



# Presentation on Dutch Standard Cost Model

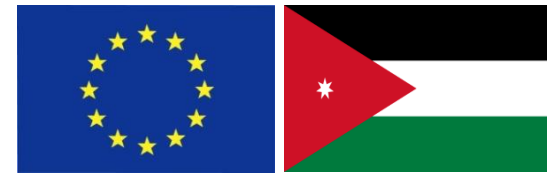
Edward Donelan



A project funded by the European Union



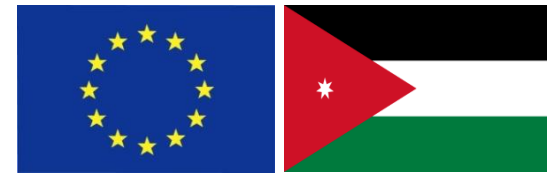
# History



- ❑ Early 1980s
- ❑ Economic crisis in the Netherlands:
  - failure of the welfare state => need to revive the economy
- ❑ 1980s
- ❑ Early attempts for structural reforms: competition policy, deregulation and privatization network industries
- ❑ 1990s



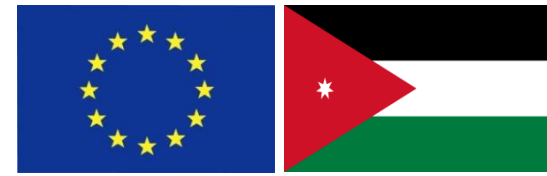
## 2. History



- ❑ Further structural reforms: opening up markets, tax reforms
  
- ❑ 1998 Previous programmes addressed stock of regulation CEO's: scrutinize also the flow of regulation
  
- ❑ 2000 Actal



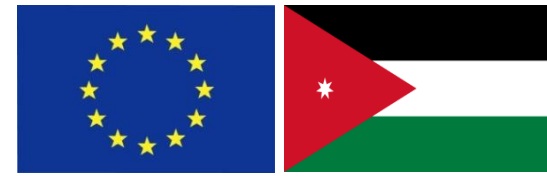
## Most recent history



- ❑ 2000s
- ❑ Dutch programme on reducing regulatory burden: - formal, quantitative approach (SCM)
- ❑ 2010s Dutch programme with enhanced focus on noticeability
- ❑ The programme continues



# Different Types of Burden



## **Administrative burdens (AB)**

These Stem from information obligations to the government – example: identification obligation

## **Substantive compliance costs (SCC)**

These Stem from obligations to live up to the content of the legislation –  
examples: measures for fire safety



## □ Supervisory burdens (SB)

□ These Result from supervision and inspection to ensure compliance, for example: costs for firms due to inspections

## □ Regulatory burden

RB = total compliance costs = AB +  
SCC + SB



# Simple formula



**Regulatory burden = total compliance costs**

**Administrative Burden**

**+**

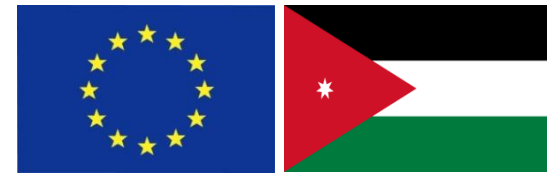
**SCC**

**Substantive compliance costs**

**+**

**SB**

**Supervisory burdens**



## Quantitative measurements

Method: Standard Cost Model (SCM)

