

Better Regulation through Systematic and Standardised Measurement of Administrative Costs in Germany

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Dr. Dominik Böllhoff
Federal Chancellery, Better Regulation Unit
Dominik.Boellhoff@bk.bund.de

- 1. Introduction**
- 2. The Standard Cost Model**
- 3. Measurement and Simplification of existing
Administrative Costs (“ex post”)**
- 4. The Regulatory Control Council and the
Assessment of new Admin Costs (“ex ante”)**
- 5. Outlook**

1. Introduction

- Reduction of Bureaucracy is a priority of the German Federal Government
- Main focus: Reduction of red tape for companies
- Multi-level Focus: Reduction of bureaucracy at both the national as well as EU level
- Chancellor Merkel has a special interest in this topic with regard to the national as well as the EU level

Legal / Political Basis in Germany

New government in 2005 - Coalition Treaty of 11.11.05:

- Implementation of **Standard Cost Model (SCM)** (Dutch example / internat. standards)
- Installation of an independent “**Regulatory Control Council**” (RCC)

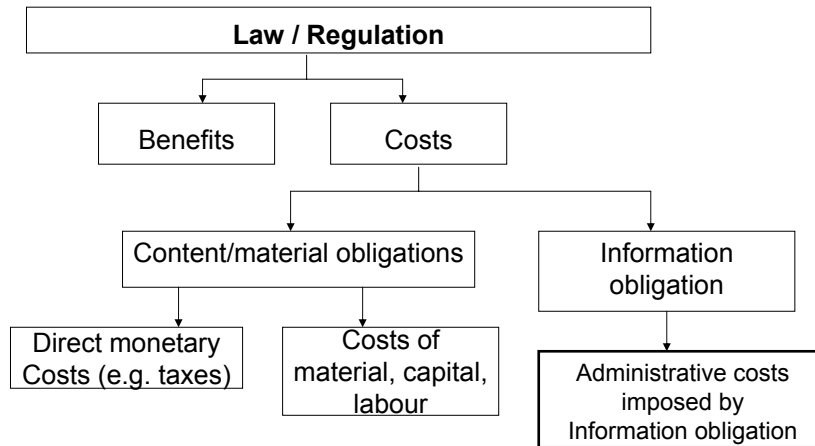
Cabinet Decision of 25.04.06:

- **Centralized approach** (Coordinator + Better Regulation Unit in the Federal Chancellery)
- Political Coordination via **State Secretaries’ Committee** (all ministries)
- **Small Companies Acts** as “First Aid reduction measures”

Cabinet Decision of 28.02.07: Reduction Target: **25%** until 2011

2. The Standard Cost Model

What are administrative costs?



What is the Standard Cost Model (SCM)?

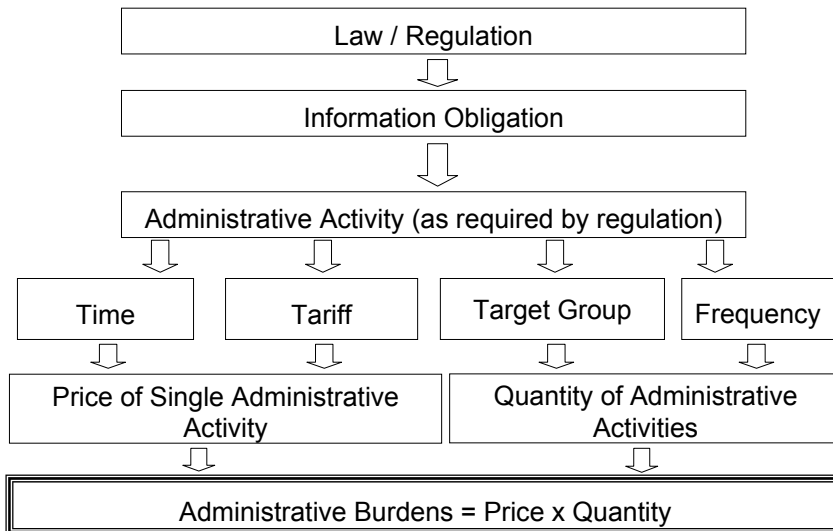
The SCM is a methodological approach, which allows for a **systematic exploration of one key element of administrative burdens**.

