

Standard cost model

HANDBOOK OF MEASUREMENT OF ADMINISTRATIVE BURDEN



Standard cost model

HANDBOOK OF MEASUREMENT OF ADMINISTRATIVE BURDEN

October 2023

Design: Envinion

This handbook was prepared as part of the technical assistance provided by the World Bank Group/ International Financial Cooperation (IFC) through the Investment Climate Project, which is funded by the Swiss State Secretariat for Economic Affairs SECO

In case of any questions regarding the Manual of Standard Cost Model and for requests for support on using this Manual, please contact the following Department of Office of the Prime Minister:

Strategic Planning Office

Office of the Prime Minister

zps.zkm@rks-gov.net

CONTENTS

7 | LIST OF ABBREVIATIONS

1. WHAT IS THE STANDARD COST MODEL (SCM)?

10 | Which types of costs are included in the SCM?

10 | How can we use the SCM?

10 | Who must do the measurement?

10 | SCM ex-ante and ex-post

2. STEP BY STEP IMPLEMENTATION OF THE SCM

16 | STEP 1: Identification of legal act or legal acts

16 | STEP 2: Identification of Information Obligation (IO)

16 | STEP 3: Identification of the number of affected businesses (Population)

16 | STEP 4: Identification of Frequencies

16 | STEP 5: Conducting interviews or discussions in focus groups

16 | STEP 6: Calculation of cost and submission of administrative burden calculation

3. USING SCM MEASUREMENT IN THE PROCESS OF SIMPLIFICATION OR DIGITALIZATION OF APS?

ANNEXES

16 | Annex 1: SCM File

16 | For AP

16 | For IO not related to AP

16 | Annex 2: Types of IOs and administrative activities

List of Abbreviations

KSA	Kosovo Statistical Agency
AB	Administrative Burden
EU	European Union
CD	Concept Document
EC	European Commission
IO	Information Obligation
P&L	Permits & Licenses
SCM	Standard Costing Model
OECD	Organization for Economic Cooperation and Development
NGO	Non-Government Organizations
AP	Administrative Procedures
PD	Persons with Disabilities
OPM	Office of the Prime Minister
SPO	Strategic Planning Office

1. What is the Standard Cost Model (SCM)?

The central and local governments, through legal acts and by-laws, require businesses and individuals to perform or avoid certain actions or behaviors to protect the public interest and therefore require the provision of information on those certain actions and behaviors which is called information obligations. Information obligations can create costs for businesses and individuals. Only costs derived from information obligations may result in administrative burden (AB).

Administrative Burden (AB) is the cost imposed on businesses (which can also be extended to individuals or NGOs), when they fulfill the information obligations derived from the legal acts of the central or local government.

More specifically, information obligation is the duty to prepare or provide information and then to make it available to a public authority or a third party¹. It is an obligation that businesses cannot refuse without falling into conflict with legal acts. Today, the Standard Cost Model (SCM) is the most applied methodology for measuring administrative burden. The purpose of an SCM measurement is to quantify the administrative burden of legal acts on businesses, to assess the overall burden of the given act, which segments of the burden can be avoided, and then drive efforts to act for legislative simplification². For this reason, SCM is considered to contribute to a more optimal and efficient regulation for businesses, but without jeopardizing the general social objectives that the legal act aims to achieve. Therefore, it is important to constantly make efforts to ensure that the existing rules but also the new legal acts do not impose unnecessary administrative burden on businesses. For this reason, the Government of Kosovo has drafted and approved a Program for the prevention and reduction of the administrative burden. For new policies and proposed legal acts, the Concept Document calls for a review of the administrative burden of the proposed policy and legislation using SCM. The SCM model was developed in the Netherlands in the early

2000s and its use quickly spread to EU and OECD countries. During the last decade, the model has been further adapted to requirements of developing countries and has begun to be implemented in many reforms in these countries as well. SCM is designed to measure the administrative burden on private businesses but can be applied to measure the cost to citizens and NGOs.

SCM has two main roles in administrative burden reduction reforms. The first is to provide data for policy makers by pointing out the legal acts that particularly create heavy burdens. It is important to note that SCM is really a diagnostic tool and not a stand-alone tool for administrative simplification or reform. The second role of SCM is to follow the reduction of administrative burden, so it has a monitoring function. In this case, the use of SCM starts with a basic measurement of AB or the situation before reforms, which is again calculated after the process of simplification (or digitization) is completed when all changes and approvals of related legal acts are completed³.

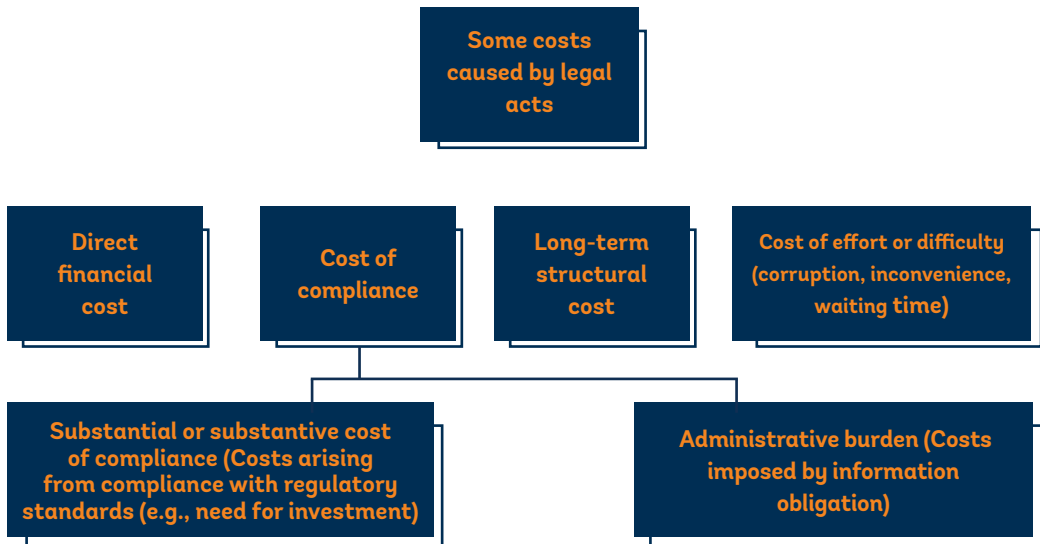
-
- 1 Information Obligation does not necessarily mean that businesses must send information to a public authority and/or to a third party. Sometimes businesses are required to generate and maintain this information so that it is ready when required.
 - 2 If businesses and individuals are subject to an avoidable administrative burden, this is considered a social loss.
 - 3 Sometimes SCM is used only after simplification. In this case, a baseline measurement of the situation prior to simplification is required retroactively to use the model to monitor changes. Although this way of working offers a greater efficiency in terms of time and cost when using SCM, at the same time it imposes more methodological challenges and can lead to difficulties in collecting reliable data.

