



## **Administrative Simplification in MENA and OECD Countries**

# **Standard Cost Model**

**Dutch approach and experiences**

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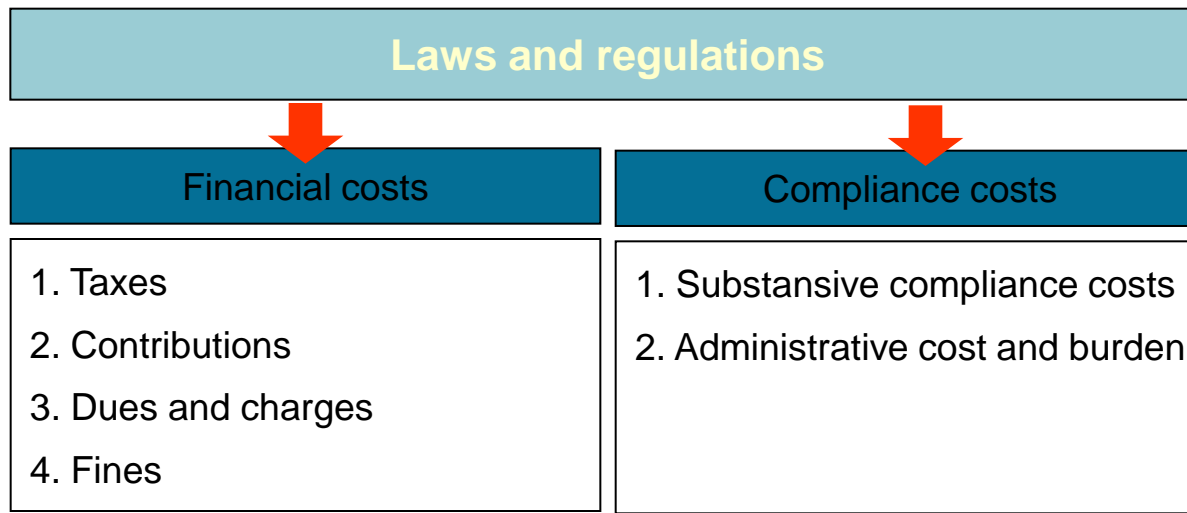
- What are AB?
- Why reduce AB?
- Who is causing AB?
- How to Calculate AB?
- What is needed for AB reduction programme?
- How to reduce AB?



# 1. What are Administrative Burdens (AB)?

**Laws and regulations are necessary, but regulating a society and an economy imposes costs on the industry and citizens.**

**A part of these costs are the Administrative Burdens (AB)**





# 1. What are Administrative Burdens (AB)?

**AB are the costs for citizens and industry which result from complying with **Information Obligations** laid down in government regulations.**

- **Administrative Activities** have to be carried out, such as collecting, processing, registering, archiving and delivering information to the government.
- carried out by citizens, employees of companies and hired professionals.
- Sometimes, Out of Pocket Costs have to be made.
- The sum of these costs are the Administrative Burdens and they are measured in Euro's per year (or any other currency).



## 2. Why should we reduce AB?

### **AB reduction results for the industry:**

- **Increase in GDP**
- **Increased labour productivity**
- **Country and regions become more attractive to industry**

### **AB reduction results for the government:**

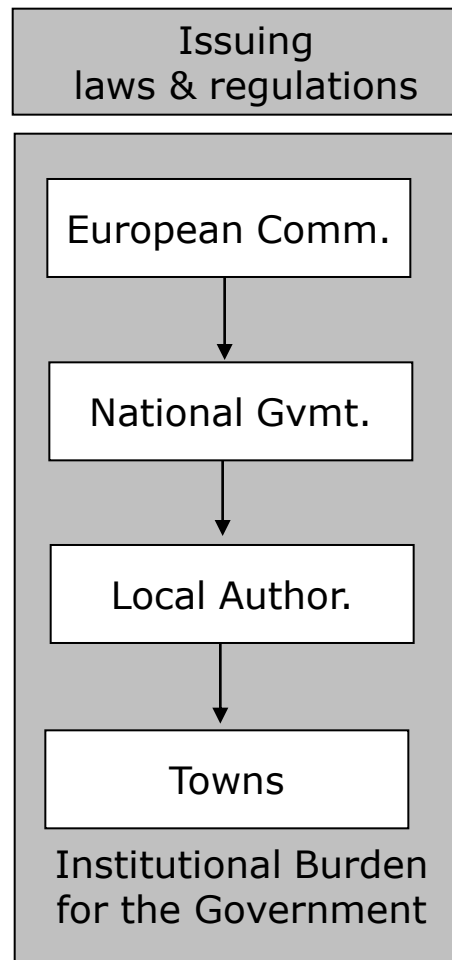
- **Less paperwork and Institutional Administrative Burden for Gvmt**
- **Regulations of better quality**
- **Improved compliance**
- **Professional satisfaction and improved quality of work**

