

EU methodology for assessing administrative costs



Secretariat-General
Better Regulation
and
Impact Assessment

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1. Global Context




- Better regulation / governance drive
 - New administrative and legislative culture partially inspired by private standards ('customer friendly' policies, business plan, etc.)
- From financial budgeting to regulatory budgeting
 - Contract with America (Rep. Newt Gingrich 1994)
 - In Europe, Dutch programme on administrative costs (as a first step?), followed by DK, SE, UK, FR, AT, DE, ...

2. Why administrative costs (AC) get priority / publicity?

- Economic gains
 - Administrative costs are consequential
 - Under fierce competition, any cut becomes important
- Political gains
 - Consensual objective (nobody opposes suppressing unnecessary obligations)
 - AC are particularly irritating
 - High visibility (action against 'red tape' is bound to attract media attention)
- Functional reasons
 - AC are often easier to assess than other compliance costs (standardisation)

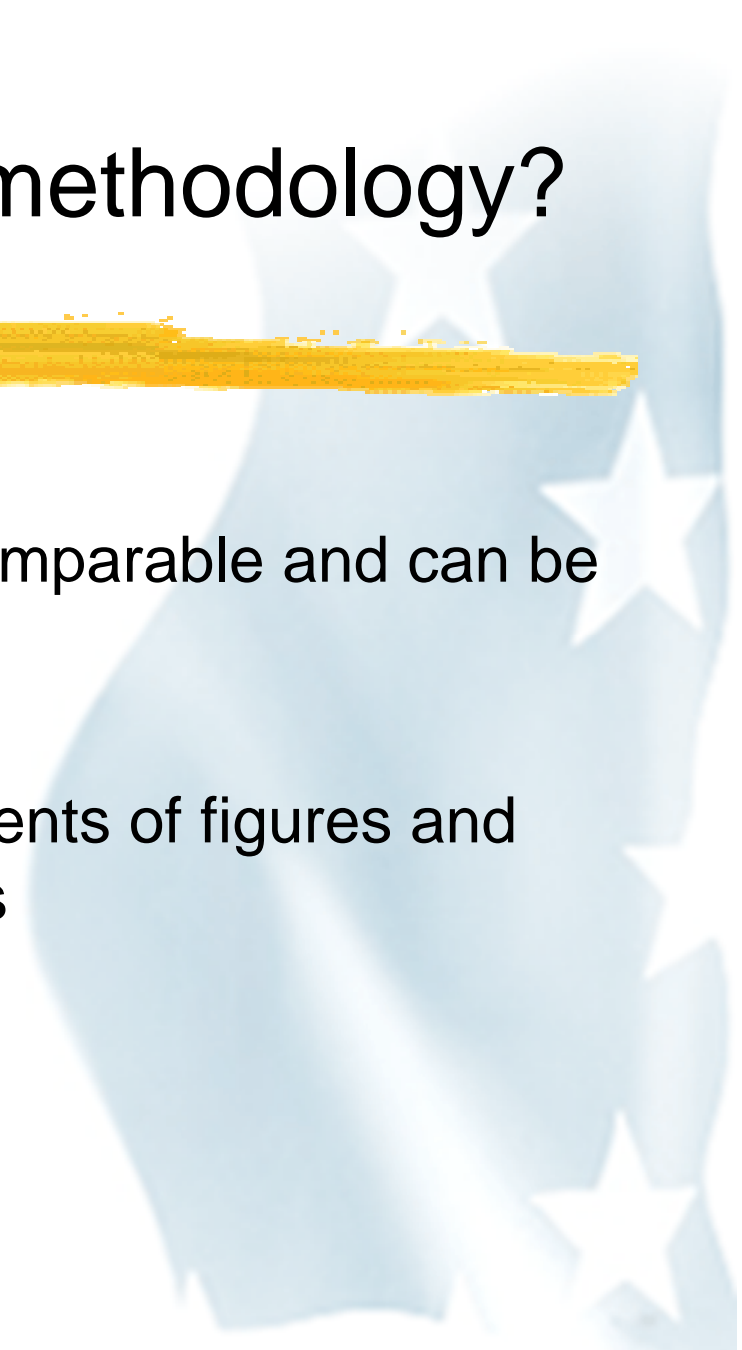
3. EU state of play



- In October 2005, as requested by the European Council, the Commission proposed an EU common methodology.
 - Proposition based on largely based on best practices at Member State level, to ensure maximum compatibility and facilitate convergence.
 - A version of the Standard Cost Model adapted to EU needs and resources.
 - In March 2006, integration of the EU SCM has been integrated in Commission Impact Assessment (IA) Guidelines via an operational manual.
 - Manual translated in all official languages and available on internet via
Europa > European Commission > Impact Assessment
(http://ec.europa.eu/governance/impact/docs_en.htm)
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4. Why an EU common methodology?



