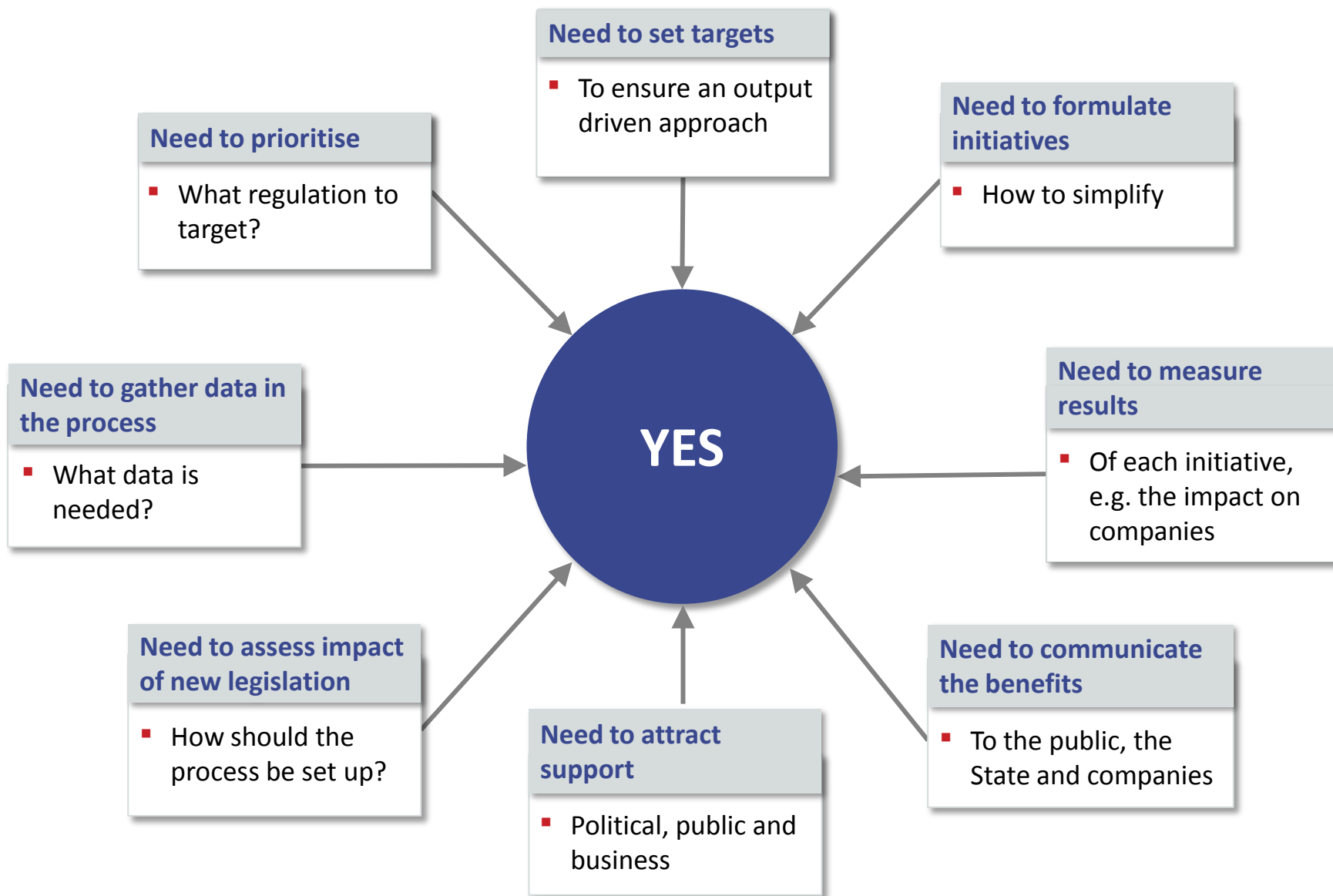




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OF COMMERCE

# Are Baseline Measurements Necessary?

Haraldur I. Birgisson, Deputy Managing Director  
Iceland Chamber of Commerce



# Four reasons for the Dutch success

- 1 Announcing a **specific 25% target**
- 2 Locating the coordinating unit in the Ministry of Finance  
→ **links to the budget**
- 3 Establishment of ACTAL as **an independent agency**
- 4 **Commitment across all major political parties** of Parliament to reduce costs



# How to measure regulatory burden?

## Description

### 1 Be selective

- Measure the impact of selected high-priority regulatory regimes

### 2 Rely on business input

- Use business survey and consultation groups to target regulation subject to measurement – Check the impact of reform by simulating actual effects on a dozen standard businesses