### **Shared benefits:**

- **Improved transparency of regulations**
- **Better interfacing between Government and Industry / Citizens**



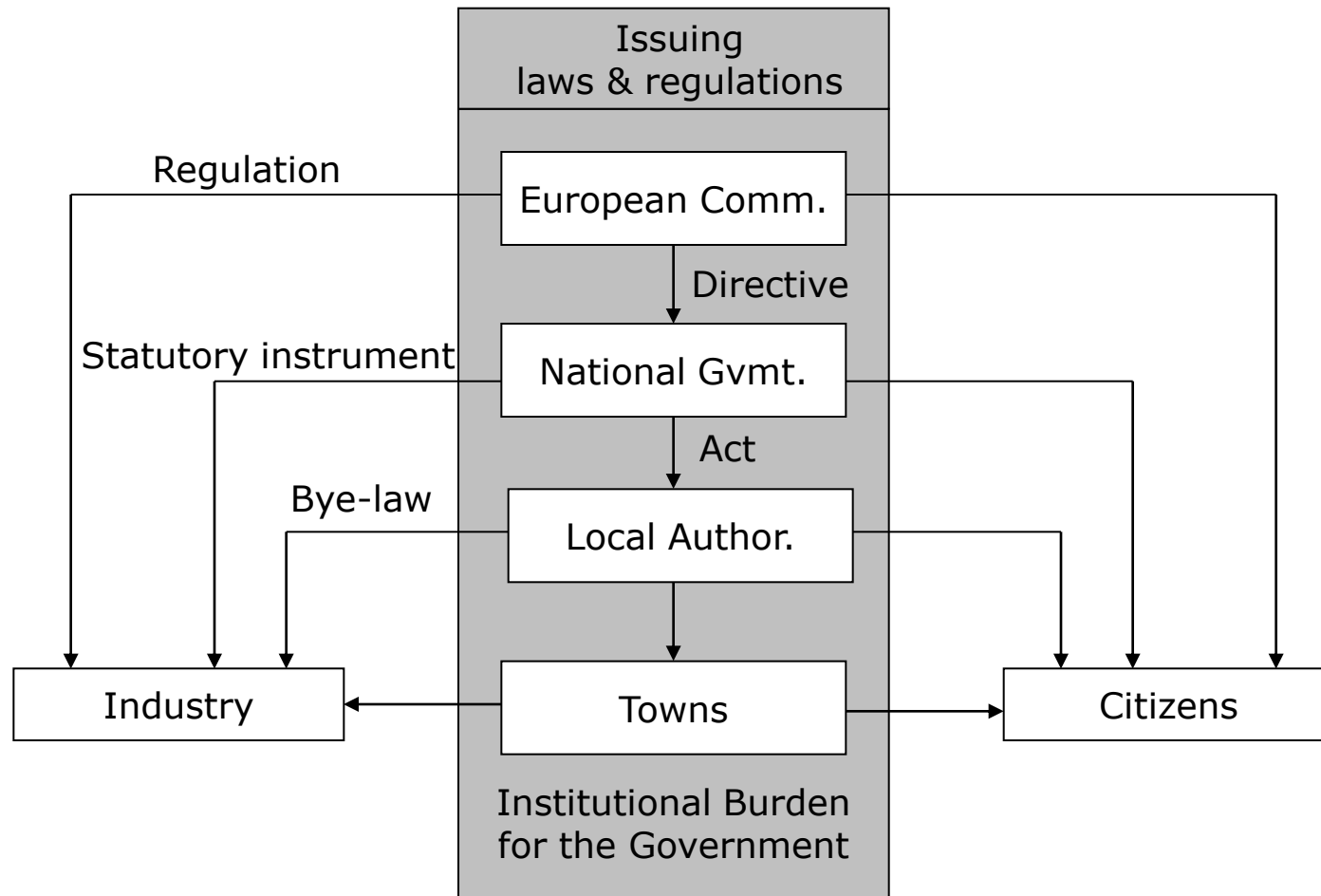
### 3. Who is causing AB and for whom?



