

# National and international prospects for the Sustainability Compass standard benefits model

**The development and international transferability  
of a standard benefits model to systematically  
estimate the benefit of laws and regulations  
based on a sustainable concept of growth**



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# Foreword

Good legislation and a functioning administration which builds on this are fundamental components of good governance. The incorporation of the "Less bureaucracy and better legislation" aspect into the federal government programme and the establishment of a National Regulatory Control Council almost a decade ago have constituted outwardly visible steps towards ensuring these targets also reach the everyday political sphere. The measures taken as part of the "Less bureaucracy and better legislation" programme, and which are currently aimed at the costs associated with laws, act as a springboard into a comprehensive regulatory impact analysis, serving to ensure streamlined, intelligent and accurate administration by the federal government. Originally established in the Netherlands, the Standard Cost Model (SCM) to quantify bureaucracy costs has thus also been well received and is frequently applied internationally.

The Konrad Adenauer Foundation hopes to use this brochure to build upon this issue and consider new ideas for better legislation and reduced bureaucracy. By introducing our Standard Benefits Model, we are contributing to the discussion currently being conducted at an international level by the OECD and EU, which facilitates a manageable method for assessing the benefits of laws. This model was developed based on a project carried out by the Nationale Zentrum für Bürokratiekostenabbau (National Centre for the Reduction of Bureaucracy Costs (NZBA)) at the Fachhochschule des Mittelstands Bielefeld (Bielefeld University of Applied Sciences), funded by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and the Konrad Adenauer Foundation.

As this is not designed to take place in a vacuum, the project's main focus is on developing a model to assess the standard benefit of laws and regulations based on the sustainable concept of growth. We believe it is particularly important that, by evaluating the benefit of such measures, climate protection goals can also be better conveyed in the public debate, both at a national and international level. The model was thus presented to the international public as part of a side event during the 18th United Nations Climate Change Conference in Doha (Qatar) in December 2012.

We look forward to receiving your feedback, and hope you find this brochure a stimulating read.

Matthias Schäfer  
*Head of the Economic Policy Team  
Central Department for Policy and Consultancy  
Konrad Adenauer Foundation*

## CHAPTER 1

# Initial position and goals – The National Sustainability Compass as a product of the benefit appraisal

*The Standard Benefits Model is an easy-to-use model to systematically assess the benefits of laws and regulations based on a sustainable concept of growth.*

*The National Sustainability Compass graphically and transparently illustrates the sustainability effects of laws for political decision-makers.*

## INITIAL POSITION AND GOALS

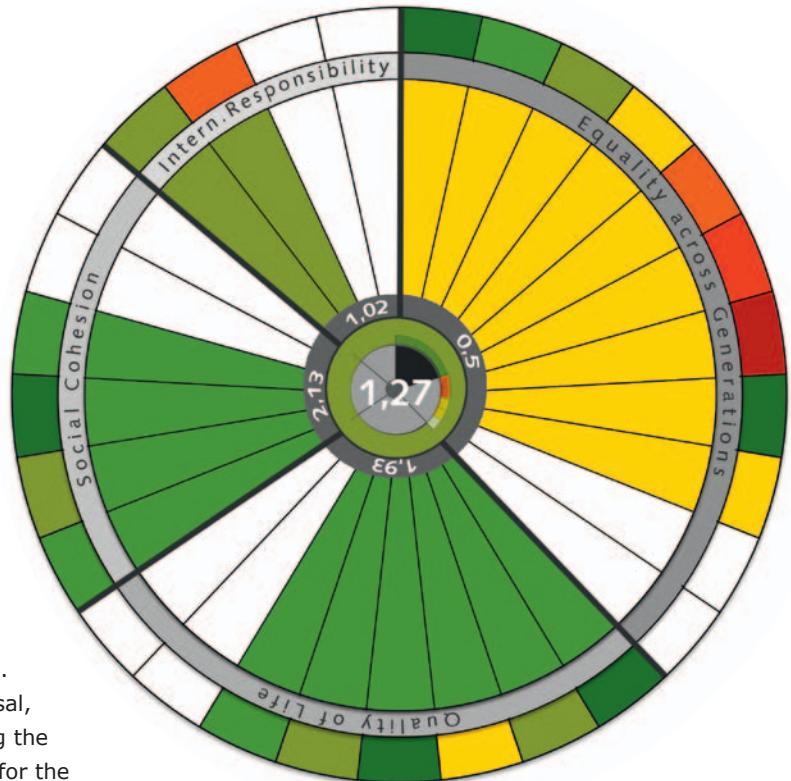
The Standard Benefits Model focuses on examining the benefits of laws from a sustainability perspective.

Efforts to achieve better legislation in Germany have so far primarily concentrated on reducing bureaucracy costs. The Standard Cost Model provides a practical, tried-and-tested and recognised tool for assessing the bureaucracy costs for legal regulations incurred as a result of reporting requirements. Regulatory measures are now also being examined in terms of their implementation expense. Reducing bureaucracy costs is a generally recognised goal, which has also been institutionalised in the federal legislation process by the National Regulatory Control Council and the Bureaucracy Reduction Office at the Federal Chancellery.

In contrast, no planned benefits assessment has so far been conducted for the legislation. This is where the project funded by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) comes in.

The aim of the project is to develop a standard benefits model to systematically assess the benefit of laws and regulations based on a sustainable concept of growth. The key is to formulate a pragmatic, standardised method which can be easily applied by the administration – similar to the well known, successfully established Standard Cost Model.

The project is sponsored by the Nationale Zentrum für Bürokratiekostenabbau (National Centre for the Reduction of Bureaucracy Costs (NZBA)), based at the federally recognised private Fachhochschule des Mittelstands (FHM) in Bielefeld (Bielefeld University of Applied Sciences) and run by Prof. Dr Volker Wittberg. Since its founding in 2007, the NZBA has addressed the issues of reducing bureaucracy costs and ensuring better legislation, and has performed nationwide research assignments for federal ministries, municipalities and financial organisations.



### THE NATIONAL SUSTAINABILITY COMPASS AS A PRODUCT OF THE BENEFIT APPRAISAL

The “National Sustainability Compass” (see Figure 1) is the result of the benefit appraisal, transparently and systematically illustrating the evaluation of various sustainability criteria for the respective law: The compass is the graphic representation of the numerical results of the regulatory impact analysis conducted using the Standard Benefits Model.

The individual results from the four indicator areas of the National Sustainability Strategy (see Chapter 4) – “Intergenerational equity”, “Quality of life”, “Social cohesion” and “International responsibility” – are entered in the four sectors of the circle.

Each slice, depicting the 21 assessed sustainability indicators from the National Sustainability Strategy and any additional law-specific indicators, are colour coded as follows, based on the sustainability effects: green = the law has a positive influence on the sustainability indicator; yellow = neither positive nor negative influence; red = negative influence; white = irrelevant, i. e. the law has nothing to do with this indicator.

The double-aggregated sustainability figures are entered in the centre of the compass: first the results for the four indicator areas; right in the middle of the compass is the aggregated, weighted overall value for the law’s sustainability benefit as a graphic end result.

The ministry official or political decision-maker examining the benefits can thus easily see all the sustainability effects of a law, based on the National Sustainability Strategy.

*Figure 1: National Sustainability Compass*

*Source: FHM-NZBA research project: Developing a standard benefits model to systematically assess the benefit of laws and regulations based on a sustainable concept of growth.*

The diagram’s main advantage lies in the fact that multiple pieces of information are condensed clearly in this compass form, even though some information is lost as a result of the aggregation: The pros and cons of a law in terms of its sustainability effects, its strengths and weaknesses, and thus also the potential for improvement, are illustrated here, and are instantly visible to decision-makers, who can then purposefully add any other necessary information in the underlying calculations.

