



## Measuring compliance costs

### **Integrating practical methodologies in impact assessment**

Brian Huijts  
Regulatory Reform Group  
The Netherlands



## Content

- Background and Goals
- Compliance costs in Legislative Process
- Dutch RIA System
- Institutional Settings
- Basic Principles Methodology substantive Compliance Costs
- Methodology and Practise
- Conclusions

## Background



Parliamentary resolution 'Aptroot-Smeets' 2004:

"Government should, like it has done with the Administrative Burdens, measure the compliance costs of existing regulation and set a reduction target of 25% on these costs."

2006: Methodology for 'new' Compliance Costs

2008: Methodology for 'existing' Compliance Costs

2011: Ceiling on compliance Costs (one in one out)

## Legislative Process



Compliance Costs in NEW regulation

-2006 all substantive compliance costs for new regulation need to be quantified in the Business Impact Assessment that is mandatory in the Dutch Legislative process.

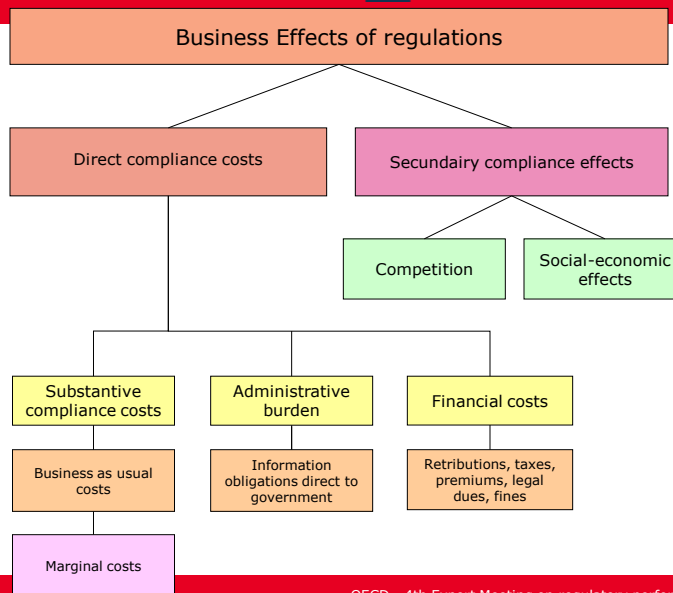
-2011 this BIA has been reinforced and is now part of the Integrated Policy Framework of the Ministry of Justice.

-Ministry of Justice drafts legislative report about all proposed legislation before it is sent to Council of Ministers.

-This guarantees quality of draft legislation and ensures uniform reporting of impacts (and checks whether all impacts – eg Compliance Costs – have been properly quantified)

Nb: Not all law-makers are equally 'enthusiastic' about the obligation to calculate compliance costs

## What are we talking about



Better regulation, better business.

OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Goal of Dutch RIA



Stimulating comprehensive quality of policy and legislation

Structuring the policy- and legislative process

Improving professional cooperation between policymakers, legislators and executing offices

Increasing the effectiveness: integral reporting

The Dutch government works with quantifiable objectives and measurable targets for the various aspects of the programme.

This increases transparency and accountability and facilitates the monitoring of progress.



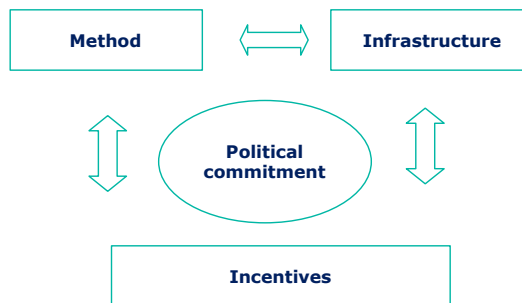
IAK

Better regulation, better business.

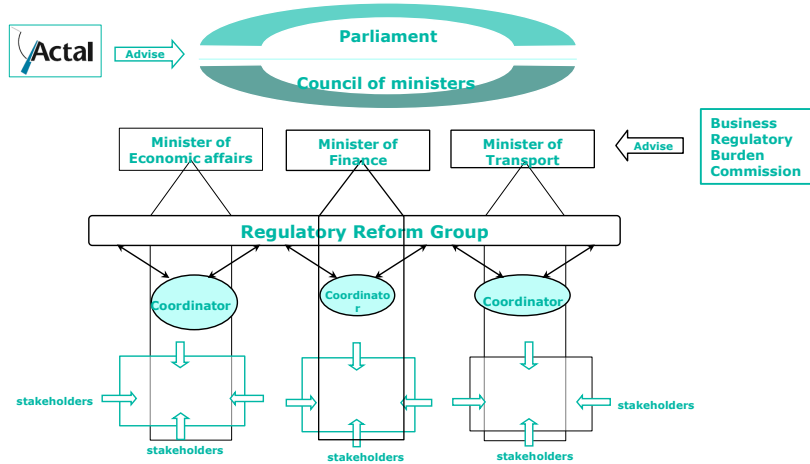
OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

The screenshot shows a web browser window with the URL <http://legs.kc-wetgeving.nl/Afwegingsdossier/dossier/122/kenmerken>. The page title is 'Afwegingsdossier: [Nog geen titel ingevuld]'. The browser's address bar shows the URL and a search box. The page content includes a navigation menu with 'Home', 'testdossier', and 'Uitloggen'. The main content area is titled 'testdossier' and contains a list of dossier items. The selected item is 'testdossier', which is a 'Voorblad afwegingsdossier'. The page also includes a section for 'Algemene kenmerken' with fields for 'Naam afwegingsdossier', 'Onderwerp afwegingsdossier', and 'Dossier Nummer'. The 'Naam afwegingsdossier' field contains 'testdossier' and the 'Dossier Nummer' field contains '2010-0041'. The page is displayed in Internet Explorer 8.0.6002.15002.

