plans and legislative programme • Ensure the application of SEIAS on development of proposals that happen at different stages • Improve the SEIAS reports based on PRS comments

3. KEY CONCEPTS THAT ARE USED IN SEIAS

3.1 Cost-Benefit Analysis (CBA)

The National Evaluation Policy Framework defines CBA as an analytical procedure for determining the economic efficiency of a programme, expressed as a relationship between costs and outputs, usually measured in monetary terms. Cost-benefit analysis involves the scientific quantification of costs and benefits and provide checks and balances as to whether benefits will outweigh costs of implementation or compliance.

3.2 Impact

The likely short, medium and long-term impact created as a result of regulatory interventions to address a problem or market failure in the economy.

3.3 Risk Management

Risk management is regarded as a proactive and systematic process of identifying risks posing threats to successful policy implementation and is also about devising measures to mitigate those identified risks.

3.4 Policy Alternative options

In policy-making process, it is expected for policy makers to contrive policy alternative options in dealing with the identified problem and compare options with a baseline scenario and finally, choose the better option for solving the identified policy problem.

3.5 Evidence Based Policy Making (EBPM)

A process that assists policy makers to make better decisions and achieve better outcomes (PSPPD, 2011). It aims to increase the use of scientific research, including research from the social and economic sciences as a source of evidence for policy making. EBPM focuses on:

- Asking questions about the nature of the problem under scrutiny; and
- How it has been addressed elsewhere and the cost, benefit, effectiveness of interventions (benchmarking).

This process requires policy makers' expertise, experience and judgement in order to ensure its relevance and applicability.