Which types of costs are included in the SCM?

There are different types of costs that a regulation or a legal act can impose on businesses, and AB makes up a part of the total costs of the

legal acts or regulations. The figure below shows the costs created for businesses as a result of legal acts and regulations arising from such acts:

Figure 1. Some costs caused by legal acts:



Direct financial cost - are a result of an obligation to transfer an amount of money to the Government or relevant authority. Some of the direct financial costs are not related to information obligation (such as taxes or pension contributions), but others such as fees or payments for collecting documents for a permit or license application (P&L) would represent a direct financial cost related to information obligation.

Compliance costs - can be divided into "core or substantive compliance costs" and "administrative costs". Core compliance costs are the costs or investments that businesses must make to meet the content obligations that the legal act requires for a production process or a product. Some of the examples of essential compliance-costs include installation of filters in accordance

with environmental requirements, investments in physical production facilities in accordance with working conditions regulations, etc. Such costs are not part of SCM.

Administrative burden - is a cost that is accompanied by activities that are undertaken due to a legal obligation related to the creation, storage and/or making information available to a public authority and/or third parties. Examples of administrative costs include producing documentation for the installation of a filter in accordance with environmental requirements, preparing a report on the result of emission measurements, applying for a P&L, etc.

Long-term structural costs - some legal obligations (e.g competition rules) can have a

long-term impact on the structure of businesses, consume costs and can affect the capital of businesses. Such long-term costs are also not part of SCM.

Traditional SCM - measures only the "Administrative Burden" component or administrative costs. The traditional SCM formula looks at these parameters: (i) working time, (ii) wage level, (iii) number of affected businesses and (iv) frequency⁴. More specifically, the focus is on "obligations deriving from the legal act to provide information and data to the public sector or third parties". The traditional SCM does not include or measure the various fees (direct financial costs) associated with the information obligation (such as applying for a P&L), nor does it measure specific investments that businesses must undertake to comply with the law (core compliance costs) or the difficulty cost.

However, many countries have also chosen to adapt SCM and have created models more adapted to their needs by including additional cost factors, such as some direct financial costs related to the information obligation especially for administrative procedures (AP) such as P&L, authorization, certificates⁵ etc.

Adding additional components to the SCM

Some direct financial costs related to the information obligation (such as fees or payments for the AP application and payments for collecting documents for the AP application) are added as costs to SCM. Such costs are included because in developing countries, fees or payments for AP application tend to be a much larger cost

component than the relatively low level of wages, which is the largest cost component in developed countries. Other direct financial costs, such as taxes and VAT, are not included in SCM⁶.

The waiting time to receive a response from the public authority also tends to be higher in developing countries as regards the AP. Although not an actual expense per se, waiting time can result in costs, acting as a catalyst for corruption and delaying potential revenue-generating activities. As there are different and complicated methods to measure the opportunity costs to businesses caused by waiting time in AP (especially for P&L), we will take this route at this stage and keep it as waiting time simply expressed in the number of days⁷.

How can we use the SCM?

The use of SCM begins with the division of a legal act into manageable components called information obligation (IO). A legal act may contain one or several IOs. Each IO results in at least one activity in the private sector. An IO can be identified through obligations to businesses that differ from a legal act such as:

- Collection of information: E.g requiring a business to collect detailed employee information from persons with disabilities.
- Making information available: E.g information that companies are required to maintain for regulatory and audit purposes or to make information available for product specifications, expiration dates or the production of user guides,

4 Frequency indicates how many times per year a data request/information obligation must be fulfilled.

5 World Bank Group (2010): Here's Your Money: Using the Standard Cost Model to Measure Regulatory Compliance Costs in Developing Countries

6 Focusing on administrative procedures is also a priority component of the government's prevention and administrative burden reduction program.

7 Some institutions may in some cases define the extension of the model to cover other costs. If this happens, the institution must explain this and the reasoning behind it. This flexibility to use the model in this way increases functionality, but also reduces the likelihood that SCM will be a standardized measure that can be used for accurate comparative analysis.