### 3. Who is causing AB



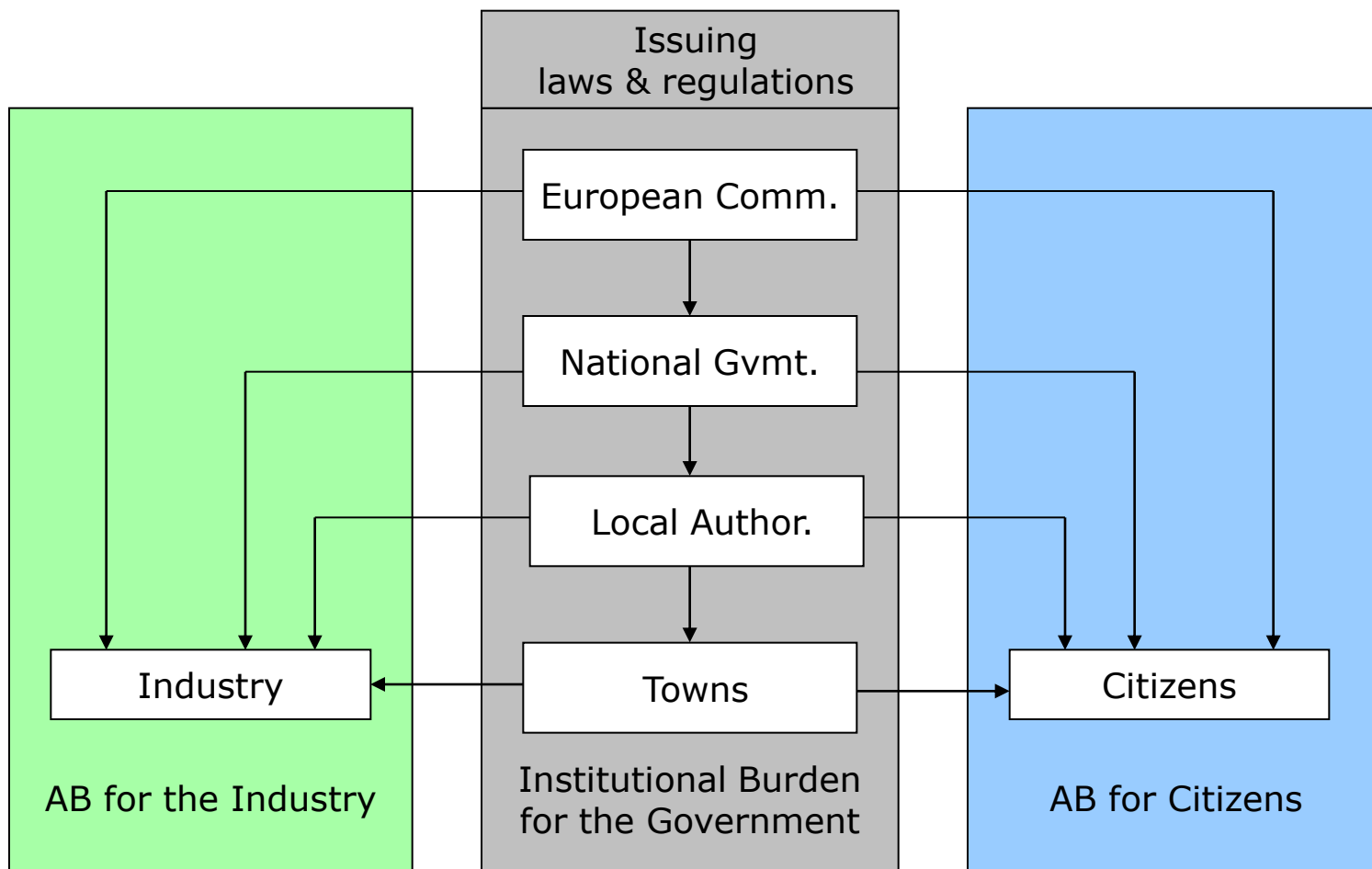
### and for whom?