This result is, of course, not designed to be a verdict on sustainability for independent politicians. It does, however, create the required transparency for the political decision-making process, and provides political decision-makers with an easy-to-use tool to help them rule on a legal project, i. e. assess the benefit of a legislative measure based on self-set sustainability benchmarks.

## CHAPTER 2

# Examining the benefits of a law – Defining the benefits of a law

*The benefits of a law are the common welfare advantages achieved by a law from the legislator's perspective.*

*They must be determined in a detailed, practical manner using an assessment model.*

### EXAMINING THE BENEFITS OF A LAW – AN OVERVIEW

To date, there have not been any systematic approaches to examining the benefits of a law in Germany, and the accompanying regulatory impact analysis hardly ever incorporates utility analyses or cost/benefit analyses. They are thus relatively new concepts, as stated in the Federal Ministry of the Interior's Regulatory Impact Analysis Handbook (2001). However, the Blue Test Questions on issues such as the relationship between a law's costs and benefits were introduced as early as 1984, following a ruling made by the federal cabinet.

When they are applied, it is almost exclusively in relation to administrative decisions, calculating bureaucracy costs based on the Standard Cost Model and examining the most favourable allocation of resources. § 7 Para. 2 of the German Federal Budget Code serves as the basis for conducting such profitability studies prior to administrative decisions.

In this respect, cost/benefit analyses have so far only been used publicly in Germany to assess the optimum method for achieving pre-set political targets, but not to examine the policy decision as such; this is rather assumed.

In contrast, it should not be a matter of "HOW" legislative decisions are implemented, but rather "WHETHER" the legislative decision itself should be implemented, based on benchmarks set by the legislator – in this case, the realisation of sustainable development goals.

It is also helpful to briefly look at the regulatory impact analysis in other countries (see Chapter 8 for further details); in the United States in particular, but also in Great Britain and occasionally the EU, this sort of benefit analysis is performed based on economic assessments using monetised indicators, i.e. based on monetary values (net monetary benefits of a law) (see Chapter 7 for further details).

The model shown here, however, rejects such monetisation based on a pure cost/benefit analysis, because it reflects the belief that the monetary result of a pure cost/benefit analysis performed by an economist should not be the only factor determining whether or not a proposed law is implemented. This could restrict the constitutional right of selected parliaments (who are authorised to make the decision) to act freely (see Chapter 7 for further details).

Perspective is also important when establishing a law's benefit: it is unproductive and constitutionally precarious to raise the generalised, simplified question of the "benefit for society", as this would always be answered with a contentious discussion on goals and values. For example, people could discuss whether a certain budget for preventing environmental degradation in an industrialised country so as to protect life and health there would be better used to fight starvation in the Third World, saving many more human lives. These sorts of debates are already taking place in the USA.

The perspective of the author/ultimately the democratic legislator, and their chosen purpose for the law, are instead the factors taken into account when establishing the benefits of a law. The criteria for determining these benefits would thus first have to be ascertained by the federal ministry in charge, which uses its preferential function (ultimately that of the legislator) as a basis for this.

The following concepts are consequently established regarding the benefits of a law:

#### **Definition: Benefits of a law**

*The benefits of a law denote conditions in which the law's purpose is served better compared to the time before it was enforced.*

*They are thus a state to which the legislator gives preference over the previous conditions, so that the desired new conditions provide greater benefit from the legislator's perspective.*

*In the context of a new law, it can therefore be said that its benefits are the advantage envisaged by the legislator when creating the new law in relation to achieving improved common welfare.*

For further clarification, it should be noted that this type of benefit appraisal can be used to compare several alternative laws, or to compare a legislative proposal with the so-called zero variant – i.e. the option of leaving things as they are.

## CHAPTER 3

# Sustainability as the aim of legislation and sustainability benefits

*Promoting sustainable development is the legally binding principle guiding all federal legislation.*

*A law's sustainability benefits are determined using the Standard Benefits Model.*

## SUSTAINABILITY AS THE AIM OF LEGISLATION

The German federal government's National Sustainability Strategy has expressly declared sustainable development as the general, interdisciplinary guiding principle for federal government policy.

Every legislative proposal's impact on sustainability must thus be examined by the responsible department as part of the regulatory impact analysis, and shown in the result.

Promoting sustainable development is consequently the official aim of German legislation. § 44 of the Common Ministerial Rules of Procedure (GGO) bindingly establishes it as a federal law, virtually on a par with the original aims of the respective law. Laws should be sustainable, at least they should not breach the principle of sustainability.

The sustainability benefits can be thus summarised as follows:

**Sustainability benefits:**

*Incorporating sustainability when creating future laws is one of the federal government's self-imposed duties. It thus constitutes another regulatory benefit to be regularly achieved by new laws in accordance with the federal government's expectations formulated internally in the Common Ministerial Rules of Procedure (GGO).*

The Standard Benefits Model results in the following

**Objective:**

Apart from the benefit relating to the goal set by the legislator, it will be a question of being able to determine the benefit relating to the general political aim of sustainable growth.

To simplify the assessment, among other reasons, the Standard Benefits Model thus only examines this sustainability aspect of a law, and not the law's original aim.

When it comes to rationally determining the benefits of a law, it seems obvious to start off by systematically assessing sustainability, particularly in a project for the Federal Ministry for the Environment. But it is also conceivable that the method established here will be further developed and used to generally assess the regulatory benefits, for other legal purposes, or for legislative procedures as federal laws.

**ASSESSING SUSTAINABILITY IN EVERYDAY POLICY**

Everyday policy has so far not provided any practical idea as to how sustainability benefits would be identifiable in the regulatory impact analysis, which also ties in with the supposed conceptual ambiguity of the term "sustainability".

But we are seeing this issue constantly develop at an international level, as documented in the EU legislation by its extensive sustainability impact study (cf. Chapter 8). The proposal made here aims to actively help shape this process.

There are countless definitions for the term 'sustainability', but so far none have been deemed generally valid. There only appears to be any form of agreement on the fact that the Three Pillar Model should serve as a basis. The Three Pillar Model of sustainable development operates on the assumption that sustainable development can only be achieved by simultaneously and equally realising environmental, economic and social goals, whereby these three aspects are inter-dependent. This approach is also in keeping with the federal government's view.

Establishing the sustainability benefits of a new legal regulation thus initially requires a benchmark for sustainability.

## CHAPTER 4

# Sustainability as a role model: The National Sustainability Strategy

*The Standard Benefits Model is based on the sustainability indicators of the federal government's generally recognised and politically authorised National Sustainability Strategy.*



Fig. 2: National Sustainability Strategy

## SUSTAINABILITY AS THE GUIDING PRINCIPLE OF THE FEDERAL GOVERNMENT'S POLICY

Held in Rio de Janeiro in 1992, the United Nations Conference on Environment and Development established sustainability as a global mission statement, setting an international example for rethinking policy.

The "Made in Germany" sustainability policy is now more than 10 years old. The federal government's National Sustainability Strategy was passed in 2002, and presented at the United Nations World Summit on Sustainable Development in Johannesburg. This strategy was also updated by subsequent governments through progress reports in 2004, 2008 and most recently in February 2012.

The sustainability policy is led by the Federal Chancellery, underlining the particular importance of this interdisciplinary task. The strategy is devised and implemented with the involvement of all divisions, because sustainability must be reflected as a guiding principle across all government activities. The National Sustainability Strategy is thus supported by a broad political agreement, and has therefore also been democratically authorised.

## SUSTAINABILITY MANAGEMENT

In order to implement the National Sustainability Strategy as the guiding principle in all political fields, sustainability management rules have been formulated for its key operations. Monitoring is conducted through a report from the Federal Bureau of Statistics every two years, and the strategy itself is updated in a so-called progress report once every legislation period.

