



Policy Brief | 15 July 2025

Australia's Impact Analysis Framework

Economic Policy Section

Issue

Parliamentary scrutiny of proposals, including their consequences and trade-offs, is an important contributor to better policy outcomes. Australia's Impact Analysis (IA) framework is designed to support this process. When processes are followed, it offers a structured lens through which parliamentarians can assess the merits and pitfalls of policy initiatives, making it a valuable – if underutilised – tool to enhance legislative rigour.

Key points

- In Australia, the Impact Analysis framework addresses [7 specific questions](#), designed to assist policy makers in considering the potential impacts of policy options.
- Only major policy changes likely to have significant impacts require an IA. [Between July 2022 and June 2024](#) this was less than 3% of the preliminary assessments conducted by the regulatory oversight body.
- Exemptions to the standard IA process include [Prime Minister's exemptions](#) or '[Impact analysis equivalents](#)'.

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Context

Decisions about public policy are complex and always involve trade-offs. Policies implemented without thorough analysis can lead to unintended and sometimes harmful outcomes. Evidence-based approaches help anticipate these risks and mitigate them.

To support the use of evidence-based analysis, Australia has had some form of formal IA framework [since the 1980's](#), most recently through the Office of Impact Analysis (OIA). The OIA operates within the Department of the Prime Minister and Cabinet, and [reportedly](#) 'maintains day-to-day independence from the Australian Government in our decision-making' (p. 9).

IAs can inform not just the executive government's policy decisions but also parliamentarians more broadly. As the [Productivity Commission](#) commented in 2012 (p. 236), IAs:

...should not fade from the scene once a regulatory decision enters parliament but should remain an important reference point in political negotiations in the parliament before final decisions are taken.

What is an Impact Analysis?

In Australia, the IA framework addresses 7 specific questions designed to assist decision makers understand the potential impacts of policy options. The recommended option should always be the option with the greatest net benefit to Australia.

[The 7 Impact Analysis questions](#) are:

- What is the problem you are trying to solve and what data are available?
- What are the objectives, why is government intervention needed to achieve them, and how will success be measured?

- What policy options are you considering?
- What is the likely net benefit of each option?
- Who did you consult and how did you incorporate their feedback?
- What is the best option from those you have considered and how will it be implemented?
- How will you evaluate your chosen option against the success metrics?

The [Australian Government Guide to Policy Impact Analysis](#) gives further detail (pp. 13–42).

What is the standard process?

The [Impact Analysis process](#) is:

1. The OIA determines if the policy proposal requires an IA.
2. If so, the responsible government department/agency prepares an IA.
3. The OIA assesses the quality of the IA analysis, and the process used.
4. The IA is presented to decision makers.

IAs and their related assessments are published on the [OIA website](#) following the announcement of the final policy decision. Where a regulation is tabled in Parliament, the IA needs to be included in the explanatory memorandum or statement.

Determining if an Impact Analysis is needed

The OIA's [User Guide](#) defines the requirement for an IA as:

Any policy proposal or action of government, with an expectation of compliance, that would result in a more than minor change in behaviour or impact for people, business or community organisations (p. 5).

The Guide also explains that full IAs are not required for minor changes or machinery change (pp. 5–6). In short, minor changes tweak existing rules without major impact. They might involve a small one-time cost – for moving applications online, adjusting dates, or indexing fees – but no ongoing burden. Machinery changes are technical updates triggered by bigger regulatory decisions. These include things like fixing legislative errors, renaming agencies, or changing levies in line with the Consumer Price Index growth.

A full IA is only [required](#) for proposals likely to have significant impacts – a threshold relatively few government proposals meet. Of the 3,769 OIA-conducted preliminary assessments between July 2022 and June 2024, only 97 proposals (<3%) [required an IA](#) (p. 54). Moreover, just [69 of these IA's were completed](#) (p. 6), with most of the remainder having 'Impact analysis equivalents.'

