Application of the Standard Cost Model at State Level –

The Case of the State of Brandenburg

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General facts about the federal state Brandenburg I

Mecklenburg-Western Pomerania

Lower Saxony

Brandenburg

Berlin

Potsdam

Saxony-Anhalt

Free State of Saxony

Poland

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General facts about the federal state Brandenburg II

- Brandenburg is one of Germany's sixteen federal states
- Inhabitants: 2.57 m.
- Area: 29,280 km²
- Population density: 87 people/km² (210 around Berlin, 40 at the periphery)
- Capital: Potsdam
- The federal state Brandenburg is subdivided into 14 administrative (rural) districts (Landkreise) and 4 urban districts (kreisfreie Städte).
- Brandenburg surrounds but excludes the national capital Berlin. In 1881, the City of Berlin was separated from the Province of Brandenburg.
Our mission

- An excerpt from the coalition agreement of October 2004:
  „The coalition partners want to drastically reduce the amount of regulations in the State of Brandenburg and make communal standards more flexible. A central regulation test centre is to be set up. Citizens, businesses and institutions can contact the centre with ideas and complaints. The regulation test centre works closely with the staff unit responsible for the modernistion of administration. The expert knowledge of representatives from scientific and economic organisations will be incorporated into the assignment.“
Our principles

- See it from the outside, not the inside!
- Independence from department interests
- Dialogue with all parties involved/systematic consultation
- Create transparency
- Freedom of choice of the adequate impact assessment methods
- Experiments for testing alternative regulations
Objectives and expectations

- **Citizens**
  - Rapidity
  - Simple processes
  - Citizen proximity

- **Businesses**
  - Rapidity
  - Less bureaucracy
  - Security of planning
  - More freedom

- **Administration**
  - Process optimisation
  - Prevention of redundancies
  - More personal responsibility
You can only control what you can measure

- Trivial count (number of laws and regulations etc.)
- Impact control via BSC
- Best Practice-Promotion
- SCM as basis for political agreement on objectives
Two actors

Cabinet

State parliament

State office

Department for reduction of bureaucracy

Special committee for the revision of regulations and standards

ministries

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Special committee for revision of regulations and standards

- Special non-permanent committee of the state parliament
- Seven members belonging to four parties, informal principle of unanimity
- Critical assessment of the whole spectrum of state regulations and the state's tasks; in fact, processing a self-defined priority list affecting all government functions and policy areas
- Counterpart of the executive deregulation office within the legislative branch; close but also critical co-operation with the government
- Lead-management of the first deregulation law; extension of the exception clause in order to test deviation from - and necessity of - state regulations
- Initiative and realisation of the Quick Scan-project of administrative burdens
- Other issues: administrative reform, electronic government
- Recommendations addressing the Parliament and the state government
Department for Reduction of Bureaucracy

Operational concept and strategy
- Scientific analysis and strategy
- Conception of modern regulation
- Formulation of instruments for the reduction of bureaucracy

Internal Communication
- Central regulation test centre
  - Estimation of legal consequences
  - Departmental coordination
  - Cross section project
  - Measurement of information costs

External communication
- Contact point
  - Discussion with representatives of economy, local authorities, science and politics
  - Contact point/interface for businesses
  - Public relations
  - Model projects

Operational concept and strategy

General approach

SCM projects

Conclusion
Motivation for SCM pilots

- Does SCM work on state level? Is the concept robust enough in the face of German tendency to over regulate? Will it be accepted by politicians and experts?
- Does SCM make sense in terms of efficiency (positive cost-benefit-relation)?
- Can SCM stimulate competition for better regulation between different states?
- Should we do a quick scan first - without methodical and empirical experience?
- Can we copy the successful Dutch Model?
Overview: SCM pilots in Brandenburg

Quick scan of administrative burdens in Federal state law

- Responsible: Parliament of Brandenburg, special committee for revision of regulations and standards
- Contractor: EIM, Netherlands
- Duration: from March until June 2006
Overview: SCM pilots in Brandenburg

State building law – implementation regulations & associated administrative regulations

- **Responsible:** State Chancellery with Ministry of Infrastructure
- **Coordination:** Bertelsmann Foundation
- **Contractor:** Ramboll Management
- **Participating states:** Baden-Württemberg, Brandenburg, Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Saarland
- **Duration:** from January until September 2006
Overview: SCM pilots in Brandenburg

Law for further and adult education
- law for education exemption

- Responsible: State Chancellery with Ministry Of Education
- Coordination: Bertelsmann Foundation
- Contractor: Kienbaum
- Participating states: Berlin, Brandenburg, Hamburg, Mecklenburg-Western Pomerania, Schleswig-Holstein
- Duration: from February until September 2006
Overview: SCM pilots in Brandenburg

Law for the rehabilitation and participation of handicapped people (SGB IX)

- Responsible: Ministry Of Labour
- Contractor: University of Applied Sciences, Nordhausen
- Duration: from November 2005 until May 2006
- Research was carried out by a student
Overview: SCM pilots in Brandenburg

Water law of Brandenburg (appraisal)

- Responsible: Ministry Of Environment
- Contractors: Hogan & Hartson Raue Llp, Steria Mummert
- Duration: ongoing, since March 2006
- The SCM measurement being an add-on to a classic evaluation
Result I: functionality

- SCM works
- In all SCM pilots the initial emotional resistance changed to acceptance, and, in the end, even to support
- But: the quick scan was significantly less accepted than the SCM pilots
- Critical factor is transparency and an intensive dialogue between consultants, experts and businesses
- Adaptation of SCM to German law, German federalism and German mentality is complicated and expensive
Law of the State of Brandenburg causes only 2 to 3 percent of the estimated administrative burden (quick scan)