Sustainability management is also institutionalised within the federal government through a state secretary committee for sustainable development, a council for sustainable development, a parliamentary advisory board, and interministerial work groups, and is firmly established in the legislative process.

## INDICATORS OF SUSTAINABLE DEVELOPMENT

To achieve successful sustainability management, it is essential to review development using set criteria and references. The Federal Bureau of Statistics' indicator report has thus provided information on development progress since 2008.

The sustainability strategy contains key indicators on 21 issues, with a total of 38 criteria divided into the following four main sections (see graphic):

1. Intergenerational equity
2. Quality of life
3. Social cohesion, and
4. International responsibility

These criteria are constantly being further developed and adapted to ongoing development, systematically illustrating all of the sustainability policy's spheres of action.

## RESULT – THE NATIONAL SUSTAINABILITY STRATEGY AS A ROLE MODEL FOR THE STANDARD BENEFITS MODEL

The National Sustainability Strategy is politically legitimised as such, and has acted as a general cross-party agreement for more than ten years. This has also meant that its monitoring methods, i.e. the Federal Bureau of Statistics' selected key indicators, are not only methodically convincing, but are also supported by this political will, and are therefore undisputed.

This unique feature distinguishes the National Sustainability Strategy's indicator system from other sustainability criteria developed by science and other state institutions. The practical proof in the regular indicator reports and the methodical support from the Federal Bureau of Statistics also argue in favour of this model.

This political legitimisation and practical proof of the National Sustainability Strategy's goals and methods are consequently also of particular relevance to the Standard Benefits Model's political acceptance as a new legislative instrument. It was thus selected as the role model and basis for assessing benefit in the standard benefits model, taking precedence over other suitable processes (see Chapter 6).

<b>I. Intergenerational equity</b>
<b>Protecting resources</b>
1a, b Energy productivity, primary energy consumption
1c Raw material productivity
<b>Climate protection</b>
2 Greenhouse gas emissions
<b>Renewable energies</b>
3a, b Percentage renewable energies in final energy consumption, percentage electricity from renewable energy sources in total electricity usage
<b>Land use</b>
4 Increase in settlement and traffic areas
<b>Biodiversity</b>
5 Biodiversity and landscape quality
<b>National debt</b>
6a, b National deficit, structural deficit
6c Debt level
<b>Future funding</b>
7 Ratio between gross capital investments and GDP
<b>Innovation</b>
8 Private and public expenses for research and development
<b>Education</b>
9a 18 to 24-year-olds who have not finished school
9b 30 to 34-year-olds with tertiary or post-secondary non-tertiary qualifications
9c Number of first-year students
<b>II. Quality of life</b>
<b>Economic performance</b>
10 GDP per capita
<b>Mobility</b>
11a Intensity of goods transportation
11b Intensity of passenger transport
11c, d Percentage rail transport and inland water transportation
<b>Agriculture</b>
12a Excess nitrogen
12b Organic farming
<b>Air quality</b>
13 Air pollution
<b>Health and food</b>
14a, b Premature death
14c, d Number of teenage and adult smokers
14e Number of obese people
<b>Crime</b>
15 Criminal offences
<b>III. Social cohesion</b>
<b>Employment</b>
16a, b Employment rate
<b>Prospects for families</b>
17a, b Full-day child care
<b>Equality</b>
18 Difference in men and women's earnings
<b>Integration</b>
19 Foreign school-leavers holding secondary school certificates
<b>IV. International responsibility</b>
<b>Development co-operation</b>
20 Percentage public development expenses in the gross national income
<b>Opening markets</b>
21 German imports from developing countries

Fig. 3: National Sustainability Strategy indicators

# Methodology as a role model: The Swiss sustainability assessment (NHB)

*The sustainability assessment conducted in Switzerland for many years (NHB) has proven to be a suitable prototype for the methods applied by the Standard Benefits Model.*

## ASSESSING SUSTAINABILITY IN SWITZERLAND

The sustainability assessment (NHB) has been successfully conducted in Switzerland, particularly in relation to the agricultural and transport policy, but also in other sectors, since 2004.

The method seeks to create transparency for legislators or other political decision-makers during the political or administrative process, and provide early information on possible improvement and optimisations.

The assessment incorporates 15 sustainability criteria which are set by the Swiss Federal Council and the Interdepartmental Committee on Sustainable Development (IDANE), and are divided into the dimensions examined: Environment, Economy and Society.

## THE METHODOLOGY OF THE SUSTAINABILITY ASSESSMENT (A CASE STUDY)

Figure 4 shows the Swiss model's method using a fictitious example. This example involves assessing the impact of building a tourist resort in the Alps, in terms of the three sustainability dimensions – Economy, Environment and Society.

The assessment is led by the regional authority, with technical support from the Federal Office of Regional Development.



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Bundesamt für Raumentwicklung ARE  
Office fédéral du développement territorial ARE  
Ufficio federale dello sviluppo territoriale ARE  
Uffizi federali da sviluppo dal territorio ARE