Exceptions to the standard IA process

Post-implementation reviews

A [post-implementation review](#) (PIR) is conducted after a regulatory policy decision is implemented, normally to test intended performance or continued relevance.

PIRs are needed for decisions falling within the IA framework scope but where a sufficient IA was not undertaken ahead of implementation. Examples include where an IA was not prepared, was assessed as insufficient or the Prime Minister granted an exemption.

In the first two instances, a completed PIR is required within 2 years of the decision. Where the OIA assesses a decision as having substantial or widespread economic impact, a completed (and OIA cleared) PIR is required within 5 years of the decision being implemented.

Prime Minister's exemptions

The Prime Minister has sole discretion to [exempt](#) a department or agency from IA requirements, which is provided in very limited circumstances:

- where urgent and unforeseen events require a quick decision
- where an IA could compromise Budget or other confidentialities, causing unintended market effects or speculative behaviour against the national interest.

A PIR must be completed within 2 years of the decision being implemented, or at another time agreed by the Prime Minister.

Impact Analysis Equivalentents

With prior OIA agreement, a departmental secretary or deputy secretary (or agency chief executive) may certify that [an IA-equivalent \(IAE\) process has taken place](#). In such cases additional IA may not be required. However, the OIA may not agree to an IAE where the 7 IA questions were not adequately addressed.

Election commitments

IAs covering [election commitments](#) only need to cover the specific policy proposed, as opposed to a range of policy options. Accordingly, the focus is on the commitment (in the context of the current status quo) and its implementation.

The OIA website provides further details on [PIRs](#) and [IAEs](#).

The OIA's quality assessment

To ensure the Australian Public Service [complies with IA requirements](#) (p. 48), the OIA provides training and guidance, and assesses IA analysis against 4 tiers (Table 1). Its assessment includes the quality of [the analysis](#) (p. 14) (against the 7 IA Questions and '[principles for Australian Government policy makers](#)' (p. 6)) and the overarching process.

Table 1 The OIA assessment of the Impact Analysis and process

Assessment Tier	Description
Insufficient	Impact Analysis assessed as insufficient means the process and analysis contained in the Impact Analysis is of poor quality and should not be used as a basis for decision-making. An insufficient Impact Analysis triggers a requirement for a post-implementation review to be completed within two years of implementation.
Adequate	Adequate means the Impact Analysis is sufficient for a decision, but contains a number of shortcomings in its analysis and/or the policy development process used to underpin the analysis, such as not conducting a reasonable level of consultation.
Good practice	Impact Analysis assessed as good practice contains an overall good quality analysis addressing the seven Impact Analysis questions and following an appropriate policy development process commensurate with the significance of the problem and magnitude of the proposed intervention. A good practice Impact Analysis may contain a small number of elements where the quality of analysis or the process followed were not of exceptional quality and could have been improved.
Exemplary practice	Exemplary practice Impact Analyses contain exceptionally high quality analysis for each of the seven Impact Analysis questions, and the process followed in developing the proposed policy and the Impact Analysis were exceptional. Policy makers should aim to produce exemplary practice Impact Analyses.

Source: Office of Impact Analysis, [User Guide to the Australian Government Guide to Policy Impact Analysis](#), May 2023, 15.

The OIA explains the key considerations for considering the adequacy of an IA in the [User Guide](#) (pp. 15–16). The criteria could also be very useful for parliamentarians in considering potential policy changes.

The themes from the User Guide include having:

- a clear definition of the problem
- a range of genuine policy options (or a reason why this is not provided)
- balanced cost-benefit analysis
- rigorous methodology
- stakeholder consultation
- a net community benefit, and
- an implementation and evaluation plan.

These considerations may provide parliamentarians with a better understanding of whether a proposed policy will deliver an overall benefit to the Australian community.

Conclusion

The information contained in IAs, can empower parliamentarians to make informed decisions about whether a proposed regulation is evidence-based, transparent, and likely to deliver real benefits.

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