- Clear added value
 - Ensure that national data are comparable and can be added up.
 - Facilitate EU extrapolation
 - Minimise methodological arguments of figures and allow to focus on policy contents
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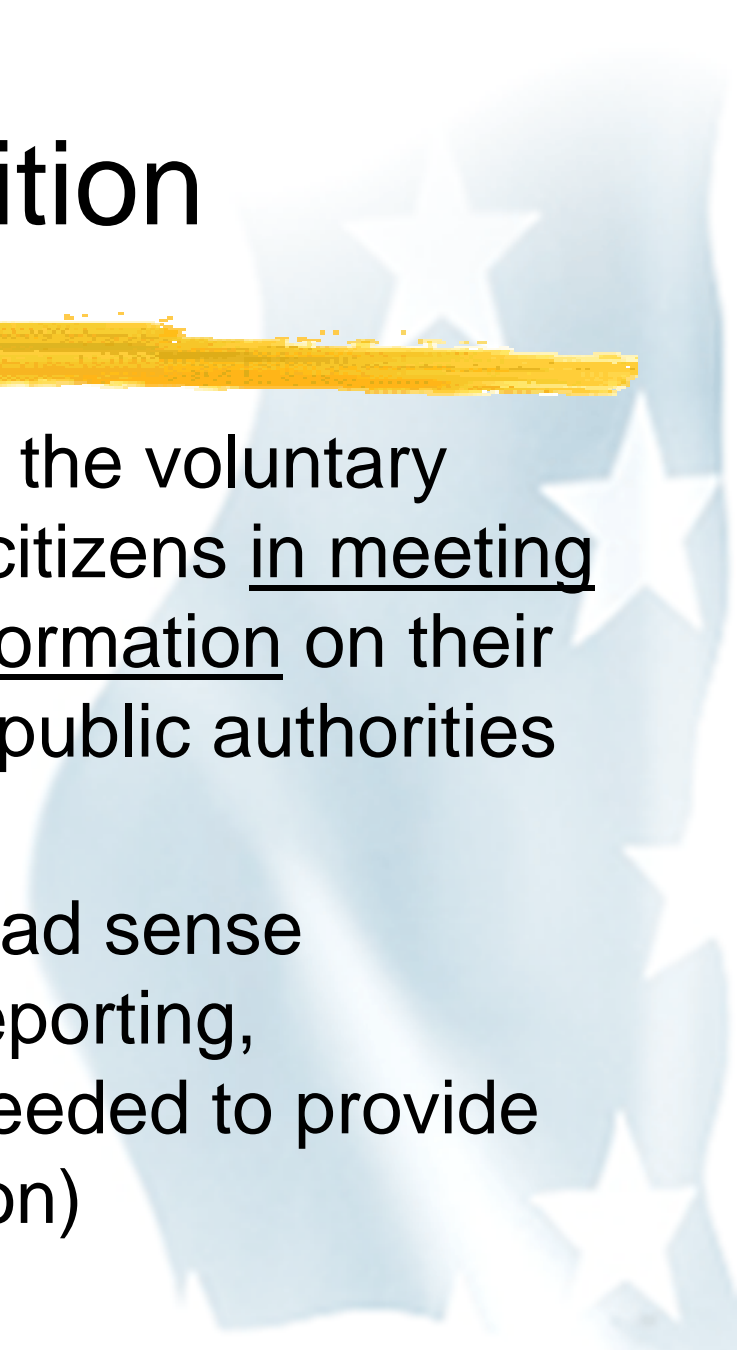
5. Why an EU SCM?



- SCM is relatively simple
- Better accuracy than overall quantification
- Improve policy design by forcing some sort of mental testing & simulation
- Leave room for national additions because open to minimum harmonisation:
 - Core definition
 - Core equation (basic costs parameters)
 - Core reporting requirements (types of costs, regulatory origin and tracking device)