Fig. 4: The Swiss sustainability assessment

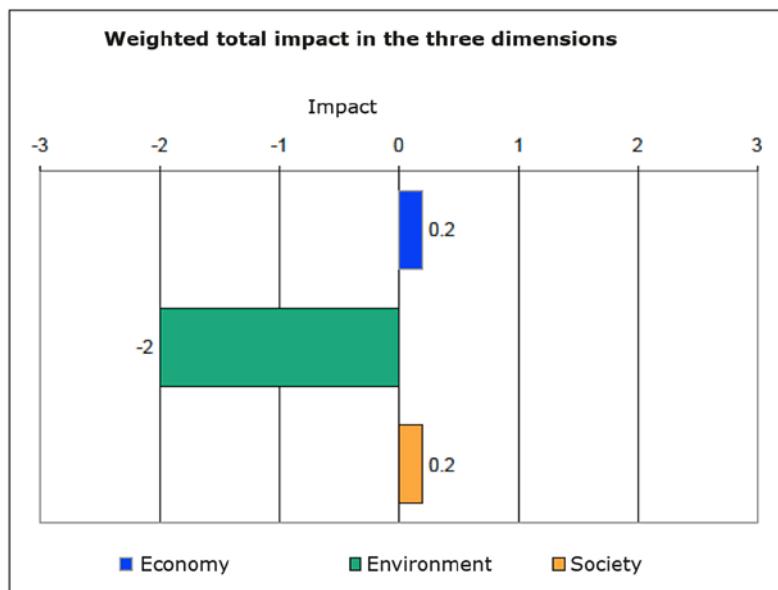
<b>Titel des Vorhabens:</b> Tourismusresort im Alpenraum	<b>Datum:</b> 31.07.2008				
<b>Kurzbeschrieb des Vorhabens:</b> Im Alpenraum soll ein Tourismusresort mit 6 Hotels und einem Golfplatz entstehen.	<b>Durchgeführt von:</b> Felix Walter (Ecoplan) Hans-Jakob Boesch (Ecoplan)				
<b>Gewählte Referenzentwicklung:</b> Als Referenzentwicklung dienen die Wirtschafts- und Bevölkerungsentwicklungen gemäss BFS.	<b>Varianten im Vergleich: Anzahl und Art</b> 4 verschiedene Varianten, bei allen unterschiedliche Annahmen bezüglich Wirtschafts- und Bevölkerungswachstum				
<b>Beurteilungskriterien (Bundesratskriterien)</b>					
<b>Nr.</b> <b>Wirtschaft</b>	<b>Bezeichnung</b>	<b>Bewertung der Wirkung</b>	<b>Gewichtung (Σ=100%)</b>	<b>Bewertung der Unsicherheit</b>	<b>Bemerkungen</b>
<b>W1 Einkommen und Beschäftigung</b>	Einkommen und Beschäftigung erhalten oder mehrern (unter Berücksichtigung einer sozial- und raumverträglichen Verteilung)	unbekannt	20.0%	kleine	Zurzeit kann keine Wirkungsbewertung angegeben werden -> zusätzliche Abklärungen sind notwendig.
<b>W2 Produktivkapital</b>	Das Produktivkapital, basierend auf dem Sozial- und Humankapital, mindestens erhalten und qualitativ mehreren	3	20.0%	grosse	
<b>W3 Wettbewerbsfähigkeit und Innovationskraft</b>	Wettbewerbsfähigkeit und Innovationskraft der Wirtschaft verbessern	1	20.0%	keine	
<b>W4 Marktmechanismen und Kostenwahrheit</b>	Die Marktmechanismen (Preise) unter Berücksichtigung der mass-gebenden Knappheitsfaktoren und externen Kosten wirken lassen	-1	20.0%	kleine	
<b>W5 Wirtschaften der öffentlichen Hand</b>	Wirtschaften der öffentlichen Hand, das nicht auf Kosten zukünftiger Generationen erfolgt (z.B. Schulden, vernachlässigte Werteerhaltung)	-2	20.0%	mittlere	
<b>Titel des Vorhabens:</b> Tourismusresort im Alpenraum		<b>Datum:</b> 31.07.2008			
<b>Kurzbeschrieb des Vorhabens:</b> Im Alpenraum soll ein Tourismusresort mit 6 Hotels und einem Golfplatz entstehen.	<b>Durchgeführt von:</b> Felix Walter (Ecoplan) Hans-Jakob Boesch (Ecoplan)	<b>Varianten im Vergleich: Anzahl und Art</b> 4 verschiedene Varianten, bei allen unterschiedliche Annahmen bezüglich Wirtschafts- und Bevölkerungswachstum			
<b>Beurteilungskriterien (Bundesratskriterien)</b>		<b>Ausprägung der Wirkung</b>	<b>Gewichtung</b>	<b>Bewertung der Unsicherheit</b>	<b>Bemerkungen</b>
<b>Nr.</b> <b>Wirtschaft</b>	<b>Bezeichnung</b>	-3   -2   -1   0   1   2   3   unbekannt	20%	keine   kleine   mittlere   grosse	
<b>W1 Einkommen und Beschäftigung</b>		X	20%	X	Zurzeit kann keine Wirkungsbewertung angegeben werden -> zusätzliche Abklärungen sind notwendig.
<b>W2 Produktivkapital</b>			20%		X
<b>W3 Wettbewerbsfähigkeit und Innovationskraft</b>			20%	X	
<b>W4 Marktmechanismen und Kostenwahrheit</b>			20%	X	
<b>W5 Wirtschaften der öffentlichen Hand</b>			20%	X	

Source: Sustainability assessment guidelines for federal offices and other interested parties



## Weighted impacts

### Impacts:



Number of uncertain impact ratings (average and big uncertainty):

Economy	2
Environment	2
Society	2

Number of criteria without impact rating (impact rating unknown):

Economy	1
Environment	0
Society	0

Source: Sustainability assessment guidelines for federal offices and other interested parties

Various evaluation criteria are examined within the three impact dimensions. In the example shown, the Economy section contains five indicators W1-W5: W1: Income and employment; W2: Productive capital, W3: Competitiveness and innovation, W4: Market mechanisms and cost transparency, and W5: Public-sector business (see Figure 4).

These indicators are weighted based on their importance, and their impact rated on a scale of minus 3 to 3. It is also stated whether this rating should be classified as uncertain, and if so, to what extent (see Figure 4).

This provides a weighted total impact in the three dimensions.

The example shows that the project will have a reasonably positive effect, with a 0.2 score in Economy and Society, and a very negative impact on the environment, with a score of minus 2.0. The impacts in the different dimensions are thus presented very tangibly, enabling political decision-makers to clearly see the (reciprocal) effects of the measures.

The number of uncertain and unknown impact assessments is also recorded to demonstrate the significance of the results achieved (see Figure 4).

The results for the individual dimensions are then in turn pooled together to form a weighted total result for the project's sustainability evaluation.

## EVALUATING THE SWISS MODEL

The example shows that the Swiss sustainability assessment can be easily applied using a comprehensible, transparent method, producing results which act as a clear guide for political decision-makers, and which thus help achieve a transparent decision-making process.

It is also advisable to use Switzerland as a role model in this case because Switzerland has a leading position in many worldwide sustainability indices, e.g. the Yale University Environmental Performance Index.

The successful application and incorporation of sustainability in policies impressively underlines the methodological benefits of the Swiss model.

The Swiss sustainability assessment has been politically legitimised, tried and tested over many years, and operates simply and transparently.

It can thus serve as methodological blueprint for the Standard Benefits Model.

## FURTHER DEVELOPMENTS IN THE GERMAN STANDARD BENEFITS MODEL

There appear to be parallels between the Swiss model and the German Standard Benefits Model in terms of the decision-making process: In Switzerland, it is led by the competent government office

(in the example this is the regional administration, which is supported by the Federal Office for Regional Development (ARE), with the involvement of other stakeholders, e.g. federal offices and external parties).

When it comes to further development in Germany, the assessment of a law's sustainability is the responsibility of the competent federal ministry, which may be supported by other offices, such as the Federal Bureau of Statistics/Destatis or mixed committees.

The evaluation of the Swiss model found that only methodological details needed adjusting:

In the German Standard Benefits Model, for example, the underlying sustainability criteria are clearly and bindingly established by the National Sustainability Strategy (see Chapter 6) to prevent arbitrariness. The possibility of choosing additional indicators (so-called wildcard indices) guarantees the necessary flexibility.

During the relevance analysis, the selected indicators are explained further in a report sheet, while in the Swiss model, the comments are made in the module itself (see Figure 4). If the indices are suitably selected in the Standard Benefits Model, there may be no need to rate uncertainty.

Overall, the Swiss sustainability assessment is an appropriate role model for the Standard Benefits Model, which has been systematically adjusted and further developed on this basis.

## CHAPTER 6

# Measuring sustainability – Welfare indicators and sustainability criteria

*Based on all known welfare indicators, three indicator systems generally appear to be methodologically suitable for the Standard Benefits Model:*

1. the National Sustainability Strategy
2. the EU strategy for sustainable development, and
3. the National Welfare Index.

## GROSS DOMESTIC PRODUCT AND WELFARE

purely quantitative economic growth measured in terms of gross domestic product (GDP) will not suffice when it comes to recording real progress and welfare in a society in a broader sense. The isolated GDP focus proves to be completely inadequate, particularly from a sustainability perspective.

The problem of growth limits has been publicly known since at least the release of the worldwide Club of Rome report in the early 1970s, and sustainability has now become the focus of political activity, particularly in Western industrialised countries.

But a clear, recognised definition of sustainable growth is still lacking.  
There are countless definitions.

Even the literal interpretation of "sustainable growth" refers to two elements: "sustainability" in terms of using a regenerative system, and "growth" as generally meaning an increased indicator. Reference is generally made to the gross domestic product here, and therefore solely to the economic performance of an economy.

Based on this problem, the 17th German Bundestag's "Growth, Welfare, Quality of Life" commission of enquiry had focussed on identifying a new progress indicator. The final report presented proposes additional indicators which supplement the growth measurement with ecological, social and cultural criteria, thereby seeking to illustrate a sustainable concept of growth.