With the SCM, **information obligations (IO)** (i.e. applications, forms, statistics, certificates), which are based on a regulation, can be measured. The method helps to identify the burdens for **companies, citizens** and the **administration**.

Features of an IO:

1. It is government-imposed
2. It takes the form of a general abstract rule
3. The data or information is transmitted or kept available in written, electronic or other form

Standard Cost Model: The „Formula“



What's new with SCM?

- A tool to measure (a part of) bureaucracy
- Systematic approach based on a uniform, agreed and binding methodology
- Focus on Information Obligations: Avoid political debate esp. on the “usefulness” of regulation; focus on administrative and technical potential for simplification
- Helps regulators to think about impact and effects of their regulations
- International diffusion:
 - NL as the founder
 - recommended by OECD and World Bank
 - applied in a variety of EU countries (NL, UK, DN, AT, CZ SWE) and pilot projects (e.g. PL, IT, FR)
 - EU Commission: ex ante approach since March 2006 as part of the Impact Assessment procedure; 25% target since Spring ER, implementation of ex post Action Programme from June 2007

3. Measurement and Simplification of existing Administrative Costs (“ex post”)

- **Baseline measurement** including all 4500 Federal laws and ordinances to identify and measure the burdens imposed by Federal information obligations (IO)
- **Mapping** of IO in 2006: More than **10.900 information obligations** for businesses identified; information obligations for citizens and administration will follow
- Registration of the IO in a **central database**; database is shared with and evaluated by federal ministries and stakeholders (industry, Länder and municipal authorities)
- Kick off for **full scale SCM-baseline measurement** run by the Federal Statistics Office in Jan 2007
- Most burdensome legislation to be measured by **Summer 2007**
- Global Reduction Target (**25% by 2011**) in February 2007
- Specific Reduction Targets and **Simplification Plans** in Oct. 2007

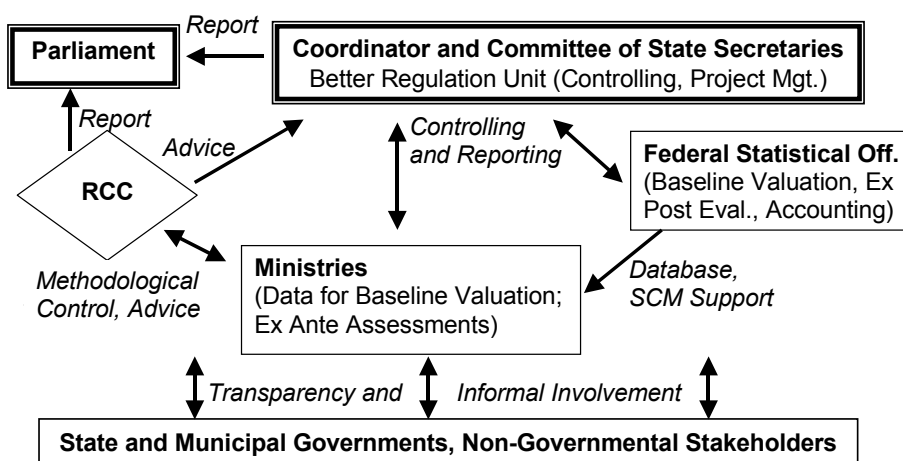
Goal of the SCM – Simplification!!

- The **identification and measurement** of information obligations is not an end in itself!
- The goal is to **reach simplifications** for companies, citizens and administration which are noticeable, sustainable and verifiable.