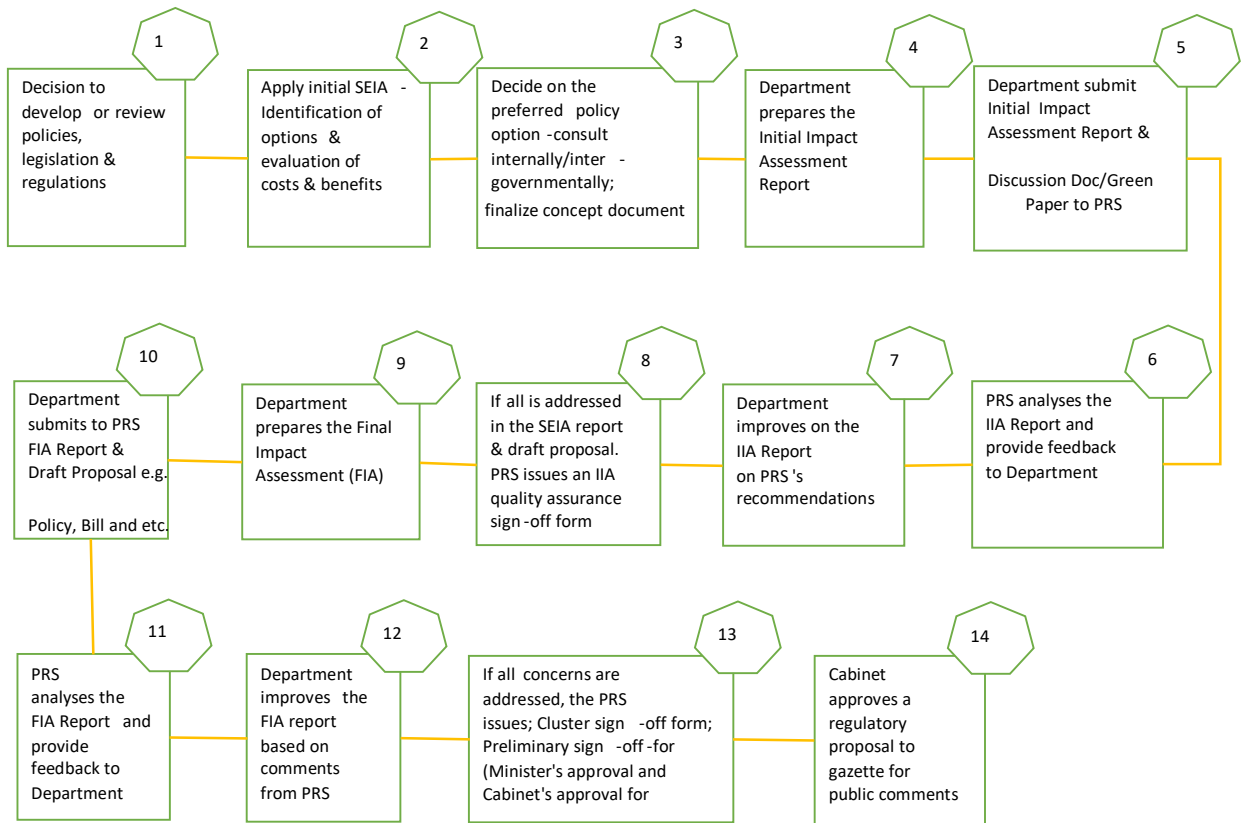
3.6 Evaluations

In terms of the National Evaluation Policy Framework, evaluation is a systematic collection and objective analysis of evidence on public policies, programmes, projects, functions and organisations to assess issues such as relevance, performance (effectiveness and efficiency), and value for money, impact and sustainability and recommend ways forward. Types of evaluations include: Diagnostic, Design, Implementation, Impact, Economic and Evaluation Synthesis. Evaluations are crucial in supporting evidence based policy making

4. SEIAS PHASES

- 4.1 SEIAS follows two phases namely **Initial Impact Assessment (IIA)** and **Final Impact Assessment (FIA)** and which are to run concurrently with stages of policy or legislation development i.e. from conceptualisation to development of an intervention.
- 4.2 As per SEIAS Guidelines, SEIAS distinguishes the following six main stages in the policy process:
 - 4.2.1 A decision to develop (or amend) policies, regulations or legislation in order to address an identified social or economic problem.
 - 4.2.2 An initial assessment involving (a) identification of options for addressing the problem and (b) a rough evaluation of the costs and benefits of each option for different social or economic groups.
 - 4.2.3 Agreement on the basic option and finalisation of draft policy initiatives, regulations or legislation in a process that includes appropriate consultation and a continual review of the impact assessment as the proposals evolve.
 - 4.2.4 Development of a final impact assessment that provides a detailed evaluation of the likely effects of the legislation in terms of implementation and compliance costs as well as the anticipated outcome.
 - 4.2.5 Publication of the draft policy initiatives, regulation or legislation for public comment and consultation with stakeholders, with the final assessment attached.
 - 4.2.6 Revision of the draft and the final assessment based on comments from the public and stakeholders, if required, and submission of the draft policy initiatives, regulation or legislation for approval with the final assessment attached.

4.3 Steps on application of IIA and FIA Phases



5. INITIAL IMPACT ASSESSMENT PHASE

5.1 The Initial Impact Assessment (IIA) aims to ensure that an intervention is on the right track by requiring an assessment of alternative approaches. It helps drafters to avoid finalising an inappropriate solution because they moved too quickly to select a strategy without adequately analysing the roots of the problem and considering alternative measures. It should facilitate a brainstorm about the issues involved in the problem and the full range of alternatives to deal with them.

5.2 At what stage must IIA be applied?

- 5.2.1 The IIA has to be applied at the point of problem/opportunity identification which can emerge or influenced by PESTEL (Political, Economic, Social, Technological, Environmental and Legal):
- 5.2.2 Monitoring and evaluation results on implementation of current interventions e.g. policy implementation through various programmes;
- 5.2.3 Political Mandate- New directives by Political Heads;
- 5.2.4 Groups of the society impacted by current interventions;
- 5.2.5 New challenges and emerging developments; and
- 5.2.6 Agreements from Conventions, Treaties and etc.

5.3 The Key Components of the IIA:

5.3.1 Problem analysis and theory of change

- 5.3.1.1 Understanding the socio-economic problem, root causes, behaviours contributing to the problem, groups of the society affected by the problem, particularly vulnerable groups. Challenges of poverty, inequality and high levels of unemployment should be taken into consideration. Use of evidence is crucial in this stage.
- 5.3.1.2 The above process will also guide authors on type of stakeholders to be consulted within and outside government based on how are they impacted or contributing to identified problems.
- 5.3.1.3 Through evidence and understanding of the NDP, authors should be able to articulate how identified problems are negatively impacting national priorities.
- 5.3.1.4 There should a demonstration through evidence on why implementation of existing policies and laws or any interventions are not effective to address identified problems.
- 5.3.1.5 A department can use experts within government or a sector for independent inputs to identified problems and for proposal of an options/ interventions.