## AN OVERVIEW OF WELFARE AND SUSTAINABILITY INDICATOR SYSTEMS

The relevant literature has developed numerous indicator systems which illustrate immaterial growth in the three sustainability principles of "Ecology, Economics and Society" with different focus areas; a total of 14 relevant approaches have been identified for sustainable growth.

The ecologically-oriented environmental indices include the System of Integrated Environmental and Economic Accounting (SEEA), the Environmental Sustainability Index (ESI), the Environmental Performance Index (EPI) and the Pressure-State-Response Model (PSR). These environmental indicator systems concentrate solely on ecological indicators, aiming to create a sustainability profile, ecological performance review, and evaluation of environmental and resource problems.

However, some of these indicator systems' findings are inadequate, meaning they cannot generally be applied to Germany.

As the second main group, the social indicators (Human Development Index (HDI), Gross National Happiness (GHN) and Happy Planet Index (HPI) provide a clearly socially weighted approach, which also illustrates the level of development, quality of life and even people's contentment through ecological efficiency.

These systems can be given credit for the fact that they highlight the particular importance of ecological and social indicators in addition to the economic indicators. However, the criteria selection is not evenly weighted in terms of the three areas of sustainability, meaning it cannot sufficiently apply as the sole indicator for general legislation.

A third group is made up of the economic indices, which duly supplement economic growth with ecological and social criteria as part of an effectively balanced approach. These include the Regional Quality of Development Index (QUARS) and the AEZR model/ Agenda 21. Both of these are indicators with a regional/municipal focus, meaning they cannot be applied when it comes to national legislation.

The Index of Sustainable Economic Welfare (ISEW) and the resulting Genuine Process Indicator (GPI) constitute an international approach to qualified growth in a fundamentally economic index. They are sustainable economic welfare indicators which expand on the GDP by providing extensive information on overall welfare, such as income distribution, health, education and environmental pollution.

However, they do not incorporate the numerous social expenses (e.g. to compensate for environmental pollution, social costs for alcohol-related illnesses) or value of voluntary work, and therefore do not take into account the welfare increases achieved away from the market.

## SUITABLE STRATEGIES FOR SUSTAINABLE GROWTH IN GERMANY AND THE EU

Three local models do, however, appear particularly suitable for illustrating sustainable growth (see Figure 5).

The National Welfare Index (NWI) published by the Federal Environmental Agency in 2010 developed a sophisticated indicator system for sustainable growth, which takes into account the aforementioned welfare increases not achieved through the market, but also deducts some social costs and environmental damage from the welfare product.

Fig. 5: Sustainability strategies

Strategies for sustainable growth			
Strategy	"Prospects for Germany" National Sustainability Strategy	EU strategy for sustainable development	National welfare index
Description	Strategy for sustainable development	Strategy for sustainable development	Index measuring welfare in Germany
Publication	Enacted and published by the German federal government in 2002  The last update report on 'Sustainable development in Germany' came in 2012	Enacted in 2001, based on the Lisbon strategy developed in 2000, which pursues the 'Europe 2020' succession strategy.  2011 progress report	Published in a research report in 2010
Institution	German Federal government	European Commission	German Federal Environmental Agency

The "Prospects for Germany" (see Chapter 4) National Sustainability Strategy enacted by the German federal government in 2002, and the European Commission's EU strategy for sustainable development created in 2001, constitute sustainable growth indicator systems which sufficiently illustrate the social and ecological factors.

All three models concordantly address the idea of sustainability in various aspects using numerous indicators, e.g. fiscally (public budget debt), economically (income distribution, employment), ecologically (resources, biodiversity, wildlife conservation) or socially (food/health, education, crime) (see Figure 5).

As shown by the arrow diagram, the three indicator systems display vast overlap among the indicators in Economy, Ecology and Social sections. Since the

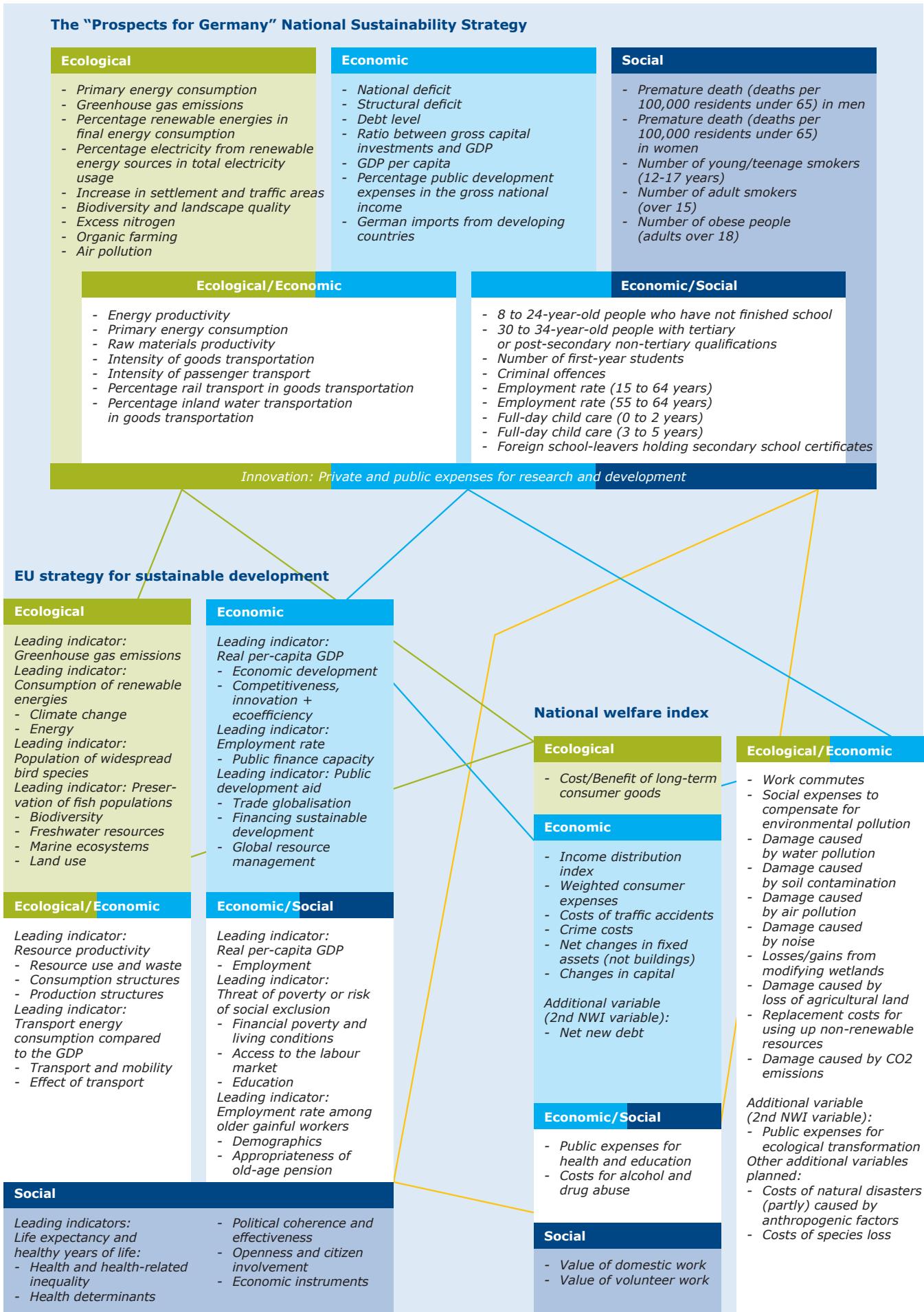
differences between them are only very slight, no general, content-based preference can be given to one system.

In terms of method, these three models are all suitable for measuring qualitative growth in Germany.