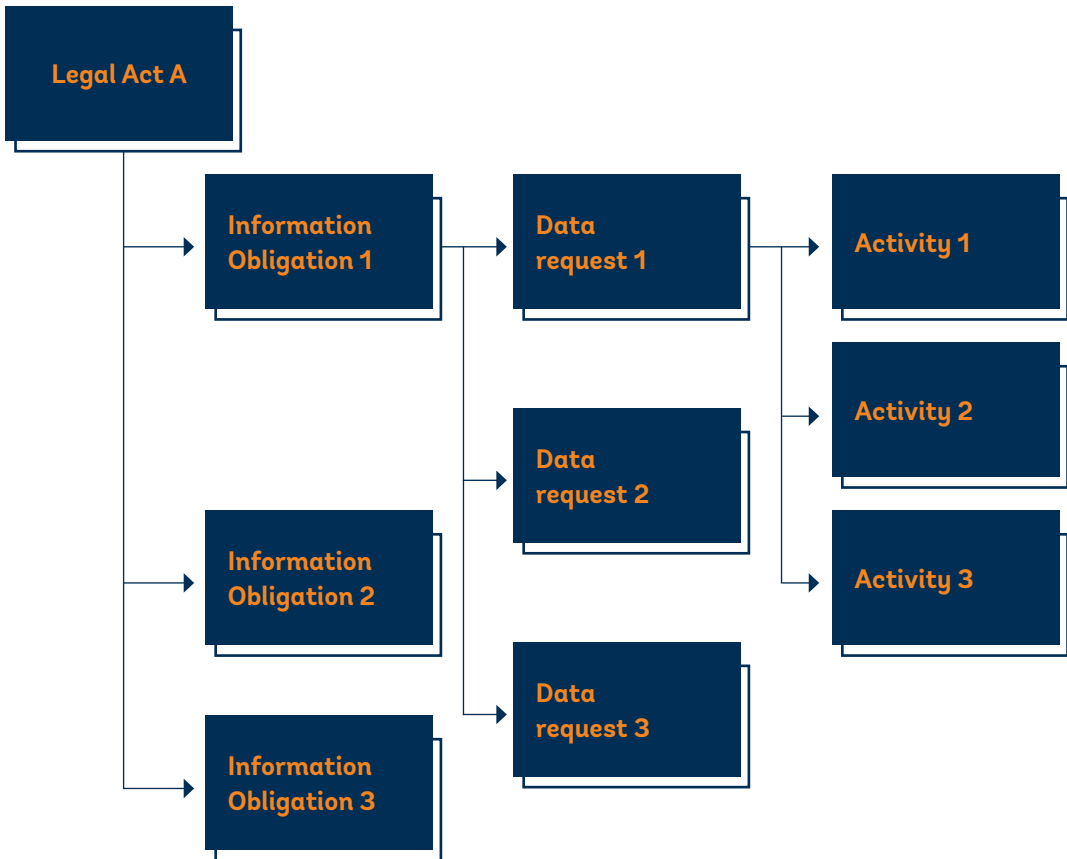
etc.

- Delivery of information: E.g all requirements to submit applications for various permits and licenses before engaging in

specific activities or submitting regular reports, etc.

Information Obligation (IO) is a legal obligation to provide or make available information and data to public authorities and/or third parties.

Figure 2. A regulation may contain one or more MI, data requests and administrative activities.



Each IO can consist of one or more **data request**. A data request is any element of information that must be provided pursuant to a IO. If the IO is an application for a licence, the data requirements may include submission of a separate application form, submission of various certificates such as that the owner is not under investigation, payment of an application fee or copy of the business registration certificate, etc. Depending on the context, data requirements can be found in law, but more in bylaws and other guidelines prepared by the public institution.

Each of these data requests will trigger one or more **administrative activities** for businesses. To provide the information for each data request, several specific administrative activities must be undertaken. Activities can be performed internally from company resources or outsourced. It may be necessary to incur certain additional costs to complete a specific administrative activity and when they are used to meet the data request, they are included in SCM. If the IO is an application for a license and the data request is for the applicant to submit a separate application form physically, it may trigger administrative activities such as going to the relevant institution (i.e., the regulator) to collect the form, collecting the required documents, filling out the forms, bringing it to the business director for signature and submitting the completed application to the regulator. The relationship between MI, data requests and administrative activities forms a tree as depicted in the figure below.

SCM estimates the cost of completing each administrative activity. As such, the measurement focuses only on the administrative activities that need to be undertaken to comply with the legal act as well as the administrative fees/payments related to the AP.

When an IO is identified, information is collected from businesses about what they do to fulfill obligations that differ from the MI; how long it takes to fulfill obligations and how much it costs. The next step is to multiply the

time spent working (T) by the gross salary cost (S) for the employee who is engaged in fulfilling the obligations required by the MI. Additional costs (E) incurred by the business directly related to the application, such as hiring a consultant to finalize the application and paying the AP application fees, as well as additional purchases or expenses (A) that may be directly related to the AP (such as the purchase of a delivery envelope or charges for express mail) are then added to arrive at the total cost (C) to the individual business for each IO under consideration. Additional purchases or expenses not directly related to AP, such as computers and office rent are not added as separate costs.

Up to this point we have filled out the information on how much it costs for a business to fulfill the IO required by the legal act. However, the cost to an individual business may be of some interest, but to study the total cost or AB and the simplification effects of a piece of legislation, it is also important to look at the total annual cost incurred for all affected businesses for each IO under consideration. The total annual cost can be calculated simply by multiplying the cost (C) of the typical business by the population (P) (the annual number of occurrences or applications for the relevant IO in the jurisdiction).

Administrative Burden

$$\text{Administrative Burden} = C \times P$$

$$C = (T \times S) + (A \times E)$$

T = amount of time necessary to complete all administrative activities.

S = Gross Salary. If the IO or data requests are completed from an external service provider, then the cost per hour for the external service provider is considered.

E = Additional costs include fees or application payments or payments to obtain documentation requested for application for AP etc.

A = any additional purchases or expenses to ensure compliance with the IO and data requests. Example: materials purchased in accordance with the IO

$$\text{Population (P)} = N \times F$$

N = Number of businesses affected by the IO

F = Frequency of IO is how many times an activity must be performed. Frequency is calculated on basis of annual repetition of an administrative activity.

The combination of the above parameters gives the SCM formula. This means that if a particular legal obligation takes a long time for the individual company, it may not create a large burden for the general private sector, unless there are enough businesses affected by the legal act each year. Similarly, total administrative costs may appear relatively low in countries where wages are low, although they are highly regulated.