### 3. Who is causing AB



### and for whom?







## 4. How to calculate AB?

**To calculate AB the Standard Cost Model (SCM) was developed in the Netherlands.**

**The SCM intends to provide:**

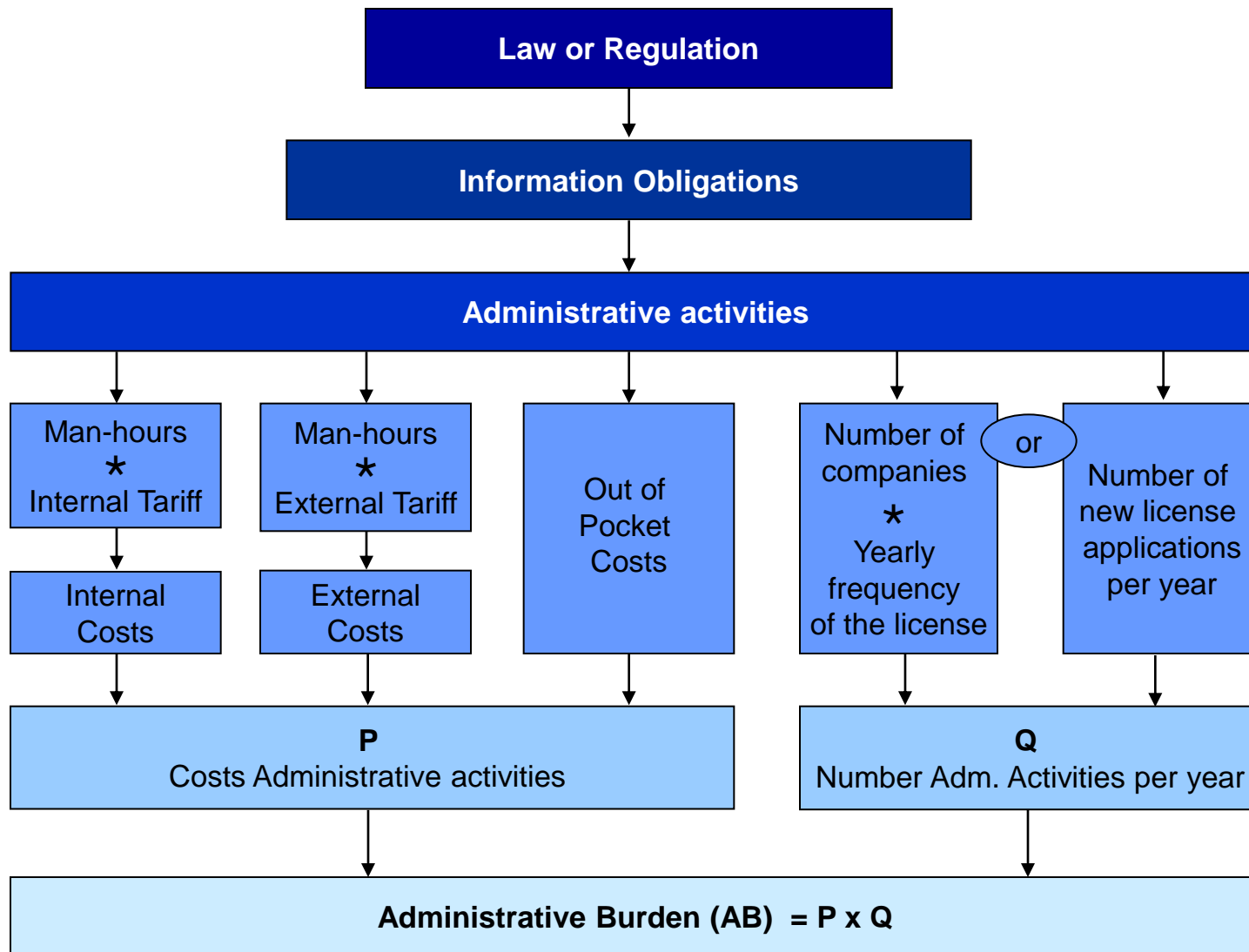
- **An understanding of the scale of the AB.**
- **Identify opportunities for burden reduction.**
- **Monitor future progress in reducing AB.**
- **Mechanisms to integrate better regulation.**