5.3.2 Options

- a) This is about exploring different alternatives of addressing identified problems, including an assessment of the current status quo. Evidence is crucial in this stage as well, such as benchmarking on how other institutions or countries addressed the similar problems identified.
- b) There should be an assessment of how proposed interventions are linked to existing government laws/regulations or policies and limitations of the existing.
- c) Principles for effective Regulation has to be applied in this stage, such as whether is it necessary to regulate, whether benefits will outweigh the cost of regulation and avoiding duplications and contradictions. This is aimed at reducing overregulation and policy contradictions.
- d) Each option should be tested against groups that will benefit and those who will bear the costs- taking into consideration the groups that are affected by identified problems, implementation and compliance costs, impacts to the national priorities and potential risks and mitigation measures (unintended consequences).

5.3.3 Summary

- a) At this stage, authors should be able to demonstrate the effectiveness of a preferred option and be able to objectively justify based on analysis of options.
- b) There should be measures of minimising both implementation and compliance costs as well as risks of a preferred option, it is not worthwhile to select an option with high risks and costs and having limitations of addressing identified problems

5.3.4 The initiating department will then submit SEIAS Initial Impact Assessment (Phase 1) report, **Concept/Discussion Document (Green Paper) and a Draft Option** to PRS, for further assessment and quality assurance. If there are gaps in both the SEIAS report and the proposal, PRS will then provide feedback to the department, highlighting areas for improvement. Once the report and the proposal are improved, PRS will issue an Initial Impact Assessment sign off form that allows a department to proceed with its internal authorisations and further development of an option.

5.3.5 **Maximum length of the IIA Report should be between 15-20 pages.**

6. FINAL IMPACT ASSESSMENT PHASE

6.1 **The Final Impact Assessment (FIA):** The final impact assessment provides a more detailed assessment of the ultimately legislative proposal. In addition, it identifies (a) mechanisms for monitoring, evaluation and modification as required; and (b) a system for managing appeals that could emerge around the implementation process. FIA is a validation of an option as selected through an IIA.

6.2 It should be noted that there is a significant time lag between IIA and FIA based on stages of policy or legislation development.

6.3 At what stage must FIA be applied?

The FIA must be applied to an option that as selected Conceptualisation and its IIA which has been quality assured by PRS. Options can be for example: Development of a Policy, Bills, Regulations, Strategy and Programme which were tested through evidence and contained in the concept document.

6.4 The Key Components of the FIA:

6.4.1 Problem statement and the theory of change for a selected option

6.4.1.1 This is about problems, root causes and how a proposed intervention/option will address identified problems. The end result is not about having a policy or bill but their impact and contribution to the national priorities.

6.4.1.2 A Department should indicate on how the proposal will contribute to the seven (7) national priorities¹

6.4.1.3 Other alternatives should be explored should the desired option not be adopted by responsible authorities.

6.4.2 Impact Assessment of an option

This takes a larger portion of the FIA Report and focus in the following:

6.4.2.1 Alignment of an option with existing government initiatives.

6.4.2.2 Changing of behaviours, rules and decision making processes that contributed to identified problems.

6.4.2.3 Consultation with stakeholders and their views regarding identified problems and a proposed option. It should be noted that stakeholders are impacted differently or play different roles on proposed option, therefore their inputs are crucial in the finalisation of proposal.

¹ Economic Transformation and Job Creation, Education, skills and health, consolidating the social wage through reliable and quality basic services, Spatial integration, human settlements and local government, Social cohesion and safe communities, Building a capable, ethical and developmental state and a better Africa and World.

- 6.4.2.4 The department should consolidate inputs by stakeholders and where there are disagreements be able to justify their decision not to consider what the stakeholders are proposing.
- 6.4.2.5 Authors should be able to understand groups that will benefit from the proposal, bearing in mind the unequal society, high levels of poverty and unemployment. It is important for a Department to think of a communication strategy on how these groups will access the services or benefits offered by the Department through the policy proposal.
- 6.4.2.6 Authors should be able to quantify costs associated with the proposal and which groups will incur costs- that is implementation costs such as human resource, infrastructure and equipment and compliance costs for those who have to conform to the requirements of a proposal e.g. licensing, levy and so on.
- 6.4.2.7 Authors should be cautious on compliance costs and ensure that they are not passed to consumers and raise cost of livelihood to members of the society. Authors should be able to justify the benefits or outcomes on proposed costs and whether those benefits will outweigh the associated costs. Corporate Service sections within the department are to be consulted for inputs.
- 6.4.2.8 Authors are to initiate ways of minimising identified costs as well as improving efficiency for implementation of a proposal.
- 6.4.2.9 Introduction of a change triggers risks and possible disputes from aggrieved groups of the society, a Department should proactively introduce mitigation measures and mechanism of handling disputes to avoid lengthy judiciary processes as well as incurring high litigation costs.
- 6.4.2.10 Authors are to upfront develop an implementation plan of the proposal with outputs, indicators, targets, and propose institutional arrangements for implementation, monitoring and evaluations.