Simplification measures

- **Prohibition** of new or **abolition** of existing information obligation
- **Simplification** of information obligations (esp. the time, target group and frequency)
- **Optimisation of the coherence** between regulations (e.g. avoidance of double or parallel request of information obligation of public authorities, recourse on existing data)
- **E-Government:** e.g. ensure easy access and linkage between public authorities and addressees

Parties Involved:



4. The Regulatory Control Council and the Assessment of new Admin Costs (“ex ante”)

Key measure to combat new administrative burdens: set in of a “Normenkontrollrat” (NKR) / **Regulatory Control Council (RCC)**

- Constituted on the 19 September 2006 on basis of a new “NKR-Gesetz”
- independent watchdog
- 8 members, 5 year term of office
- Chairmen: Johannes Ludewig, former chairman of Deutsche Bahn

- RCC is assisted by a secretariat located in the Federal Chancellery

Competences of the RCC

- Check drafts for new legislation (ex ante evaluation)
 - Support to the ongoing baseline measurement of admin burdens
 - Further development of the measurement methodology

 - International relations – e.g. close collaboration with ACTAL and Better Regulation Commission (1 March 2007- “Position Paper on the Commission Action Programme for Reducing Administrative Burdens”)
- ⇒ RCC aims for **close and trustful collaboration** with Federal Ministries and regards itself as “**coach**”, “**enabler**” or “**activator**”

Ex ante Procedure of RCC

RCC is formally involved in the law-making process **like a Federal Ministry** (since Dec. 2006). All **new draft laws** have to be sent to the RCC.

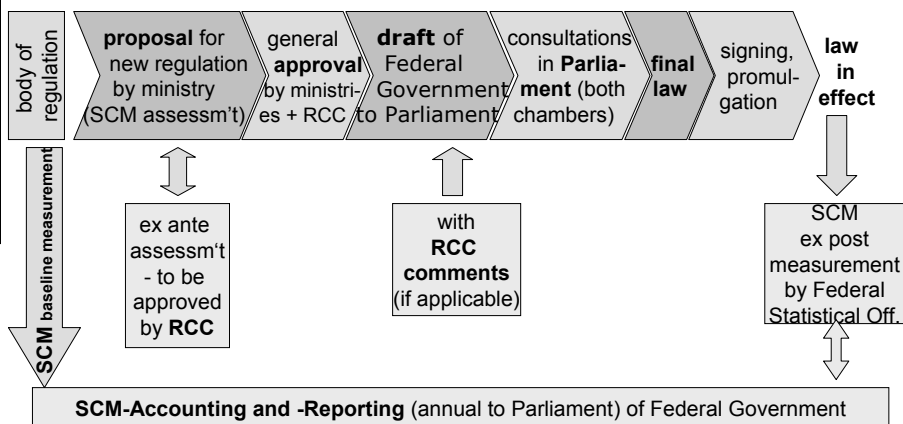
Modification of the “Joint Rules of Procedure” (GGO):

- as part of the impact assessment, ministries have to assess the administrative burdens on basis of the SCM (§ 44 Abs. 5 GGO)
- new ex ante SCM-Guideline which helps the ministries to do the SCM-assessments
- ministries have to outline the administrative burdens in the front sheet (“Vorblatt”) and in a separate chapter the justification (“Begründung”)

RCC has a right to give comments:

- Quantification and comprehensible presentation of the administrative burdens?
- Did the ministry consider regulatory alternatives?
- Was the most cost-efficient alternative chosen?

Legislative Process and SCM (ex ante)



Ex ante Procedure – Results so far

Since 1 December 2006, RCC has checked:

- 55 draft laws
- about 270 Information Obligations
- Accounting Balance for the Economy - Reduction of about 227 Million Euro.

5. Outlook

SCM and the measurement of administrative costs helps to:

- reduce administrative burdens
- can bring the „Better Regulation“-Agenda forward and change the administrative culture („output-orientation“)
- strengthening of multi-level thinking of national and EU civil servants

Challenges

- Volume of the exercise (baseline measurement)
- Political context: Coalition government
- Federalism: Implementation of Federal provisions on the Länder and municipal level → admin burdens vary from Land to Land