## What is needed?

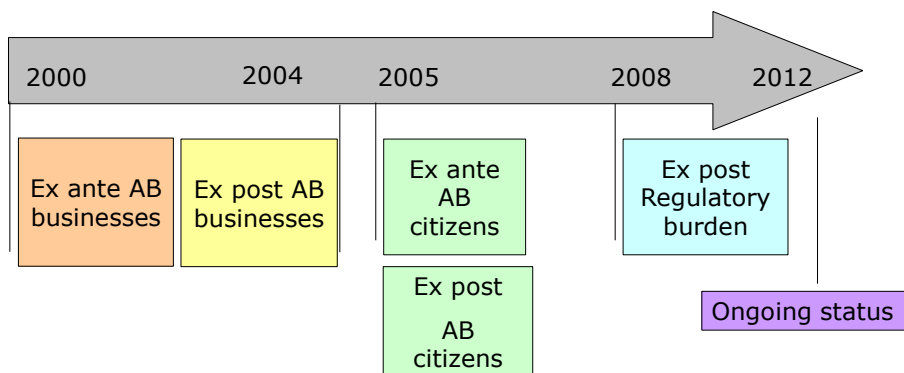


## Institutional set up – Checks and Balances



OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Mandate Watchdog Actal 2000 - 2012



Strategic Advice – Stock of Legislation

System Assessment – yearly check on ex-ante considerations of Ministries

OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Main terminology



### What are 'NEW' Substantive Compliance Costs?

Substantive Compliance Costs are the additional costs companies incur to be able to comply with a new legal standard.

The starting point for determining the additional costs is the relevant existing legal standard.

This definition contains a number of building blocks:

- New legal standard
- Existing legal standard
- Additional costs

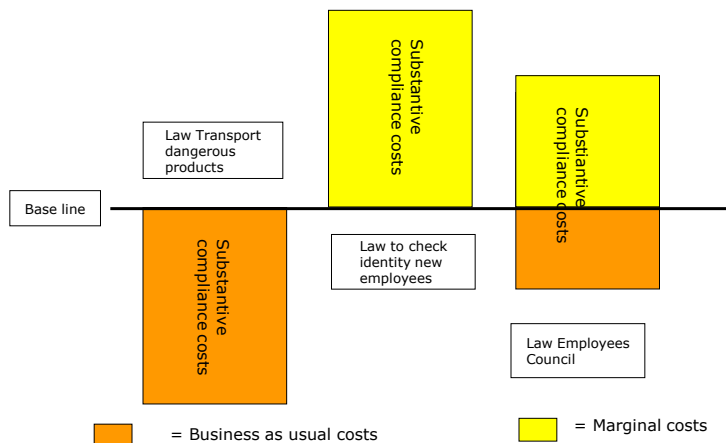
Better regulation, better business.

OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Existing Compliance Costs



### Composition of substantive compliance costs



Better regulation, better business.

OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Outcomes



2008 a survey was conducted to determine areas that give rise to disproportionate and non-business-related compliance costs in relation to the public interest

Specific reduction possibilities were mapped out by business community

These proposals give rise to 15% reduction possibility in the investigated Areas

Adding up to 1 billion Euro structural savings

New target is set for 2011-2013 (1 or 2 billion)

Better regulation, better business.

## The new methodology



Major differences Compliance Costs tool and SCM:

This tool focuses on marginal costs and reckons with different solutions to comply with norms etc.

Main difference is the relevance of business as usual costs being part of substantive compliance costs

Reducing substantive compliance costs makes sense only for the marginal costs – transition costs

Better regulation, better business.

OECD - 4th Expert Meeting on regulatory performance - Berlin - June 2012

## Lessons Learned



Measuring tool is practicable and yields reliable figures and reduction proposals.

General:

Share of Marginal Costs relatively small:  
Therefore, little possibilities for reductions (public goal)

Businesses have most hinder from:

- regulations concerning labour/ workplace safety
- environmental safety
- repetitive actions
- information obligations
- frequently changing regulations

## Conclusions



Both NEW and Existing Compliance Costs can effectively be measured and reduced with shown Instruments

Main challenges:

- Institutional Settings and Political Commitment
- Embedding the instrument in the RIA-process (NEW) and in the Fitness-checks (Existing)
- Finding possibilities for reduction of existing compliance costs
- Training civil Service in the application and use of the RIA system and the methodologies