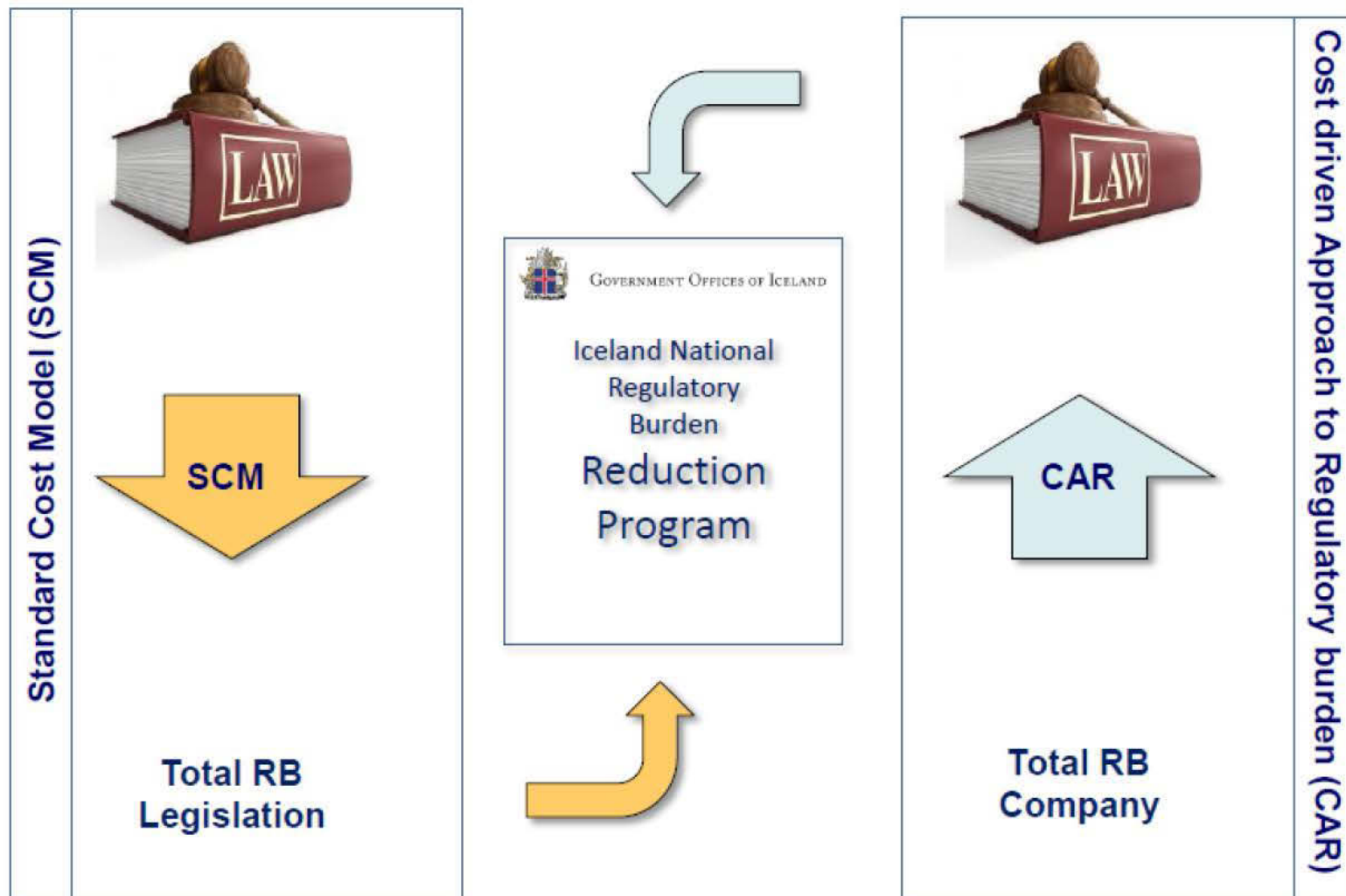
### 3 Focus on direct cost

- Quantification of direct compliance costs, e.g. operating costs, paperwork and time cost in complying with regulations

### 4 Set criteria for identifying reduction

- For the assessment and “values” to be promoted when implementing reduction targets

# How to measure...



# Eight practical steps

## From identification to assessment of burden

### 1. Identify regulation to simplify

- Conduct business surveys to target reforms
- Top 10-20 regulatory burdens

### 2. Assess regulatory obligations

- Make an inventory of all provisions in the relevant regulation
- Make a description of mandatory actions of companies to comply

### 3. Establish a baseline year

- A baseline scenario defined as the regulatory „state of affair“ as it was in one particular year

### 4. Assess the incremental burden and benefits

- Describe the changes in behavior of the individual company
- Determine how many companies are affected by the regulation and the extent

## From reduction targets to initiatives

### 5. Decide on reduction target

- Establish a quantitative reduction target , a share of the measured costs
- Targets allocated to each of the regulatory regimes

### 6. Search for simplification measures

- Identify the measure that can „deliver“ the reduction target
- Eliminate, simplify or regulatory alternatives

### 7. Assess cost reduction of initiatives

- Make an assessment of each measure
- Assess also other consequences, e.g. related to benefits of regulation

### 8. Calculate cost reduction compared to target

- When the final decision has been reached on what initiative should be adopted

# Keep in mind the over-all goal



## Regulation should ...

- Be crucial to the businesses ability to develop
- Create stability and give the market rules to play by
- Reduce companies' transaction costs
- Ensure that goods/services with large positive externalities are provided, e.g. education
- Prevent large negative externalities, e.g. pollution

