

**PROCEDURES AND PRINCIPLES REGARDING THE IMPLEMENTATION OF REGULATORY
IMPACT ASSESSMENT**

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**SECTION ONE
Preliminary Provisions**

Objective

Article 1- (1) The purpose of these Procedures and Principles is to determine which draft laws and presidential decrees will undergo the regulatory impact assessment will be prepared for, the fundamental principles and rules to be followed while conducting the regulatory impact assessment, and the issues that should be included in the analysis report.

Scope

Article 2- (1) These Procedures and Principles cover the regulatory impact assessments to be prepared for draft laws and Presidential decrees.

Basis

Article 3- (1) These Procedures and Principles have been prepared based on Article 26 of the Regulation on the Procedures and Principles for the Preparation of Legislation, published in the Presidential Decree dated 2/23/2022 and numbered 5210.

Definitions

Article 4- (1) The terms used in these Procedures and Principles refer to;

- a) Analysis report: Regulatory impact analysis report to be prepared for draft laws and presidential decrees,
- b) Presidency: Presidency of Strategy and Budget,
- c) Multiple criteria decision analysis: The technique that involves determining the weight of each criterion according to how much it affects the decision and its importance by using different criteria, and scoring the options by giving a value according to each criterion,
- d) Regulation: Draft laws and presidential decrees,
- e) Regulatory impact assessment: The preliminary assessment conducted to demonstrate the impacts of draft laws and Presidential decrees on the budget, legislation, social, economic and commercial life, environment, and relevant sectors,
- f) Minimum cost analysis: The method that sorts by cost, taking into account the cost differences between the regulation options,

- g) Benefit: Excluding the benefits expected to occur independently of the regulation, only the economic, social, and environmental benefits anticipated to arise from the regulation itself,
- h) Cost-benefit analysis: The method used to determine the economic net present value of benefits and costs,
- i) SWOT analysis: The method of identifying the strengths, weaknesses, opportunities, and threats related to the regulation and evaluating how they change over time,
- j) Administration: The Presidency, ministries, affiliated, related, associated institutions and organizations, and other public institutions and organizations,
- k) Cost: Excluding the costs expected to occur independently of the regulation, only the economic, social, and environmental costs anticipated to arise from the regulation itself,
- l) Cost-effectiveness analysis: The method for determining the option with the lowest cost per unit benefit,
- m) Reference point: The starting point used as a basis for comparing options,
- n) Draft report: Regulatory impact assessment draft report.

SECTION TWO

Principles and Procedures Regarding the Regulations to be Subjected to Regulatory Impact Assessment

The Regulations to be Subjected to Regulatory Impact Assessment

Article 5- (1) For regulations that, if enacted, are expected to exceed an annual budget burden of one hundred million Turkish liras, a regulatory impact assessment is conducted according to the stages specified in the Third Section.

(2) For regulations, if enacted, with a potential annual budget burden of less than one hundred million Turkish liras, the regulatory impact analysis, if to be implemented, consists of the following stages;

- a) Current situation analysis and identification of problems,
- b) Determination of the primary objectives and targets,
- c) Determination of the most appropriate option using one of the analysis methods listed in Article 13,
- d) Reporting

(3) In the regulatory impact assessment conducted in accordance with the second paragraph, the matters specified in sub-paragraphs (a), (b), (c), and (d) of the same paragraph are carried out in accordance with the principles outlined in Articles 8, 10, 13, and 16, respectively.

(4) If deemed necessary by the Presidency, regulatory impact assessment encompassing all stages specified in the Third Section can be conducted for regulations, regardless of the annual budget burden.

(5) Regulatory impact assessment is not conducted on the arrangements to be made in situations where quick decisions are required such as state of war, natural disaster, dangerous epidemic disease, severe economic crisis or acts of violence to disrupt public order, budget and final accounts law proposals, and draft laws regarding the approval of international agreements.

General principles and procedures

Article 6- (1) Regulatory impact assessment is a preliminary assessment tool that includes the collection and analysis of data-based evidence and contributes to the final decision, and is conducted with a transparent, objective, impartial, participatory and inclusive approach.

(2) All options, including maintaining the status quo are determined through regulatory impact assessment. The risks and uncertainties associated with each option are also taken into account, and which alternative is most appropriate is determined.