#### CHOOSING THE NATIONAL SUSTAINABILITY STRATEGY

However, the indicator system used in the federal government's National Sustainability Strategy (see Chapter 4) was eventually chosen because it has been politically legitimated as the federal government's master programme for ten years, and the Federal Bureau of Statistics has proven the indicators' worth during its sustainability measurements.

Fig. 6: A comparison of sustainability schemes



# Multi-criteria decision-making processes versus monetisation

## AN OVERVIEW OF THE ALTERNATIVE METHODS WHEN ESTIMATING BENEFIT

*Due to its simple, transparent application, the Linear Additive Method has proven to be the first choice among all known alternative methods for estimating benefits.*

### REQUIREMENTS OF A SUITABLE MEASUREMENT METHOD

A suitable systematic method to measure benefits using the Standard Benefits Model must have a pragmatic approach displaying the following characteristics:

- Easy to use
- Transparent approach
- Comprehensible results
- Compensatory method

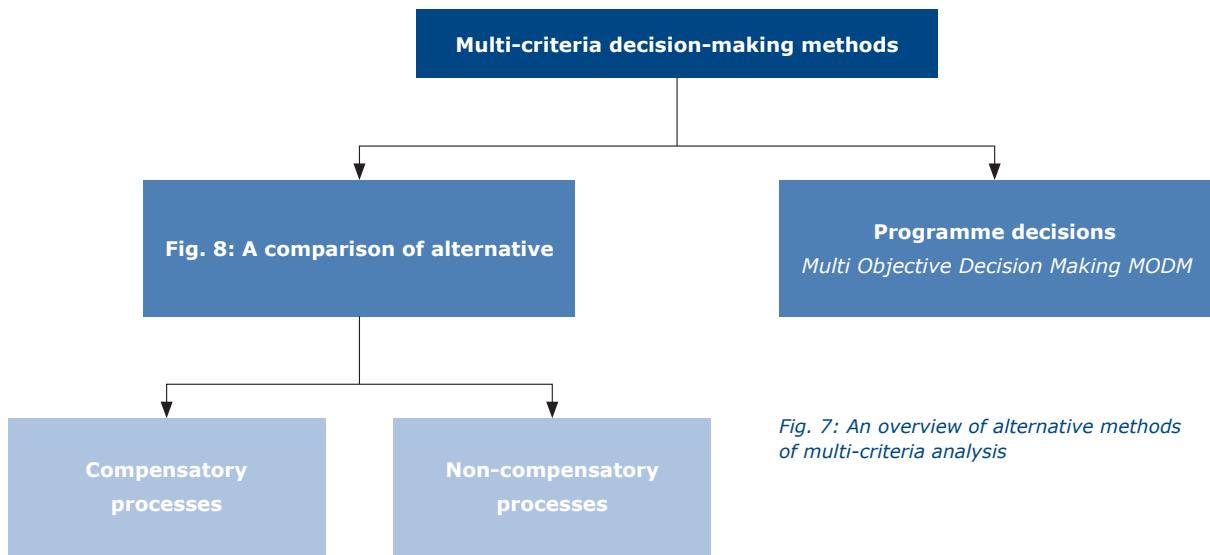
The Standard Benefits Model must provide ministerial users with easy-to-use, transparent calculation tools which use conventional software to produce traceable, comprehensible results, and are suitable decision-making aids for recipients in the political sphere.

The method must also be able to balance positive and negative ratings in the numerous sustainability criteria to ensure that individual results can be offset and compensated for.

### AN OVERVIEW OF ALTERNATIVE METHODS

In order to be used in the National Sustainability Compass, all known methods for estimating benefit should be checked to ensure they are compatible with the model:

When it comes to the benefit-estimate methods in the field of decision-making theory, a distinction is made between the multi-criteria processes (multi-criteria analysis) and monetisation methods.



## 1. MULTI-CRITERIA ANALYSIS

The Multi-Criteria Decision-Making (MCDM) processes are applied when it is necessary to examine not one but several indicators, which often have conflicting objectives. This is typical of indicators for the sustainability strategies to be examined, because they too often conflict with one another (e.g. mobility vs climate protection or air quality).

A distinction is made here between Multiple-Attribute Decision-Making (MADM) and Multi-Objective Decision-Making (MODM) – Figure 7.

The MADM methods result in a decision being made on one (or in comparison to several) alternative action(s) in which various objectives or attributes are examined and rated. This is the case, for example, when evaluating a legal initiative in terms of the various aforementioned National Sustainability Strategy criteria. The MADM approaches act to optimise decision-making processes.

Methods can be either compensatory or non-compensatory, i.e. the results of the individual examined attributes can either be offset against one another and produce an overall result (compensatory), or are absolute, meaning certain results exclude an alternative, and positive and negative individual results cannot be balanced out (non-compensatory).

However, when evaluating a law's sustainability, numerous indicators must be examined, and rated positively or negatively as criteria. This typically leads to a conflict of objectives. But positive results in one area must be able to be offset against negative results in another, to enable a balanced overall assessment.

If, for example, the pros and cons of a roadworks decision are examined, the effects on the environment, noise, land use, traffic and the economy must be weighed up and incorporated into an overall evaluation, whereby the positive and negative attributes can balance each other out. These sorts of decisions – and this also applies to decisions on more complex legal projects at a higher level – thus require compensatory decision-making processes.

The compensatory processes within the MADM methods group involve very complex approaches, e.g. for multi-objective problems with uncertainty (Multi-Attribute Utility Theory (MAUT)) or for utility analyses with a paired comparison of alternatives at hierarchical levels (Analytical Hierarchy Process (AHP)). But these processes are based on very complex calculation concepts, and are not suitable for fast, simple application when measuring benefit.

The Linear Additive Process, on the other hand, is a compensatory method which linearly allocates attributes, which are weighted and pooled into one sensible overall value. The Standard Benefits Model also involves rating the various individual attributes, weighting them, and pooling them into one aggregated result.

The MODM processes are ultimately used in programme decisions, and calculate an alternative or optimum compromise solution. In the specific case of ministries assessing the benefit of proposed laws, however, the aim is not to calculate another alternative. This method can thus be deemed systematically unsuitable.

**Result:**

**Linear Additive Process as the method of choice**

The Linear Additive Process involves a comprehensible and therefore very transparent mathematical approach, it is easily applied, and is therefore the method of choice for the Standard Benefits Model.

## 2. MONETISATION METHODS

The monetisation methods seek to enable measurement of hard-to-measure factors by expressing them in monetary units. This method is applied, for example, when determining environmental damage and its impact on society.

Monetisation involves distinguishing between direct and indirect processes, whereby their principles should be exemplarily illustrated for all examined methods using the hedonic pricing approach and the contingent evaluation methods (Figure 8).