Focus on administrative procedures (AP):

If the focus is on administrative procedures such as obtaining permits, licenses, certificates, authorizations, etc., then there is a simpler way to use SCM. Instead of identifying each MI, data request and then administrative activities for each data request, an assessment is made of pre-selected activities required to comply with the IO and the legislation. The list of activities to focus on is presented below:

Application payment for AP - AP is offered for a fee to citizens and businesses; therefore, this payment is also included in each measure for administrative burden. In some cases, businesses and individuals are required to pay an additional fee after their application is approved. These additional payments are also included in the SCM calculation.

Documents requested during the application - to complete the AP process, a party is obliged to provide various documents, some of which are part of the calculation of the administrative burden.

Payments for documents - some of the documents are provided against corresponding payments, therefore these payments should also be included to measure the administrative burden.

Time spent - each AP application requires the provision of relevant data or various documents to complete the process. Businesses and individuals spend time during the application process such as collecting the application form, understanding the requirements, preparing the required documents, travel time, etc. and this time spent is included in the measurement of administrative burden.

Validity of the AP - the validity of the AP constitutes one of the main elements of the administrative burden. Validity determines the number of times businesses must undertake administrative activities to comply with MI. Simplification of the administrative burden can be done if the validity of the AP is extended and the frequency of application is reduced for the same AP.

Waiting period - the waiting period for receiving a response to the MI, constitutes indirect financial costs, which in most cases is determined by legislation. This element is also related to the cost of difficulty, which can produce corruption, manifested by informal payments.

Who must do the measurement?

The relevant ministry or public institution that is responsible for the act will have to take the lead in the process of measuring and performing the SCM. However, if the institution lacks the knowledge to apply SCM, they can seek technical assistance from international organizations or alternatively hire a consultant or consulting firm that can provide such expertise until the relevant Ministry or institution has all the knowledge and skills needed to apply SCM. In such a case, the responsible ministry is involved in the measurement during the various steps of SCM calculation (for more details see section 2). Of course, the responsible institution also contributes technical knowledge of the field, including background data regarding the type and population of businesses affected by a particular requirement and the frequency with which they must report. However, any measurement should be done in close cooperation with the Office for Strategic Planning (OSP) of the OPM. The OSP supports line ministries with training, practical support and advice during the measurement process to ensure that SCM is implemented consistently and within the framework defined in this handbook.

SCM ex-ante and ex-post

SCM can be used to measure the baseline level of administrative burden, known as Ex-Post measurement. Such a measure calculates the total administrative costs faced by businesses in compliance with **existing acts**. A baseline measurement can be made for selected acts affecting business or for certain areas of legal acts (e.g. acts regulating AP as part of the simplification process). An essential element of the SCM is that once the base cost has been measured, it must be updated to reflect the progress achieved

in the administrative burden after entry into force of the new act or after completion of the simplification process.

SCM can also be used to measure the expected administrative burden from draft legal acts (Ex-ante measurement). Such measurement provides a forecast of future administrative costs based on the expected administrative consequences of draft proposals when they aim to introduce new legal acts or amend or supplement existing legal acts. The results of the Ex-Ante measurement are part of the overall assessment of the impacts of the legal acts proposed in the Concept Document. Thus, SCM Ex-Ante is used in Concept Papers when preparing for a proposed new policy or changes to an existing policy under the Government Rules of Procedure⁸.

An ex-ante measurement is performed in the same way as an ex-post measurement. The difference is that Ex-Ante assesses the consequences of future IOs, while Ex-Post measures the costs of IOs that are in force. For this reason, in the ex-ante measurement, it is expected that the businesses do not have experience in complying with the legal act and therefore the responses of the businesses should be considered somewhat more as an approximation than an ex-post measurement. However, any institution that proposes a new legal act should aim for the option that creates less administrative burden for businesses, which is the primary objective of the program for prevention and reduction of administrative burden.

⁸ However, one must understand that SCM should be applied to policy proposals that include regulatory measures. Second, SCM is mandatory to use, if the regulatory measures envisaged affect businesses or individuals.

2. Step by step implementation of the SCM

STEP 1: Identification of legal act or legal acts

The measurement process begins with determining the legal act or acts that will be evaluated in terms of administrative burden. In practice, the legal acts to be included in the evaluation are identified during preparation of the Concept Document (when the Concept Document

analyzes the effect of the legal act or legal acts related to a certain problem)⁹ or during the process of simplification or digitization after APs have been selected for this process. In this case, the legal acts that regulate these APs¹⁰ are selected for evaluation.

Example 1: During the preparation of the CD on Regulating the Field of Registration and Provision of Services for Employers, Job Seekers and the Unemployed, one of the relevant legal acts is "Administrative Instruction No. 09/2012 on the manner and rules of keeping records for employment of persons with disabilities (PWD)" that will be subject to the SCM assessment.

Example 2: Within the AP simplification process, the license for import and wholesale of cigarettes was selected as a priority procedure for measuring AB. The legal act that regulates granting of the license is Administrative Instruction (MTI) no. 04/2016 on the Determination of the Conditions and Criteria for the Entities Dealing with Marketing of Tobacco and its Products.

STEP 2: Identification of Information Obligation (IO)

The SCM measurement process is about identifying the IO and the data required for measurement of administrative costs derived from the articles of existing or planned legal acts. After identifying the legal act (primary or secondary legal acts or both), the second step is to identify the IO from the legal text. This can be done simply by reviewing the legal act and highlighting all IOs from the legal text. As explained in section 1, IOs are bound to collect information, store, or make available or send information to public authorities or third parties. Some of the concrete examples of IOs are permits & licenses, authorizations, reports, inspections and audits, subsidies, grants, etc.¹¹

After identifying the IOs, they should be divided into data requests and these requests must be divided into administrative activities. The possible list of IOs, data requests and administrative activities is presented in **Annex 2**. In practice, the SCM user usually identifies data requests in the same process as identifying IOs in a legal act. Once the data requirements have been determined, the next task is to identify the administrative activities that businesses must go through to meet the individual data requirements. Administrative activities will then be finally confirmed during interviews with businesses.