**The SCM is adopted in many countries and the European Union.**

# The Standard Cost Model



# (SCM)



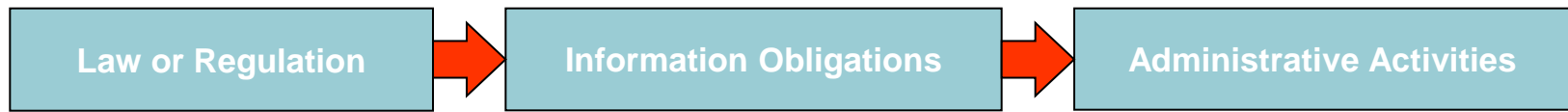


## 4. How to calculate AB?

### Dutch Top 10 AB

Legislation	AB (in millions €) in the Netherlands
<b>1. VAT</b>	<b>1,500</b>
<b>2. Financial accounting</b>	<b>750</b>
<b>3. Income tax</b>	<b>500</b>
<b>4. Tax on wages/salaries</b>	<b>375</b>
<b>5. Employees' insurances</b>	<b>375</b>
<b>6. Excise duty (customs)</b>	<b>360</b>
<b>7. National health service act</b>	<b>190</b>
<b>8. Application environmental permit</b>	<b>130</b>
<b>9. Application building permit</b>	<b>85</b>
<b>10. Working conditions</b>	<b>81</b>
Total	8,400

# 4. How to calculate AB?



Environment Protection Law

X.1	Environmental permit
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X.1.1	Filling in forms
X.1.2	Soil protection plan
X.1.3	Sound investigation

X.2	CO <sub>2</sub> Emission Trade
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X.2.1	Measure emissions
X.2.2	Annual Trade report
X.2.3	Audit by accountant
X.2.4	Registration of units

**Each administrative activity has attributes:**

- Amount of man-hours (internal & external)
- Tariff (internal and external)
- Out of Pocket Costs
- Number of occurrences per year



## 5. What is necessary for an AB reduction program?

### **The 5 necessary elements for an AB Reduction Program:**

- **Content**

- Inventory and analysis of origin and amount of AB
- Possibilities for the reduction of AB

- **Process**

- Communicating with the stakeholders: “owners” and industry
- Reaching consensus and commitment

- **Instruments**

- Standard Cost Model (SCM)