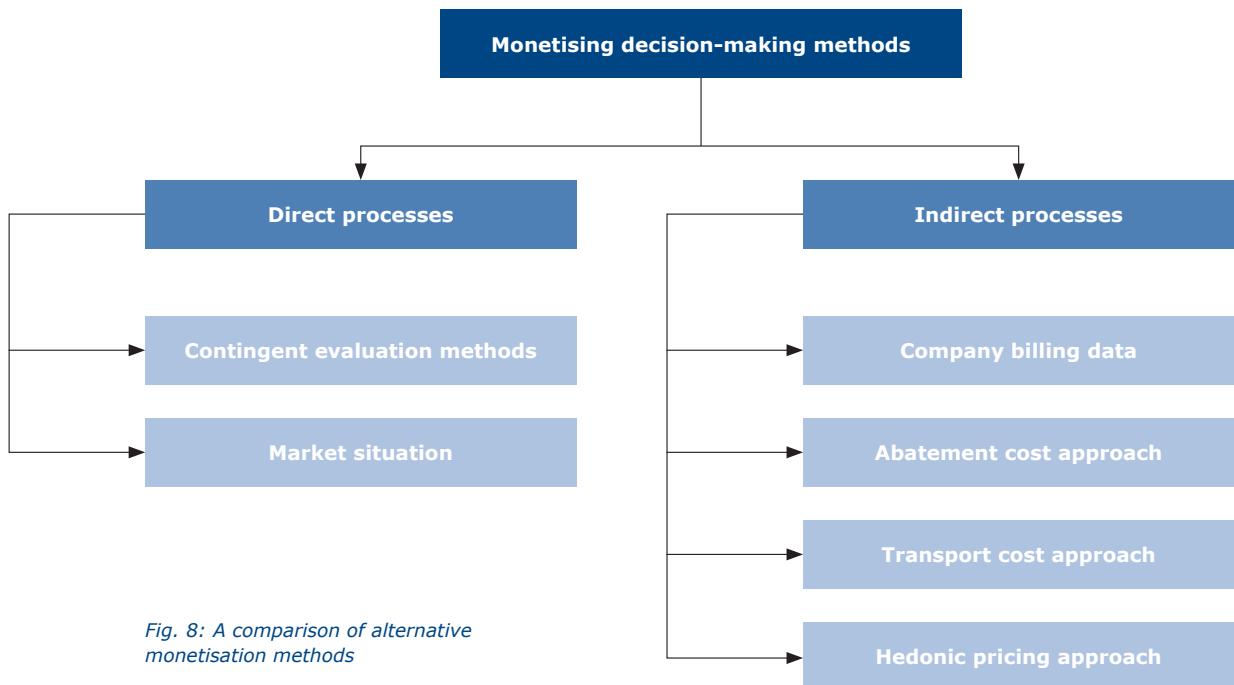
Monetisation processes demonstrate, e.g. in the hedonic pricing approach, that the market value of a private asset, such as the prices of property and real estate, definitely depends on environmental conditions such as noise pollution, environmental quality and quality of free space, and therefore on public goods which are consumed in addition, and which influence the market price.

The contingent evaluation method examines, for example, the consumers' willingness to pay for public commodities such as water or air quality, soil contamination etc., when asked about the maximum amount they would be prepared to pay to enjoy the improvement in said commodity (willingness-to-pay approach), or when asked about the minimum amount they would demand to dispense with the improvement (willingness-to-accept/willingness-to-sell approach). The USA and Canada have been using this approach for years to measure benefit as part of their regulatory impact analysis.

**Arguments against the monetisation approach**

This quick glance at the monetisation methods already shows that their approaches are complex and based on subjective, uncertain estimations, and that they are also dependent on an individual's perspective, their personal situation, and their individual benchmarks.

Uncertain prices thus produce uncertain results; the "willingness to pay" methods etc. are not suitable for objectifying benefit. When examining environmental effects, it is also completely unclear, and always case-dependent, as to which monetary values air pollution measures, for example, are taxed at (exact value for preventing pollutants per tonne), or how human health or a human life (working or not, white-collar or blue-collar employee) is evaluated from an economic perspective.



Comparing a law's costs, e.g. bureaucracy costs, calculated using the Standard Cost Model, and the costs of this purely subjective monetised benefit amount results in an

alleged, net monetary benefit of a law, which only suggests pseudo accuracy, cannot represent reality in its content, and is not helpful for the political decision-making process.

Legislators similarly cannot simply make themselves the executor of a calculation operation's outcome and accept that a monetised, aggregated value will decide the fate of a proposed law. This raises constitutional concerns due to the associated restrictions on decision-making freedom. This process' seemingly rational result could thus restrict a politician's constitutional right to free decision-making.

These processes could eventually result in a loss of information, particularly as they include evaluations made in advance by economists instead of politicians. The lack of intersubjective transparency means they are thus methodologically unsuitable for the Standard Benefits Model.

## Learning from pioneers – Examining benefit by comparing international methods

*The Standard Benefits Model follows the international pioneers when it comes to regulatory impact analysis, and further develops their tried-and-tested approaches.*

### SUSTAINABILITY INCORPORATED INTO THE REGULATORY IMPACT ANALYSIS

Considering the rather unspecific concept of sustainability, there have been discussions at an international level since at least the mid-1990s regarding the idea of making aspects of sustainability the subject of legislative processes as part of impact analyses. These thoughts were initially promoted by the OECD, which proposed improving the quality of laws through a systematic impact analysis. In light of the current discussion, the regulatory impact analysis reforms include efforts to methodically integrate sustainability into the democratic legislation process as a benchmark for legislative quality. Legislative sustainability has also been integrated in impact analyses at an international level.

### AN INTERNATIONAL METHOD COMPARISON

Similarly to the approach adopted when introducing the Standard Cost Model, the aim of this international method comparison is also to achieve a comparable benefit measurement and estimation model which can be used in legislation. To obtain the necessary information, this method comparison focuses on the following questions:

- How important is the benefit measurement in the respective regulatory impact analysis?
- What material content is understood as being a “benefit” in the examined countries, and are there fundamental differences here?
- Which methods are used when measuring benefit in the various regulatory impact analyses, and how do they differ in terms of their approach?

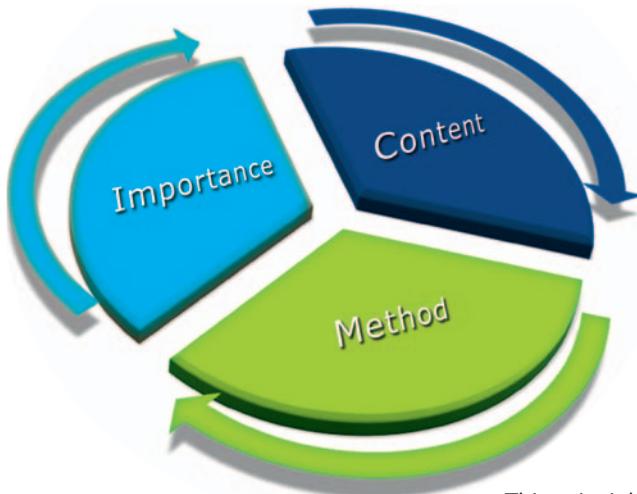


Fig. 9: The three dimensions of comparing international methods for measuring legislative benefit

#### MONETISATION TRADITION IN THE ANGLOSAXON WORLD

For a few years now, a number of countries have made efforts to implement sustainability ideas in the legislative process. Examining the sustainability of legal regulations requires clarifying the general question about their benefit (compared to cost). The USA can certainly be considered a pioneer in generally assessing the benefit of legal regulations, though it does not address the sustainability aspect as such. The manner in which the USA examines the benefits of laws is closely related to the fiscally liberal economic analysis of law, in which the sustainability aspect plays no role. The cost/benefit analysis intensified under Ronald Reagan was thus suspected of pushing back the ecological aspects of planned legislation. But studying the groundwork in the USA to determine general legislative benefit is still necessary to evaluate the sustainability ratings of laws.

The Ronald Reagan Administration first introduced a Regulatory Impact Analysis for federal authority regulations by virtue of Executive Order (EO) 12291 as early as 1981. The Office of Management and Budget at the White House (OMB) particularly developed this system into an extensive, systematic impact analysis for American legislation in 1993, together with the regulations in Circular No. A-94 in 2003.

This system is based on an alternative view, from the perspective of profitability studies, such as cost/benefit analyses or cost/effectiveness analyses. Legislative benefits and costs are thus always quantified and rated in monetary scales so that a cost/benefit analysis can give decision-makers a clear indication and show them the most effective alternative decisions. When assessing regulations, an estimation is made regarding the actual monetary growth in society's value as a result of the legislation, including the benefit of risk-reducing measures, in order to incorporate all potential consequences.