⁹ See example 1 for more details.

¹⁰ See example 1 for more details.

¹¹ A list of IOs is presented under Annex 2

Example 1: Concept Document

Administrative Instruction has this MI, the following data requests, and administrative activities:

MI: Reporting from companies who have employed PWD:

Data Requests:

- Name and surname of PWD and address.
- Date of establishment of the employment relationship with PWD.
- Education level of PWD.
- Work position where PWD is employed.
- Date of termination of PWD and reason for termination (must be reported within 30 days from the day of termination).
- Name and address of employer.

Administrative Activities:

Some of the administrative activities related to this information obligation for all data requests are the following:

- Obtaining the form
- Completing the form with data requests
- Photocopy of documents such as education, copy of contract.
- Submitting form with the associated documents

Example 2: Process for simplification of AP

MI: License for import and wholesale of tobacco products

Data Requests:

Since this is about an AP, we can use the list provided under Section 1 of the Handbook

- Payment of application for AP: 20,000 for the first time and 10,000 for license extension
- Documents requested during application (and payments for documents):
 - Application form (0 euro)
 - Copy of Business Certificate (0.2 euro)
 - Taxpayer certificate from TAK (0.1-euro copy)
 - Proof of compliance with TAK obligations (0.1 euro)
 - Proof that the entity is not in liquidation procedure or under judicial administration (5 euros)
 - Proof that the director or responsible person of the entity has not been convicted of a criminal offense for more than 6 months in prison (5 euros)
 - Proof of payment of the administrative fee (0 EUR)
 - Proof that it has sufficient space and conditions for storage, issued by the competent municipal body (50 euros)
- Time spent will be determined as part of Step 5
- Validity of AP: 5 years (to be determined as part of Step 4)
- Waiting period: 30 days

STEP 3: Identification of the number of affected businesses (Population)

The population shows how many businesses (or citizens) are affected by the legal act in question. During this step, the total number of businesses (or individuals) that need to fulfill the IO should be identified. In some cases, the total number of businesses (or individuals) can be determined based on administrative data, such as the number of busi-

nesses that have applied for a P&CL or the number of individuals that have applied for a particular AP, such as birth certificate. Therefore, such information may be available from the relevant Ministry or public authority. Alternatively, the actual number of businesses can be identified using the Tax Administration (TAK) database, which contains information on the number of businesses classified according to NACE¹² in relation to economic activity.

Compliance or full versus actual compliance

It is important to make clear assumptions about compliance or applicability in identifying the number of businesses that are affected. There can be many different reasons why a regulation from the legal act is not fully implemented by all the businesses that can be covered. Full compliance is a measure of costs under the assumption that all businesses in question are fully following the rules specified in the legal act. Therefore, the actual number of businesses following a rule is not measured. On the other hand, actual compliance is a measure of the actual costs associated with the number of businesses that are following the rules. Therefore, the population on which the number of businesses is calculated is only the number of businesses that really comply with the legal act (even though a larger number of businesses should have complied with the said legal act). The SCM user can specify whether the total number of businesses reflects full or actual compliance.

Example 1: Concept Document

We can determine the total number of businesses affected by this by-law in two ways as explained above. The total number of businesses that have reported to the Employment Offices so far can be used as the total population if the SCM measurement is ex-post. For ex-ante SCM, we can identify the total number of businesses based on the Tax Authority's database. According to the law on training, professional retraining, and employment of PWDs (Law No. 03/L-019) every employer is obliged to employ one PWD for every fifty (50) workers. According to the Tax Authority in Kosovo in 2018, there were 483 companies with over 50 employees. In this case the total number of businesses that will be affected by this by-law would be 483, assuming that all businesses will comply with the by-law (and none of them will decide to pay a certain non-compliance compensation fee which is also allowed by this legal act.

Example 2: Process for simplification of AP

The total number of businesses affected by this legal act can only be determined through administrative records of the Ministry. The Ministry has the evidence of all businesses that have applied for this license. Based on this evidence, there were a total of 20 businesses that applied for this license.

12 Nomenklatura e Veprimtarive Ekonomike

STEP 4: Identification of Frequencies

Frequency indicates how many times per year an IO must be fulfilled. In some cases, the frequency can be derived directly from the legal act. The frequencies of IO are usually defined in the legal act (usually in the by-law) where the time intervals in which the information must be submitted by the businesses are defined. To illustrate this, some information is submitted

once a year, some twice a year, and some once every two or more years. These frequencies are included in SCM calculation as follows:

- When the information must be submitted once a year, then the frequency is 1.
- When the information must be submitted twice a year, then the frequency is 2.
- When the information must be submitted once every two years, then the frequency is 0.5.

Example 1: Concept Document

In the first example there is no exact frequency compared to the second example when the frequency is determined by a by-law. The company must report to the Employment Office when it hires or terminates the contract with PWD. Therefore, this information can be collected during interviews with businesses (step 5).

Example 2: Process of Simplification of AP

The legal act stipulates that every business must apply for license renewal every five years with the same list of documents. Since the application must be repeated every five years, the frequency for this license would be 0.2.

STEP 5: Conducting interviews or discussions in focus groups.