Very few core processes (10 to 20 percent) cause 80 to 90 percent of the overall costs

Therefore, an overall SCM-analysis seems to be inefficient. We don`t intend to do a full scale measurement in Brandenburg

However, we want to do a SCM-follow up for the top 20 laws according to the scan (see appendix)

We tend towards a procedure according to water law, but are open for further cooperative projects
Result III: stimulus

- SCM stimulates competition for better regulation at state level.
- But: up to now the effect is mainly limited to the colleagues involved.
- The vision of an SCM-based ranking requires more harmonisation and standardisation of state law than expected – and still has to be done. (But outlook is positive).
Result IV: relevance

- On state level SCM cannot develop a political momentum as in the Netherlands, because our share of the burden is too small (2 to 3 per cent).
- If we tried to communicate a similar political mission (cutting back red tape up to 25 per cent in a period of 5 years), nobody could verify it.
German federalism requires teamwork

- Laws and regulations of the EU, the federal government, and the states are closely linked. Seen from the businesses point of view, responsibility doesn't really matter.
- SCM measurement should be focused on the cumulated impact on businesses or citizens.
- It should be done in a comprehensive way, spanning all state and administrative levels.
- The federal government should take over the leadership.
Focus on standard situations

Industrial law
Building law
Environmental law
Norm 4
Norm 5

Formation of a business

Building of a manufacturing plant

Realisation of an event (market, street party)

Opening of a public house

...
Example: formation of a business

Employment protection office

Employers mutual insurance assoc.

Companies’ register

Employment office

CCI/Chamber of Trade

Accident insurance

Inland revenue

Department of Industry

Health insurance
SCM research should be carried out by external professionals because there is a risk of the iceberg-effect: the government authority concerned might be blind to relevant aspects, there might even be a moral hazard effect.

However, the research should be done in close consultation with the authority concerned because their internal expertise is needed.

The relevance of the iceberg-effect was proven by a two scans of British law: the „home made scan“ counted some 3000 information obligations, a scan done by PWC counted 27000.
Further conclusions

- Laws are not everything!
- A lot of relevant regulation occurs in the form of bye-laws, administrative regulations, even guidelines and so-called provisional instructions with high regulatory impact on local authorities and businesses. These at least should be scanned when a SCM research is applied.
- Generally there should be an impact assessment for any new or drafted/intended regulation (ex ante). The information should be available for everybody concerned.
- There should be a second assessment after the law or regulation comes into effect. This is important for addressing responsibilities.
Thank you for your attention
Appendix I: Quick Scan of state laws

Quick Scan of all 1,327 laws and bye-laws in Brandenburg

- Inventory
- Factual and objective basis for decision
- Use of the time-frame (“catalytic function“)
- Consolidation of the systematic and long term Brandenburger approach (“support function“)

Results:

- 316 reporting requirements identified
- Often very specific regulations, no duty to inform applies to all businesses
- The 15 most expensive regulations cause 80 % of all costs
### Appendix II: The most expensive regulations

<table>
<thead>
<tr>
<th>Costs</th>
<th>Law/regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>952,000 €</td>
<td>Brandenburgisches Straßengesetz (MIR)</td>
</tr>
<tr>
<td>801,000 €</td>
<td>Brandenburgische Förderabgabeverordnung (MW)</td>
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<tr>
<td>596,000 €</td>
<td>Brandenburgische Güteprüfungsverordnung (MLUV)</td>
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<tr>
<td>489,000 €</td>
<td>Schadensanzeige-Verordnung (MASGF)</td>
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<tr>
<td>401,000 €</td>
<td>Verordnung zur Durchführung des Tierzuchtgesetzes (MLUV)</td>
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<td>347,000 €</td>
<td>Brandenburgisches Denkmalschutzgesetz (MWFK)</td>
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<td>314,000 €</td>
<td>Brandenburgische Feuerbestattungsanlagenverordnung (MI)</td>
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<td>287,000 €</td>
<td>Kehr-. Überprüfungs- und Gebührenverordnung (MW)</td>
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<td>270,000 €</td>
<td>Kindertagesstätten-Betriebskosten- und Nachweisverordnung (MBJS)</td>
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<td>267,000 €</td>
<td>Brandenburgisches Gesundheitsdienstgesetz (MASGF)</td>
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<td>Landeshaushaltsordnung (MdF)</td>
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<td>Brandenburgisches Wassergesetz (MLUV)</td>
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<td>193,000 €</td>
<td>Rundfunkgebührenstaatsvertrag (StK)</td>
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<tr>
<td>173,000 €</td>
<td>Heilberufsgesetz (MASGF)</td>
</tr>
</tbody>
</table>
Appendix III: SCM-Project Construction law

- 65 reporting requirements with 190 information requests of which 11 are subject to European law

- Information costs for the economy: 1.2 m. €

- 94 % of costs result from the ten most expensive reporting requirements

- The most expensive reporting requirement is a building permit at ca. 545,000 € (46 % of costs)

- Building permit for a residential building costs 231 € (without official site plan)

- For a production hall:
Appendix IV: SCM-Project Water law

- Qualified Quick Scan (SCM-Scan) of the law in line with an estimation of legal consequences
- 6 reporting requirements cause ca. 90% of all costs
- Bureaucratic costs: ca. 2.9 m. € p.a.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Norms tested</th>
<th>Norms with reporting requirements</th>
<th>Calculated reporting requirements</th>
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<tbody>
<tr>
<td>Law</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Bye-law</td>
<td>12</td>
<td>5</td>
<td>11</td>
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<tr>
<td>Total</td>
<td>13</td>
<td>6</td>
<td>30</td>
</tr>
</tbody>
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