(3) When conducting a regulatory impact assessment, the effects on all sectors affected by the regulation are taken into consideration. In some cases, the administration may prioritize based on the rationale, as long as it is included in the analysis report.

(4) When conducting a regulatory impact assessment, the most up-to-date and accurate data is utilized. All institutions and organizations provide the data, information, and documents requested from them to the authority responsible for conducting the analysis, as well as to the Presidency, with the exception of classified information as state secrets and trade secrets, which are required to be kept confidential in accordance with legislation related to the protection of personal data, national security, defense, and intelligence services, and information that needs to be kept confidential for the country's economic interests.

(5) Regulatory impact assessment is conducted by consulting with concerned parties and stakeholders.

SECTION THREE

Stages and Methods of Regulatory Impact Analysis

Stages of regulatory impact analysis

Article 7 - (1) Regulatory impact analysis consists of the following stages:

- a) Analysis of the current situation and identification of problems,
- b) Identification of stakeholders and determination of the consultation process,
- c) Determination of the basic objectives and goals,
- d) Identification of options,
- e) Analysis and comparison of options, and recommendation of a preferred option,
- f) Development of an implementation plan,
- g) Establishment of a monitoring and evaluation plan for implementation,
- h) Reporting.

Analysis of the current situation and identification of problems

Article 8 - (1) In the analysis of the current situation, existing or potential problems are identified.

(2) Problems requiring public intervention are identified objectively, clearly, concisely, and with specific statements, indicating in which areas and to what extent intervention is required. The use of numerical and concrete data is desirable in problem identification.

(3) Emphasis is placed on the causes of problems rather than their consequences.

(4) Problem identification includes the following evaluations:

- a) The development of the problem over time,
- b) The underlying causes and origin of the problem,
- c) The permanence of the problem,
- d) The magnitude of the problem,
- e) The existence of any existing regulation in the affected area,
- f) The societal groups affected by the problem.

Identification of stakeholders and determination of the consultation process

Article 9 - (1) Stakeholders affected by the regulation are ranked based on the level of direct or indirect impact, along with the reasons for their involvement.

(2) The consultation process includes:

- a) Determining who else to consult besides the stakeholders,
- b) Identifying the topics to be discussed and the questions to be asked,
- c) Determining the methods to be used,
- d) Deciding when and how much time will be given to the consultation process,
- e) Defining the purpose of the consultation,
- f) Identifying the resources needed for the consultation process,
- g) Anticipating potential difficulties and their solutions during this process.

(3) Attention is paid to the participation of all stakeholders affected by the regulation in the process.

(4) The analysis report includes the opinions and recommendations of the consulted stakeholders.

Determination of the basic objectives and goals

Article 10 - (1) The purpose of the regulation and the concrete, concise, and clear outcomes or transformations to occur in the relevant field and sector as a result of the regulation are expressed, related to the identified problems.

(2) Concrete objectives are determined in line with the purpose of the regulation.

(3) Objectives are set to address the identified problems.

(4) Objectives should be measurable, realistic, outcome-oriented, and achievable within a specific time frame.

(5) Objectives should avoid ambiguous expressions and be easily understood.

(6) The defined objectives and goals should be compatible with national policies stated in development plans, medium-term programs, annual presidential programs, sectoral strategies and action plans, and sustainable development goals.

Identification of options

Article 11 - (1) The areas and extent of intervention determined in the analysis of the current situation and problem identification stage form the basis for identifying options.

(2) At least two options are identified: a regulatory proposal and an alternative proposal. When identifying options, a reference point is established first. The reference point is usually the continuation of the current situation. Objectives and goals are determined for each option.

(3) Options should be compatible with the Constitution, universal legal principles, national policies, and existing legislation.

Analysis and comparison of options

Article 12 - (1) Each option is analyzed and compared using an appropriate analytical method. When evaluating options, the use of the cost-benefit analysis method is essential in cases where benefits and costs can be largely monetized. In cost-benefit analysis:

- a) The possible costs and benefits over the years of each regulatory proposal, alternative proposal, and the continuation of the current situation are determined on a stakeholder basis who will be directly affected by the regulation.
- b) Beyond a specific stakeholder group, the potential costs and benefits that will spread to the society as a whole are separately identified for each regulatory proposal, alternative proposal, and the continuation of the current situation.
- c) Net benefit for each option is obtained by subtracting costs from benefits of the option.
- d) Options are compared based on the total impact they will create. The total impact of the regulatory proposal is measured by adding the incremental value to the total net benefit spread to stakeholders and society as a whole over the years, which will occur with the regulation, onto the total net benefit that will occur with the continuation of the current situation.
- e) The total impact of the alternative proposal is also determined by adding the incremental value onto the continuation of the current situation option.
- f) Costs are addressed by monetizing them as much as possible, including direct compliance costs incurred by the sectors or segments directly affected by the regulation, implementation, monitoring, and enforcement costs incurred by the public, and external costs that do not fall on any specific sector/segment but spread to the economy/society as a whole. In addition to these, significant changes are anticipated for sectors that are considered to be affected by the regulation, the associated indirect costs can also be evaluated qualitatively.
- g) Both one-time costs and recurring costs are included in the cost calculation.
- h) Double counting is avoided.
- i) Benefits are addressed by monetizing them as much as possible, including direct benefits received by sectors or segments directly affected by the regulation, benefits received by the public, and external benefits that spread to the economy/society as a whole. In addition to these, for sectors that are considered to be affected by the regulation, significant changes are anticipated, the associated indirect benefits can also be evaluated qualitatively.
- j) Official data, statistics, international indicators, indexes, stakeholder surveys, interviews, expert reports, and similar tools are utilized in determining costs and benefits.
- k) In cases where benefits and costs cannot be measured monetarily, in the analysis report, these benefits and costs are mentioned, and the reasons for their non-monetization are explained in detail.
- l) The distributional effects of the benefits and costs of the regulation among stakeholders are also evaluated separately.

(2) In cases where benefits and costs cannot be determined, quantified, and/or monetized, and it is not appropriate to conduct a cost-benefit analysis, the reasons are explained, and other methods such as multi-criteria decision analysis, cost-effectiveness analysis, minimum cost analysis, or sensitivity analysis are used.

(3) When evaluating options, assumptions, risks, uncertainties, and barriers to the implementation of the option are also identified for each option.

(4) The most appropriate option is determined based on the analysis conducted.

Analysis Methods

Article 13- (1) When conducting regulatory impact analysis, the use of cost-benefit analysis method is essential. Accordingly:

a) After quantifying the expected benefits and the costs using available scientific tools and methods, the net present value of the regulation is calculated as follows:

$$PVB = \sum_{t=0}^T \frac{B_{it}}{(1+r)^t}$$

$$PVC = \sum_{t=0}^T \frac{C_{it}}{(1+r)^t}$$

$$NPV = PVB - PVC$$

or

$$NPV = \sum_{t=0}^T \frac{NCF_{it}}{(1+r)^t}$$

The expressions in this formula are as follows;

B_{it} : The sum of the incremental benefits expected to be realised in year t,

C_{it} : The sum of the incremental costs to be incurred in year t,

NCF_{it} : The difference between the incremental benefits and the incremental costs to be incurred in year t (incremental net benefits),

t: Year,

r: Annual discount rate,

T: Planning horizon of the regulation in years,

PVB: The present value of the incremental benefits expected to be realised over period T,

PVC: The present value of the incremental costs to be incurred over period T,

NPV: Net present value of the regulation,

b) Cost-benefit analysis is conducted with a minimum of 20 years planning horizon.

c) Cost-benefit analysis is conducted for all options evaluated.

d) Cost-benefit analysis is conducted by separately calculating the impacts for all sectors directly expected to be affected within the scope of the options. In addition to assessing the total impacts, the analysis also reveals the impacts by sectors.

(2) In cases where the benefits and costs of the regulation cannot be monetized to a significant extent and the regulation has more than one objective, the multi-criteria analysis method is used. In this method, the evaluation of the appropriateness of alternatives is made within the framework of determined criteria. These criteria may include effectiveness, efficiency, rapid implementation, estimated impact and/or other criteria that are considered important for the decision and will serve the determined objectives. The following calculation method is used in multi-criteria decision analysis:

$$r_i = \sum r_{ij}C_j$$

The expressions in this formula mean;

r: Regulation {1,...,i},

c: Criteria {1,...,j},

r_{ij} : Regulation i's score for criterion j,

c_j : The weight of criterion j that denotes its importance for the decision,

r_i : Weighted total score of the regulation.