Initially, a SCM user should verify with businesses or citizens that the MI, data requirements and administrative activities defined in Step 2 are correct. If so, the next step would be to obtain responses from businesses on (i) the time spent completing data requests and administrative activities, (ii) whether the data requests were collected using internal business resources (with employees of the business) or from outside (contracting external services), and (iii) the current salary level for personnel involved in performing administrative activities (or the

total fee paid for external services if they are contracted to perform such activities).If the current wage level is not possible to obtain (in most cases it is not possible to obtain since businesses are reluctant to talk openly about wage levels), then the average wage in the private sector can be used in SCM calculations¹³. However, business interviews can be used to verify other data that have been collected in previous steps such as frequencies (STEP 3), required documents or license validity when the focus is on APs, etc.

13 Average salaries in the private sector can be found in the publication of the Kosovo Statistics Agency (ASK) "Salary Level in Kosovo." According to KAS data, the average gross salary (monthly) in the private sector in 2022 was €473. Data from the Labor Force Survey show that the average working time per week in the private sector was 43 hours per week and 172 hours per month. Therefore, the hourly wage to be used as a reference point for the purposes of calculating the SCM for 2022 was 2.75 euros.

Table 1: Some of the cost parameters that can be taken from interviews.

Internal Costs	<ul style="list-style-type: none"> • Time needed to perform administrative activities (per hour) • Wages (hourly) for employees who perform administrative activities.
External Costs	<ul style="list-style-type: none"> • The fee of external service providers for performing administrative activities (in total or per hour). If the rates are offered by the hour, then the number of hours spent performing administrative activities must also be collected.
Other Costs	<ul style="list-style-type: none"> • Cost of other purchases to meet IO and data requirements. Example: materials purchased to fulfill obligations from the MI. • Documents required, fees applied, frequency (optional if the user wants to verify the information that has already been collected).

Source: International SCM network: International SCM Handbook

It is enough to interview five companies to get sufficient feedback of the factors needed to make SCM calculations. The preferred approach for conducting SCM measurements is to establish direct contact with the businesses that will

be affected by the selected IOs and interview these businesses. Three interviewing methods prevail, and these are presented below:

Table 2: Three methods of interviewing

Individual interviews	It is a preferred method for identifying administrative costs. They usually last 10 minutes to 1 hour for each business, but the length of the interview depends on the complexity of the IOs in question.
Telephone Interviews	This type of interview can be used when the costs of a small number of IOs need to be determined or when the interviews are expected to be shorter than 20 minutes.
Focus Groups	Interviews can be held in the form of focus groups involving several businesses and experts. This method is particularly useful for very complex IOS and when the identification of administrative activities needs to be improved during the simplification process.

Source: EU (2004): Standard Costing Model, A framework for determination and measurement of administrative burden for businesses

Before conducting interviews, as explained above, it is important to determine what type of information is required from businesses and to ask questions in accordance with these types of information. In addition to collecting data on cost parameters, in case the legal act is intended to be revised, it is important to receive comments or proposals from businesses for simplification and identification of unnecessary burdens.

Data collected through interviews will most likely need to be standardized. For example, the data collected should be assessed on how much time businesses have spent performing administrative activities. This does not mean calculating the average. Standardization should be based on validation of collected data. Illustrations of standardization are given in Table 3 below.

Table 3: Standardization of responses

Administrative Activity (A)	Administrative Activity (B)	Administrative Activity (C)	Administrative Activity (D)
Business 1: 5 h	Business 1: 10 h	Business 1: 5 h	Business 1: 20 h
Business 2: 5 h	Business 2: 20 h	Business 2: 10 h	Business 2: 40 h
Business 3: 5 h	Business 3: 10 h	Business 3: 15 h	Business 3: 5 h
Business 4: 5 h	Business 4: 20 h	Business 4: 10 h	Business 4: 15 h
Business 5: 10 h	Business 5: 15 h	Business 5: 20 h	Business 5: 10 h
Standardized figure: 5h	Standardized figure: 15h	Standardized figure: 15h	Cannot be standardized but can be taken as an average: 20 h

Source: International SCM network: International SCM Handbook

Businesses can be selected for interview in several ways. In the case of an IO where the target group is easy to define, one option is to take a random

sample and start by contacting businesses to arrange interviews.

Example 1: Concept Document

The business interview should be conducted to verify the list of data requests and administrative activities as well as to request:

- How much time did they spend performing all these administrative activities?
- Whether the activities are carried out internally with internal or external resources? If outsourced, how much did they pay for this service?
- How many times on average do they have to send the required information to the Employment Offices?

Example 2: Process of simplification of AP

The business interview should be conducted to obtain responses to the following questions:

- How much time did they spend collecting all the required documents, submitting the application, and receiving the response?
- Whether the activities are carried out internally with internal or external resources? If outsourced, how much did they pay for this service?

Interviews with businesses can also be used to verify the list of required documents as well as the fees applied for these documents.

STEP 6: Calculation of cost and submission of administrative burden calculation

The data collected during the steps above is used to calculate the total administrative costs incurred by the MI. The calculation is best done with the standardized format in excel (or on the platform) in which the calculations are done automatically where the SCM user will enter all the collected information (i.e., AP payments, documents and time required, frequencies etc.) in the excel format presented in Appendix 1 based on whether SCM is applied to the PA or to the

IO that is not related to the PA.

The results of the administrative burden calculations can be used for further analysis for the Concept Document (ex-ante SCM) which assesses the expected impacts of the proposed options. Alternatively, the results of administrative burden calculations can also be used in the process of simplifying or digitizing APs (ex-post SCM). Data submission, on the other hand, is about sending the excel file to SPO/PMO or attaching the excel file to Concept Document.

Example 1: Concept Document

Time spent to collect data requirements (T): 5 hours and all administrative activities are done internally with business resources (Source: Interview with businesses, 2023)

Gross salary (S): 2.75 euros per hour (Source: ASK, Salary Level, 2022)

Fee/payment for documents (E): 1 euro per photocopy of five pages (contract and education): 0.2 cents per page.