- Citizens: in euro's (previously: in hours)
- Professionals: in hours





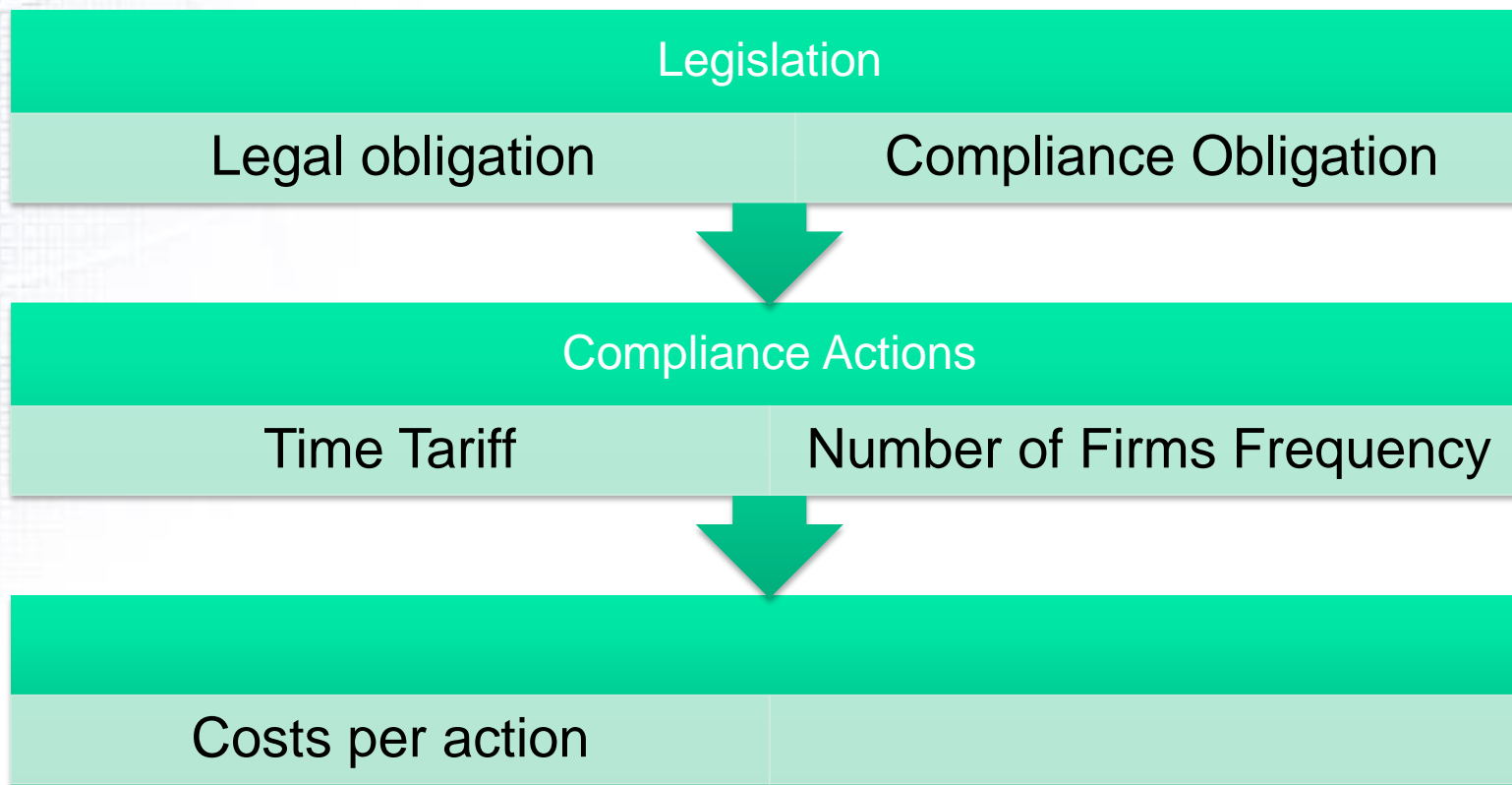
## Qualitative indications

All target groups: level of annoyance

Method: based of signals from society



# Standard Cost Model (SCM)





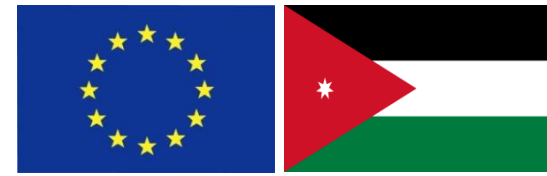
Compliance costs (= Regulatory burden)  
 $= P \times Q$

$P$  = Costs / Time per action

$Q$  = Total number of actions per year



# ACTAL: What



Dutch Government has adopted:

- Quantitative approach: net reduction target of € 2,5 bln.
- Improved (electronic) government services
- Smarter supervision and inspections
- Customized approach for specific economic sectors
- Administrative cooperation between different levels of government



**To achieve this the Dutch Government established ACTAL which is**

An Advisory body providing technical assistance to Ministries on how to measure administrative burdens and acts as watch dog to ensure administrative burdens are reduced etc.



# Simple Structure



Established: May 1, 2000

Board: 3 members

Staff: 12 members

Budget: € 2.100,000



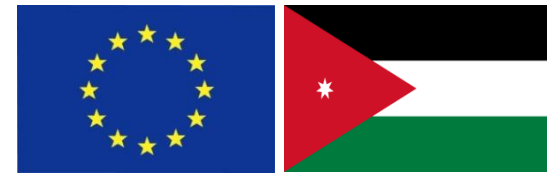
# ACTAL Jurisdiction



- Independent of Government
- Advises Government and Parliament
- Part of Regulatory Process
- Two Roles
  - Advisory Body
  - Scrutiny Board



# Outputs



- Ex ante scrutiny
- Regulatory burden audit
- Strategic advice



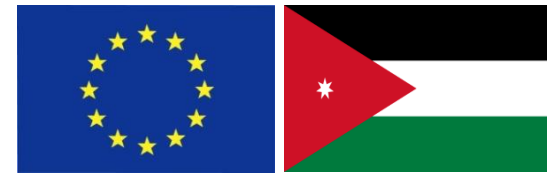


# Selection Criteria



Major implications in terms of €, time, irritation

- Examples: Public procurement,
- Annual Fiscal Plan,
- Building regulations,
- Spatial laws, Youth support,
- Employment Act,
- Child care regulations



## 1. Zero Option

What goes wrong without the policy under consideration (i.e. if the Zero Option is adopted)?

## 2. Less burden some alternatives

- ✓ Have the effects on regulatory burden been calculated correctly?
- ✓ Has the least burdensome alternative been adopted? If not, why not?