(3) For situations where benefits cannot be monetized but can be quantified, cost-effectiveness analysis can be used to compare options and identify the option with the lowest cost per unit benefit. Cost-effectiveness analysis is used to calculate the cost per unit benefit:

Cost Effectiveness Analysis Formula: $\frac{\text{Cost (monetary)}}{\text{Benefit (unit)}}$

(4) In cases where benefits cannot be quantified and do not differ between regulation options, least cost analysis can be used. In this method, cost differences between regulation options are taken into account in the ranking of alternatives.

(5) When the application of the analysis methods mentioned above is not possible, a SWOT analysis may be conducted.

Development of Implementation Plan

Article 14 - (1) When conducting a regulatory impact analysis, an implementation plan is prepared that includes how the regulation will be implemented, who will be responsible for the implementation, and how and by whom the implementation will be monitored.

Establishment of Monitoring and Evaluation Plan for Implementation

Article 15 - (1) A plan for monitoring and evaluating the preferred option is developed and included in the analysis report.

(2) When creating the plan, indicators that facilitate monitoring the implementation results of the regulation can be developed.

Reporting

Article 16 - (1) After the completion of the analysis, a report is prepared in accordance with the format presented in the Appendix, which includes information on all stages.

SECTION FOUR

Preparation and Evaluation Process of Regulatory Impact Analysis

Preparation and evaluation process

Article 17 - (1) The preparation process of the regulatory impact analysis is carried out by the authority responsible for preparing the regulation.

(2) The authority sends the draft report to the Presidency, which is the central control unit. Additionally, calculations and data used in the calculations are sent to the Presidency in electronic spreadsheet format, and information, documents, and sources are sent as electronic documents.

(3) The draft report is signed by the authorized person to sign the proposal letter in accordance with Article 9 of the Regulation on Legislation Preparation Procedure and Principles.

(4) The draft report is evaluated by the Presidency. Upon the evaluation, the draft report that complies with these Procedures and Principles is sent to the authority as the final report.

(5) If it is determined that the draft report has not been prepared in accordance with these Procedures and Principles, it is returned to the authority with the reasons for deficiencies to ensure their rectification.

(6) After the returned draft report is corrected, it is sent back to the Presidency. In the submitted draft report, issues that the authority could not correct or complete are reported along with their justifications and the results of the impact analysis. The Presidency evaluates the compliance of the submitted draft report with these Procedures and Principles, gives it its final form, and sends it to the authority. The relevant authority provides the necessary support in finalizing the draft report by the Presidency.

SECTION FIVE

Miscellaneous and Final Provisions

Resolution of uncertainties

Article 18 - (1) The Presidency is authorized to resolve any uncertainties that may arise in the implementation of these Procedures and Principles and to make necessary arrangements.

Effectiveness

Article 19 - (1) These Procedures and Principles enter into force on the date of publication.

Execution

Article 20 - (1) The provisions regarding these Procedures and Principles are executed by the President of Strategy and Budget.

APPENDIX

REGULATORY IMPACT ANALYSIS REPORT FORMAT

- 1. INSTITUTION RESPONSIBLE FOR CONDUCTING THE REGULATORY IMPACT ANALYSIS**
- 2. NAME OF THE PROPOSED REGULATION**
- 3. LIST OF ABBREVIATIONS**
- 4. GLOSSARY**
- 5. EXECUTIVE SUMMARY**
- 6. PROCESS INFORMATION AND TIMELINE REGARDING THE CONDUCT OF REGULATORY IMPACT ANALYSIS**
- 7. CHALLENGES AND BARRIERS ENCOUNTERED DURING THE ANALYSIS**
- 8. CURRENT SITUATION ANALYSIS RELATED TO THE SECTOR OR FIELD**
- 9. PROBLEMS**
- 10. OBJECTIVES AND GOALS**
- 11. OPTIONS**
- 12. IMPACT ANALYSIS RESULTS FOR EACH OPTION**
- 13. PREFERRED OPTION**
- 14. IMPLEMENTATION PLAN**
- 15. MONITORING AND EVALUATION**
- 16. CONCLUSION**
- 17. TOP MANAGEMENT ASSURANCE STATEMENT**
- 18. APPENDIX (INFORMATION RELATED TO THE CONSULTATION PROCESS, TABLES AND FIGURES, DATA, INDICATORS, STATISTICS, ETC.)**