6.4.3 **Summary and Conclusion**

- 6.4.3.1 The section provides a summary out of the assessment of a proposal, it is based on what has be drawn from the assessment for ease of decision making by Executive Authorities and Accounting Officers.
- 6.4.3.2 This section will also assist in completion of the Cabinet Memorandum which incorporated a section on SEIAS.

6.4.4 **Maximum length of the IIA Report should be between 20-30 pages.**

- 6.4.5 Submission of FIA report to PRS must be accompanied by the draft policy, bill or regulations.
- 6.4.6 Where a Bill or Regulations introduce a permitting, licensing or registration regime, a streamlined business process must also be submitted to PRS.

- 6.4.7 FIA (Preliminary) which is quality assured by PRS should be placed on Departmental website when the proposal is gazetted for public comments.
- 6.4.8 An updated FIA (Final) after being quality assured by PRS should be placed on the Departmental website when an approved proposal is promulgated for implementation.

7. PROCESSING OF SEIAS REPORTS BY POLICY AND RESEARCH SERVICES

- 7.1 SEIAS reports are received by SEIAS unit within PRS and disseminated to various Experts in government for technical analysis.
- 7.2 The SEIAS unit provide technical and sector inputs relating to some of the SEIAS reports, consolidate all comments and submit to Departments for improvement.
- 7.3 The average turnaround time to process SEIAS reports is 7 to 14 days, and 30 days for complex proposals.
- 7.4 A tracking system has been introduced to follow up on departments with outstanding SEIAS reports and proposals.
- 7.5 The Unit develops reports on findings of SEIAS analyses that are both quantitative and qualitative in nature.
- 7.6 Departments' scorecards and overall findings are processed for feedback to departments.
- 7.7 Where proposals overlap or cut across mandates of other departments, the SEIAS unit facilitates a session to ensure maximum participation of affected departments. This ensures policy coherence and buy in within government.
- 7.8 The SEIAS unit also provides support to departments on improving SEIAS reports as well as policy development.

7.9 The following are types of Quality Assurance sign off form issued by PRS, noting that the quality assured proposals still have to be processed through various stakeholders and authorising structures:

Phase	Type of QA Sign Off Form	Purpose
Initial Impact Assessment	Initial Sign off forms	The Department is allowed to proceed with identified option for further research and consultations. Valid for 6 months
Final Impact Assessment	Cluster Sign Off forms	To allow a Department to present the Proposal and SEIAS report to Government Clusters Valid for 2 months
	Preliminary Sign Off Forms	<ul style="list-style-type: none"> To allow a Department to proceed to Cabinet if a proposal have to be gazetted for public comments To allow a Department to do further consultation with stakeholders if it is a policy or regulations that are not going through Cabinet Valid for 6 Months
Final Impact Assessment	Final Sign Off Forms	<ul style="list-style-type: none"> To allow a Department to submit an updated Proposal and SEIAS post public comments/ gazetted phase to Cabinet for approval or approval to introduce the Bill to Parliament If it is a proposal with socio-economic aspects, it has to be presented to NEDLAC before the Bill is introduced in Parliament To allow the Minister to approve a final proposal for implementation (e.g. Regulations and some of the Sector Policies)
Completion of Significant Test Assessment	Exemption Sign Off Form	<ul style="list-style-type: none"> This is a formal exemption form to allow the Department to proceed with the development of a proposal Exemption is issued based on evidence provided by a Department

8. CONCLUSION

- 8.1 SEIAS is about improving policy making and ensuring that the focus is on what is of concern to the country as included in the seven National priorities, NDP and MTSF. It should not be seen as a compliance mechanism, but a thought through process that assist departments to develop focused policies.
- 8.2 At the core of developing proposals, minimisation of costs, reduction of regulatory and administrative burden as well as associated risks should be prioritised without necessarily compromising the intended benefits and outcomes.
- 8.3 This manual will be revised as and when the need arises.

9. REFERENCES

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