6. Core definition

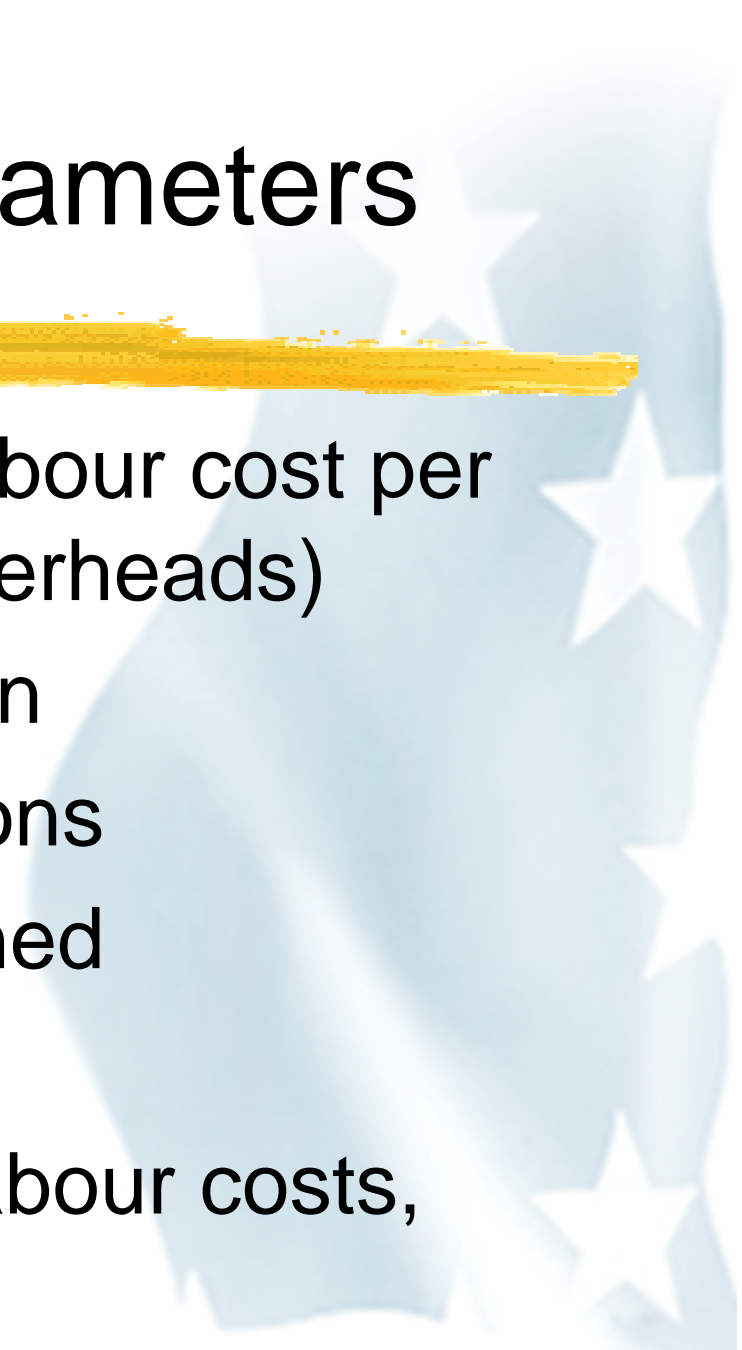


- Costs incurred by enterprises, the voluntary sector, public authorities and citizens in meeting legal obligations to provide information on their action or production, either to public authorities or to private parties.
 - Information construed in a broad sense (including costs of labelling, reporting, monitoring and assessment needed to provide the information, and registration)
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7. Core costs parameters