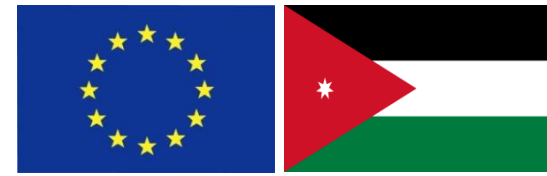
# Policy, implementation and inspection



- ✓ Have the effects of implementation and inspection been taken into account



# Ex ante scrutiny



- Fit for purpose (Yes)
- Fit for purpose after Actals advice has been taken into account (Yes after)
- Not fit for purpose unless Actals advice has been taken into account (No unless)
- Not fit for purpose (No)
  - Not in its present form => make a new proposal
  - Not at all => no proposal will meet the critique



# Regulatory Burden audits



- ❑ Ministries are responsible for calculating the regulatory burdens
- ❑ Actal looks at sample of (past) proposals
- ❑ Actal checks governance structure within and between ministries



## On Burden Reduction programme ✓ Progress reports

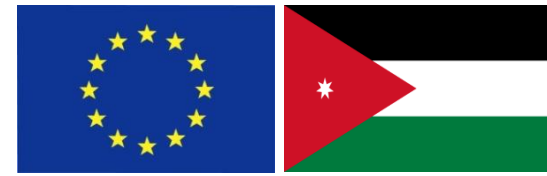
- ✓ Net reduction targets

## On policy instruments

- ICT
- Common commencement dates (CCM)
- Sunset legislation
- Self-regulation and certification

## On existing legislation (target group perspective)

- Sector scans
- Signals from society



## Approach:

- Business perspective, not legislative domain
- Involve businesses, policymakers, inspection agencies, academia



# Examples of Sector Scans

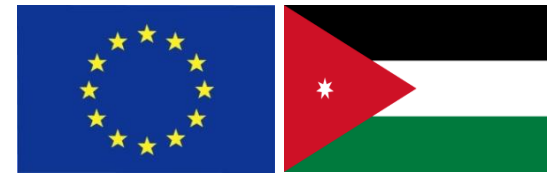


- ❑ Construction (2011)
- ❑ Police officers (2012)
- ❑ Technological industry (2012)
- ❑ Hospital nurses (2012)
- ❑ Metal industry (2013)
- ❑ Child care (2013)
- ❑ Logistics (2013)





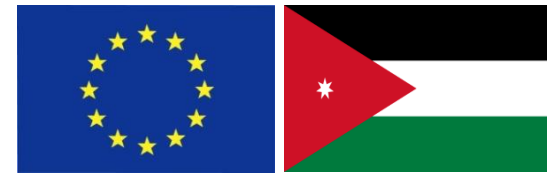
## More recent examples



- ❑ Income support regulation (2014)
- ❑ Financial retail sector (2015)
- ❑ High-tech medicals (2015)
- ❑ Pharmaceuticals (entry barriers to Dutch market and funding system) (2015)



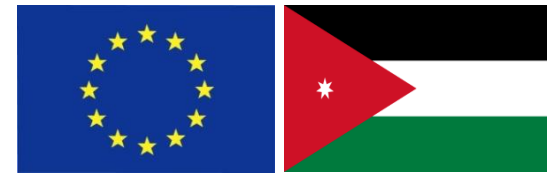
# ACTAL Benefits



- ❑ Small and flexible organisation
- ❑ Independent advisor to government and Parliament
- ❑ Ex ante scrutiny
  - ❑ o Until 2011: some 200+ proposals annually
  - ❑ o 2011 onwards: all major policy proposals and sample of proposals with lesser impact
- ❑ Audit role on systemic approach of government o Increased efficiency in scrutiny
- ❑ More focus on perception (signals, sector scans)



# Lessons learned



- ❑ Scrutiny board and Centre of expertise:
- ❑ mutually reinforcing roles
  - Incorporation in regulatory process helps to build up expertise
- ❑ Expertise leads to credibility, also to Parliament
- ❑ Start with a narrow scope, create success and expand it
- ❑ Target groups (businesses, citizens, professionals, etc.)
- ❑ **Types of reg. burden** (admin burden, compliance costs, etc.)
- ❑ **Sources of reg. burden** (central, regional, local, (and EU?))



# Conclusions for Jordan



- ❑ The main points to note are:
  - ❑ The methodology (basically it involves identifying where new regulations give rise to costs and assessing whether those costs can be avoided or reduced),
  - ❑ The structure:
    - ❑ well funded structure,
    - ❑ well trained, carefully selected personnel
    - ❑ Focus on managing and supporting process leaving ministries with the responsibility for ensuring regulatory burdens are kept to a minimum
    - ❑ Independent of Government and free from external influences



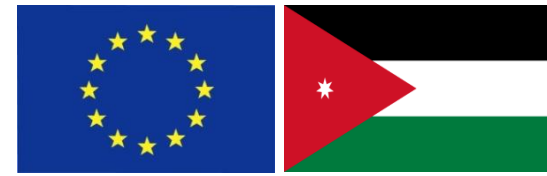
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## WHAT DO YOU THINK?



### WHICH WAY FOR JORDAN:

- RIA?
- SCM?
- A HYBRID?



**Thank you for your attention**

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