Population (N): 483 businesses (Source: TAK database for businesses with over 50 employees)

Frequency (F): once a year (Source: Interview with businesses, 2023)

Administrative burden = C X P, C = (T X S) + (A X E), P = N X F

$C = (5 \times 2.75) + 1$; $P = 483 \times 1$;

Administrative burden (annual) = 14.75 X 483 = 7,124.25 euros

Example 2: Process for simplification of AP

Time spent to collect data requirements (T): 40 hours and all administrative activities are performed with business resources (Source: Interview with businesses, 2023)

Gross salary (S): 2.75 euros per hour (Source: ASK, Salary Level, 2022)

Application fee/payment (E): 20,000 euros for the first time and 10,000 for continuations (Source: Administrative Instruction no. 04/2016)

Fee for documents (E): 50.4 euros (for details see step 2)

Population (N): 20 businesses (5 for the first time and 15 for continuation (Source: Ministry database)

Frequency (F): every 5 years (Source: Administrative Instruction No. 04/2016)

Administrative burden = C X P, C = (T X S) + (A X E), P = N X F

$C = (40 \times 2.75) + (12,500 + 50.4)$; $P = 20 \times 0.2$;

Administrative burden (annual) = 12,651.4 X 4 = 50,605.60 euros

**3. Using SCM
measurement in the
process of simplification
or digitalization of APs?**

Once the baseline measurement of AB has been performed, it is important to track possible changes in AB. Changes in the AB may occur because of new IOs that may be established due to a new act or due to changes in the existing act or due to the removal of a IO from the AP simplification process. Government initiatives designed to facilitate the compliance process for businesses through ICT (digitalization) solutions will also result in reduced AB and therefore these initiatives should also follow potential changes in AB.

To account for changes in AB, the SCM model captures "before the change or reform" and "after" situations. Thus, when there are new IOs in the existing amended act or when IOs are reduced or removed due to the AP simplification process or digital solutions are developed, SCM users should complete the SCM model for situations "before" and "after". While the part dedicated to "before" reflects the AB before the entry into force of the new IO and before the implementation of efforts to simplify or digitize the AP, the dedicated part "after" reflects the AB after the entry into force of the new IO and once efforts to simplify or digitize APs are completed. The difference between the "before" and "after" situations will tell us whether the AB or cost to businesses or individuals is increasing or decreasing with such processes.

However, the process of streamlining APs can take many forms. If a IO is completely removed, then the "After" section in the SCM will receive a zero figure for the set of IOs. If one of the data requests is omitted, the "After" section in the SCM will receive zero for that particular data request only. If the frequency or population of a IO is changed, then the fields dedicated to the frequency/population in the "After" part of the SCM must be changed. Similarly, due to digitization solutions, businesses are expected to fulfill obligations in less time. In this case, the time required to complete administrative activities should be changed in the SCM "After" section.

Digitalisation

For a growing number of MIs, digital solutions are made available to businesses through which they can report the required information, apply for subsidies, or permits, etc. via Internet. The digital solution enables businesses to send the required information through digital communication. If a form can be downloaded from the website, and then must be printed and submitted physically, it is not considered a digital solution. The actual measurement of a digital solution is performed in the same way as the measurement of the simplification process, i.e., how much time businesses spend on administrative activities involved in digital solutions before and after. Thus, the effect of a digital initiative on AB can be shown by comparing the time spent of manual solution with that of digital solution.

Example 1: Concept Document

Let's assume that the digital solution is developed where businesses are allowed to download the form, complete, and submit the report entirely online. After the digitalization solution, the cost parameters in the SCM "After" part will be as follows:

Time spent to collect data requests (T): Now, it takes one (1) hour, and all administrative activities are done internally with business resources (Source: Interview with businesses, 2023)

Gross salary (S): Same as before: 2.75 euros per hour (Source: KAS, Salary Level, 2022)

Document fee (E): 0 euro due to the digital solution

Population (N): Same as before: 483 businesses (Source: TAK database for businesses with over 50 employees)

Frequency (F): Same as before: once a year (Source: Interviews with businesses, 2023)

Administrative burden = C X P, C = (T X S) + (A X E), P = N X F

$C = (1 \times 2.75) + 0$; $P = 483 \times 1$; **Administrative burden (annual) = 2.75 X 483 = 1,328.25 EUR**

Annual administrative burden reduction (or cost savings) = EUR 5,796

Example 2: Process for simplification of AP

The application fee/payment is reduced to 55 EUR (both for the first time and for continuations) due to the principle of cost recovery. After simplification, the cost parameters in the "After" part of SCM will be as follows:

Time spent to collect data requests (T): Same as before: 40 hours and all administrative activities are done internally with business resources (Source: Interview with businesses, 2023)

Gross salary (S): Same as before: 2.75 euros per hour (Source: KAS, Salary Level, 2022)

Application fee (E): 55 EUR (Source: Administrative Instruction no. 02 /2021)

Fee for documents (E): Same as before: 50.4 EUR (for details see step 2)

Population (N): Same as before: 20 businesses (5 for the first time and 15 for continuation (Source: Ministry database)

Frequency (F): Same as before: every 5 years (Source: Administrative Instruction No. 02 /2021)

Administrative burden = C X P, C = (T X S) + (A X E), P = N X F

$C = (40 \times 2.75) + (55 + 50.4)$; $P = 20 \times 0.2$; **Administrative burden (annual) = 215.4 X 4 = 861.6 euros**

Annual administrative burden reduction (or cost savings) = EUR 49,744

Annexes

Annex 1: SCM File

For AP

For IO not related to AP

Annex 2: Types of IOs and administrative activities

Source: EU (2004): Standard Costing Model, A framework for determination and measurement of administrative burden for businesses (pages 43-46)

The information obligations with which businesses must comply can be roughly divided into 17 different types. These various types often involve similar activities, for example, submitting information to the authority concerned when making a report.