**Facilitate economic growth**



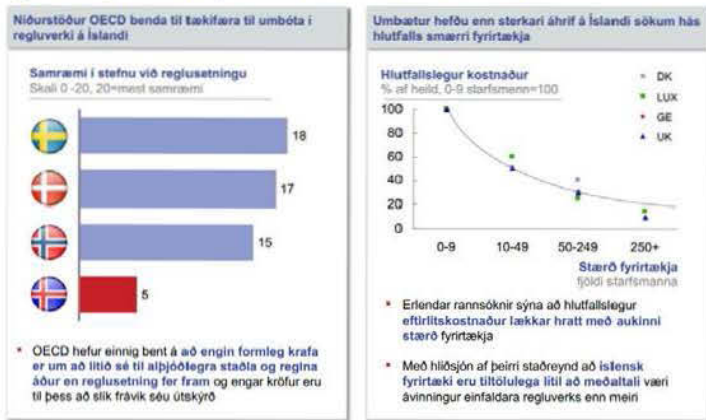
## Regulation shouldn't ...

- Protect companies from competition
- Prevent companies from growing and exploiting new markets
- Generate excessively high compliance costs for both companies and governmental actors
- Contribute to companies becoming less capable of adapting to technological change or consumers' needs

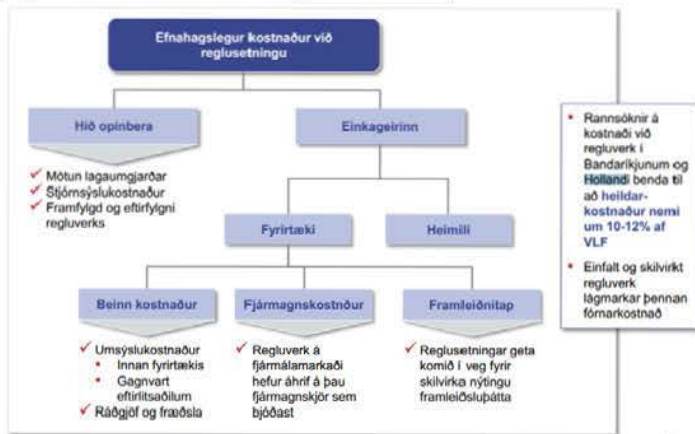
**Have negative effect on society's efficiency**

# The Iceland Growth Forum

Á Íslandi er enn mikilvægara en ella að tryggja samkeppnishæft regluverk þar sem fyrirtæki eru lítil að meðaltali



Regluverk getur haft mikil áhrif á efnahagslega frammistöðu í gegnum beinan kostnað og framleiðnitap



Það er því afar brýnt að regluverk sé nægjanlega skilvirkt til að jákvæðir þættir þess vegi þyngra en þeir neikvæðu



Við leggjum til að „Einfaldara Ísland“ verði endurvakið með skýru markmiði um 25% minnkun kostnaðar við regluverk



# Where is Iceland in the global context?

## Administrative burden (estimate)

|             |     |     |
|-------------|-----|-----|
| Austria     | 3,6 | 4,6 |
| Belgium     | 2,2 | 2,8 |
| Czech       | 2,6 | 3,3 |
| Denmark     | 1,5 | 1,9 |
| Finland     | 1,2 | 1,5 |
| France      | 2,9 | 3,7 |
| Germany     | 2,9 | 3,7 |
| Greece      | 5,4 | 6,8 |
| Hungary     | 5,4 | 6,8 |
| Ireland     | 1,9 | 2,4 |
| Italy       | 3,6 | 4,6 |
| Netherlands | 2,9 | 3,7 |
| Poland      | 4,0 | 5,0 |
| Portugal    | 3,6 | 4,6 |
| Slovak      | 3,6 | 4,6 |
| Slovenia    | 3,3 | 4,2 |
| Spain       | 3,6 | 4,6 |
| Sweden      | 1,2 | 1,5 |
| UK          | 1,2 | 1,5 |



## Iceland

Nordic low average: 1,3% of GDP

**Iceland: 22 billion ISK**

Total average: 2,7% of GDP

**Iceland: 46 billion ISK**

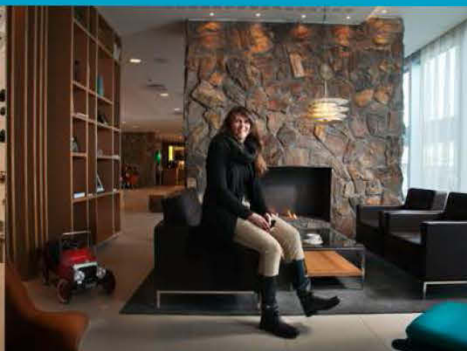
Other countries high average: 4,1% of GDP

**Iceland: 71 billion ISK**

**A 25% reduction target would mean  
5,5 – 17,8 billion ISK annually**



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Sameiginlegur vettvangur íslensks viðskiptalífs