- **Organisation and planning**

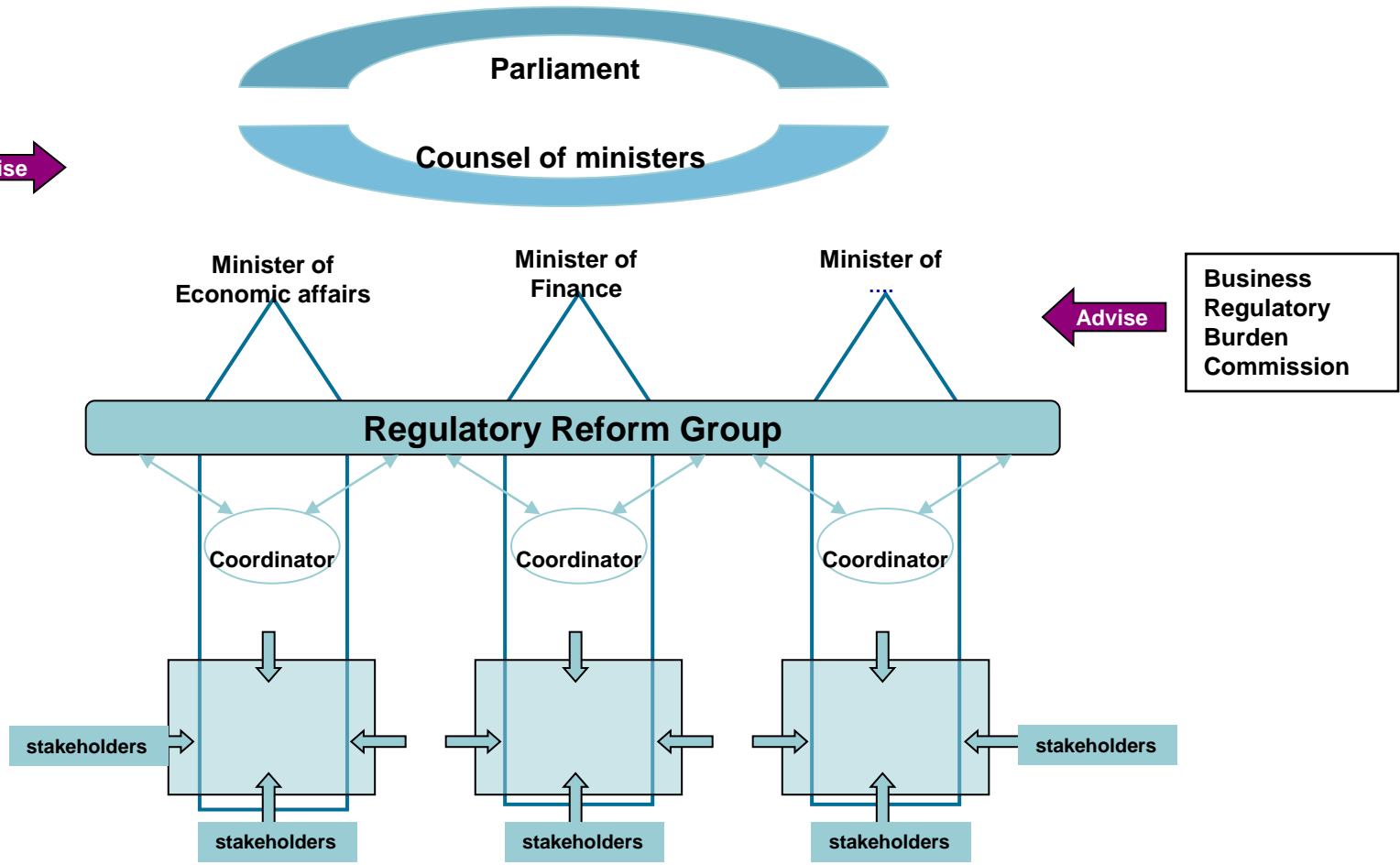
- Who is doing what with whom (tasks, responsibilities, authorities)
- Time frame and allocation of resources

- **Motivation**

- How to move the stakeholders: “owners” and the industry?



Advise





# Advantages of an AB reduction program?

**SCM makes hidden costs transparent**  
**SCM gives insight in size of the problem**  
**SCM provides reduction possibilities**

**By means of:**

- - **25% nett reduction target**
- **Budgeting AB: creates scarcity**
- **Compensation required**
- **Interministerial framework**
- **Ministerial 'satellites'**
- **Independent advisory board**
- **Involvement stakeholders**



## 6. What AB can be reduced?

### **Legislation:**

- **Can information obligations be removed from the legislation or regulation?**

### **Information obligations:**

- **Can regulatory information obligations be simplified?**

### **Administrative activities:**

- **Can certain administrative activities be removed?**
- **Can certain administrative activities be simplified?**
  - Reduction of the target group.
  - Reduction of frequency.
  - Reduction of time involved.
  - Reduction of costs.





## Results AB reduction 2003-2011 in the Netherlands

In 2003: AB totalled 16 billion AB for the Dutch Business Community

2003-2007: achieved reduction 25% = 4 billion saved structurally

2007-2010: achieved reduction 22% = 3 billion

Remaining 9 billion will have been reduced with another 25% in 2015

Total cost: 6 million Euros, total savings (over) 7 billion Euros

'Return on investment' = 1166 % + political profit



## Summary

### **AB result from information obligations:**

- **An obligation from the government to provide information.**
- **These can be found in a layers of legislation.**
- **Activities that will be carried out regardless of legislation are administrative costs and are not measured.**

### **AB can be measured in four steps:**

- 1. Identify the IO in the legislation.**
- 2. Gather information from the government experts.**
- 3. Gather information from the target group.**
- 4. Calculate and report the results.**



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