In the standard cost model (SCM), these information obligations should preferably be entered in a uniform way thereby making it possible to compare the burdens for the different forms of legislation and regulations and the various target groups. In principle, the list of activities described below should always be used when filling in an information obligation in the SCM. Certain activities can be adjusted and unnecessary activities can be abandoned after consulting with file-holders. This reduces the risk of certain activities being overlooked.

The 17 types of information obligations and the most commonly associated activities are:

Reporting/giving notice of ...

This usually involves reporting transactions either beforehand or after the event. The activities associated with reporting are:

1. gathering information,
2. compiling the report,
3. submitting the report to the competent authority, and
4. filing the report.

Applying for a permit...

This can involve all kinds of permits, which need to be applied for prior to a particular activity. The activities associated with applying for a permit are:

1. announcing the intention to apply,
2. gathering information,
3. compiling the permit application,
4. submitting the permit application, and
5. obtaining and filing the permit.

Applying for recognition...

This involves applying for proof of being capable of performing certain activities. The activities associated with applying for recognition are:

1. gathering references and diplomas for the people concerned,

2. drawing up procedures and handbooks designed to safeguard quality,
3. compiling the application for recognition,
4. submitting the application for recognition, and
5. obtaining and filing the recognition.

N.B. Any (extra) training required to comply with activity 1, does not count as administrative burden (AB).

Carrying out registrations/measurements of ...

This involves carrying out all kinds of registrations, usually in order to gain an overall picture of the activities being carried out. The activities associated with registration are:

1. designing and communicating (measuring) systems,
2. installing equipment for the purpose of registration, measuring and/or analyses,
3. registering information,
4. filing information (usually for one to five years),
5. reporting the results to the competent authority on request or periodically, and
6. consulting on the results of the measurements.

Carrying out (periodical) investigations into ...

This involves carrying out investigations (or having investigations carried out) that involve more than just one or a few measurements. These investigations are usually part of gathering information in order to comply with other obligations. The activities associated with investigations are:

1. preparing the investigation,
2. carrying out measurements,
3. processing the results, and
4. compiling an investigation report.

Compiling (periodical) reports on...

This involves compiling reports on activities that have been carried out. This includes annual accounts, environmental annual reports and the like. The activities associated with compiling reports are:

1. gathering information,

2. processing information,
3. compiling a report,
4. submitting and filing the report, and
5. discussing the report.

Carrying out (type) inspections of ...

This involves (1) carrying out (type) inspections of machines and equipment to which health or environmental risks apply, and (2) examining people for particular functions. Inspections are usually carried out by accredited organisations. The activities associated with carrying out inspections are:

1. preparing for the inspection: supplying the machine or equipment to be inspected along with the relevant documentation, or gathering personal information,
2. examining the person or equipment in question,
3. processing the results,
4. compiling an inspection report, and
5. obtaining and filing the approval.

Applying for permission for, or exemption from...

This involves applying for and obtaining permission for, or exemption from, a particular activity. The activities associated with applying for permission or exemption are:

1. compiling the application,
2. submitting the application, and
3. receiving and filing the answer.

Keeping business (emergency) plans and programmes up-to-date regarding ...

1. drawing up business (emergency) plans and programmes,
2. evaluating existing documents,
3. consulting with the staff concerned and any other stakeholders,
4. re-writing documents, and
5. filing new documents and drawing attention to them within the organisation.

Cooperating with audits / inspections / enforcement of ...

This involves providing information and supervising external personnel who are carrying out inspections and audits at a business, or who are visiting a business in connection with the enforcement of regulations. The activities associated with these activities are:

1. gathering information to prepare for the audit / inspection / visit,
2. supervising external personnel (roughly 1 member of staff per 2 external functionaries)
3. discussing the results,
4. providing additional information,
5. compiling a report, and
6. submitting and filing the report.

Labelling for the benefit of third parties...

This involves providing products or installations with labels containing user information. The activities associated with labelling are:

1. gathering information for the label,
2. designing the label, and
3. applying the label.

N.B. If the labelling involves the permanent application of a quality mark, only activity 3 applies.

Providing information to third parties on...

This involves issuing information (different from labelling) to third parties (for example, a financial insert accompanying investment products). The activities associated with providing information to third parties are:

1. gathering information,
2. drawing up documents, and
3. filing and supplying the information requested to third parties.

Producing documents with regard to ...

This involves being able to produce or show documents necessary for economic traffic, mostly for the identification of people and goods (such as an extract from the Chamber of Commerce register or a consignment note). The activities associated with producing documents are:

1. requesting the documents concerned, and
2. producing / showing the documents.

Taking note of legislation and regulations

This involves keeping abreast of Dutch legislation and regulations. If particular regulations undergo regular changes (or changes to details), AB should be included for this. The activities associated with taking note of legislation and regulations are:

1. obtaining the new legislation and regulations,
2. examining the new legislation and regulations, and
3. communicating the effects of changes to legislation and regulations within the business.

Objections and appeals procedure

This involves the lodging of objections and appeals against a decision made by the authorities. The activities associated with the objections and appeals procedure are:

1. compiling notice of objection,
2. submitting notice of objection,
3. preparing for an appeal, and
4. making sure an appeal is heard.

Dealing with complaints

This involves making sure that complaints can be dealt with properly as well as actually dealing with any complaints that may arise. The activities associated with dealing with complaints are:

1. setting up a procedure for dealing with complaints,
2. setting up a complaints commission,
3. publicising (familiarising with) the complaints procedure,
4. dealing with complaints by a complaints commission comprising of three members

Registration in register ...

This involves ensuring registration in a register or list. The activities carried out within the framework of registration in a register are:

1. gathering information,
2. registering,
3. obtaining and filing a copy of the registration