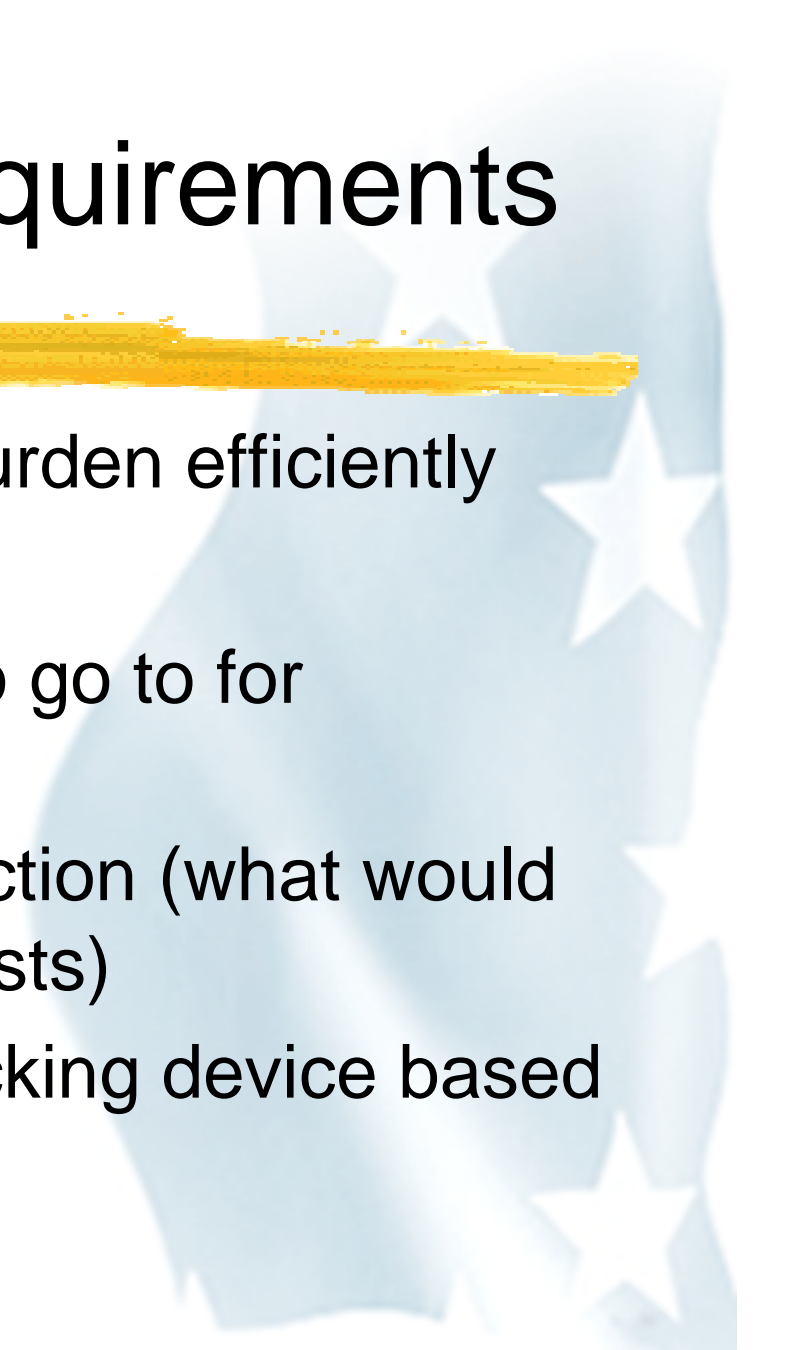
- tariff (based on average labour cost per hour including prorated overheads)
 - the time required per action
 - frequency of required actions
 - number of entities concerned

 - Use of standard figures (labour costs, overheads, etc.)
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8. Core reporting requirements



Needed to assess cumulative burden efficiently

- Clear regulatory origin (who to go to for simplification)
 - Clear indication of price per action (what would be bring the greatest cut in costs)
 - Correlation table as a fast tracking device based on numerical references
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9. Work flow

Phase 1: preparatory analysis	
Step 1:	Identification and classification of information obligations (<i>e.g. certification of products</i>) & data requirements (<i>e.g. date of production and composition of the product</i>)
Step 2:	Identification of required actions (<i>e.g. training members and employees about the information obligations, filling forms</i>)
Step 3:	Classification by regulatory origin (<i>e.g. EU rule on certification is the transposition of an agreement of the World Trade Organisation</i>)
Step 4	Identification of target group(s), also called segmentation (<i>e.g. large enterprises that have to fulfil obligation 'A' and small enterprises that have to fulfil obligation 'B', the size of the enterprise being defined by its turnover</i>)
Step 5	Identification of the frequency of required actions (<i>e.g. small enterprises have to fill a form once a year</i>)
Step 6	Identification of relevant cost parameters (<i>e.g. particular relevance of external costs and equipment</i>)
Step 7	Choice of data sources and, where necessary, development of data capture tool(s) (<i>e.g. deciding that the number of entities concerned will be extrapolated on the basis of data available on Eurostat, but that the number of hours each need to perform required actions will be based on the results of interviews of enterprises; for the later task, preparation of an interview guide and selection of a representative sample of entities</i>)
Phase 2: data capture and standardisation	
Step 8	Assessment of the number of entities concerned (<i>e.g. 100.000 small enterprises</i>)
Step 9	Assessment of the performance of a "normally efficient entity" in each target group, taking into account cost parameters identified in step 6. (<i>e.g. enterprises have once a year to spend, on average, 25 hours of work by an engineer to gather information and 5 hours of work by a clerk to fill the annual form</i>)
Phase 3: calculation and reporting	
Step 10	Extrapolation of validated data to EU level
Step 11	Reporting and transfer to database

Conclusions.

securing convergence: a win-win option

- This would facilitate the work of the Commission (i.e. collecting national data, aggregating and extrapolating them)
- This in turn would accelerate the Commission's contribution to the reduction of administrative burden in the EU, to the benefit of all Member States.
- This would also help newcomers in the assessment of administrative costs. Member States using the common methodology will be in a good position to share the workload and assess a significant part of administrative costs in their country by adjusting estimates produced by others