This principle of monetising regulatory impact and using the calculated amounts to justify legislative decisions is also followed by the Canadian and British governments. The Impact Assessment in Great Britain is essentially based on the cost/benefit analysis, whereby a monetary examination is conducted, calculating the net monetary benefit of the political measures examined, which may then be amended with the description of non-monetisable regulatory impacts. This IA system is far advanced, and has been applied in the legislative process for many years. In 2005, the Irish government also started extensively assessing the impact of legislation, similarly focusing on the cost aspect. It is thus mainly the Anglo-Saxon world which concentrates on the economic consequences of legislation when developing its regulatory impact assessment systems.

#### THE EUROPEAN UNION'S OPEN-METHOD EXAMINATION OF BENEFIT

On mainland Europe, it is predominantly the OECD which, since the turn of the millennium, has ensured that the economic aspects on the political agenda have been joined by the environmental impacts of legislation in its member countries. There have been various attempts to focus the legislative assessment on characteristics which are qualitatively more difficult to determine, rather than solely on monetary factors. As early as 2003, the European Commission itself took the first step towards reviewing their proposed regulations using a systematic Impact Assessment (IA). It serves as an internal analysis for administration, and also helps with external communication in the political process, examining both sustainability and the goals of better legislation and reduced bureaucracy. In doing so, the EU's IA system particularly boosts the transparency of a complex decision-making process in Europe's pluralist federation of states, thereby seeking to ensure that political decisions receive maximum acceptance.

This soon-to-be ten-year process of practical application has seen the European Union's Impact Assessment become an extensive regulatory impact assessment system which has consciously incorporated the EU strategy for sustainable development into this process. In terms of the European sustainability strategy and economic development within the EU, the analyses examined the ecological, as well as social and economic impacts of legislation, whereby the sustainability study is an implicit product of the overall assessment of these criteria, and is not conducted separately. The EU's Impact Assessment Guidelines from January 2009 do not expressly stipulate a particular method for measuring benefit. The conventional methods of assessing impact are explicitly described in the guidelines' appendix.

The regulatory impact analysis is, however, actually conducted over 3 stages:

**Stage 1:** Identifying the economic, social and environmental impacts

**Stage 2:** Qualitative examination of the main impacts

**Stage 3:** In-depth qualitative and quantitative examination of the most important impacts

*Fig. 10: Three-stage impact analysis as part of the EU's IA system*

Examples from more recent environmental legislation show that, on the one hand, the impact analyses contain qualitative descriptions of the intended legislation's desired impacts. On the other hand, the EU's IA system also involves quantifying benefit studies which compare the environmental damage due to be avoided through legislation is compared with the monetised costs of the intended measures. Although users of the EU's IA system are generally free to choose the impact analysis method deemed most appropriate for the respective regulatory matter, experience has shown that the qualitative analyses prevail, particularly when examining benefit.

## SUSTAINABILITY ASSESSMENT IN BELGIUM AND SWITZERLAND

Since at least 2010, the OECD, like the European Union, has also focused on Belgium and, particularly, Switzerland when assessing national Impact Assessment systems involving sustainability. Belgium started implementing sustainability aspects in its regulatory impact assessments at a federal level as early as 2006. Great emphasis is also placed on studying the Sustainability Impact Assessment (SIA) in Switzerland. Both the OECD and initial investigations in Germany have especially focused on this method.

This Swiss SIA is based on the plans drawn up by the Federal Office for Regional Development (ARE), which developed a comprehensive method for measuring sustainability in the Swiss legislation as early as 2004. This Swiss model goes well beyond a standard regulatory impact analysis, illustrating the obvious ecological aspects, as well as economic and social matters.

The criteria are analysed using a detail evaluation system, and rated in various stages. The SIA, which is integrated into the Swiss legislative system, is thus so far the only model to consistently conduct a qualitative benefit examination of the economic regulatory impacts, as well as non-monetary criteria, using a quantifying measurement system. The Swiss model thus leads the way on continental Europe in terms of content and method. In Switzerland, it is used in federal legislative procedures which are designed to help create transparency during the political process, and provide information on improvements.

## SPLITTING THE LEGISLATIVE SUSTAINABILITY MEASUREMENT

We thus see a two-way split in the legislative sustainability measurement systems: On the one side is the Anglo-Saxon tradition of monetisation, while on the other is the continental European understanding of a qualitative, content-based sustainability assessment, which has been reflected in the regulatory systems of the EU, Belgium and, particularly, Switzerland.

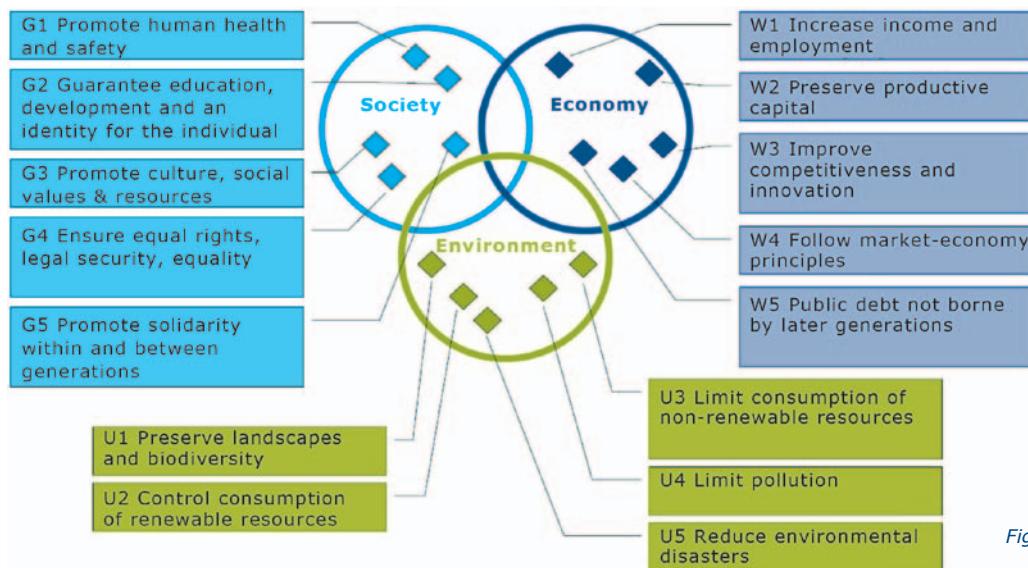


Fig. 11: Goals of the Swiss SIA

An international comparison of the Sustainability Impact Assessment (SIA) should thus also focus on the following systems – Figure 12.

#### CONSEQUENCES OF LEGISLATIVE BENEFIT ASSESSMENT IN GERMANY

Germany thus has a wide range of international pioneers, that it can learn a lot from. The GGO amendment dated 1/6/2009 stipulates that, in accordance with the National Sustainability Strategy for planned federal legislation, sustainability impacts as per § 44 Para. 1 Clause 3 GGO must be assessed using the so-called Sustainability Test (NHP).

But Germany has so far lacked any sort of systematic benefits assessment, whether to sustainability aspects or other qualitative social or economic policy objectives. A Standard Benefits Model uses the international experience of regulatory impact analyses, and particularly benefits assessments, and gears itself around these models in accordance with best practices. The German federal government's National Sustainability Strategy provides a qualitative description with which the benefits of planned legislation in Germany can be examined and measured. Although the vast number of measurement methods applied in other countries make standardisation difficult, it is certainly possible by choosing a qualified rather than monetised evaluation. That which is found to be good and practical based on international experiences in regulatory impact analyses can be drawn on to develop a German Standard Benefits Model. The advanced Swiss SIA, which is affiliated with the German legal system, can be utilised for the legislative process in Germany.

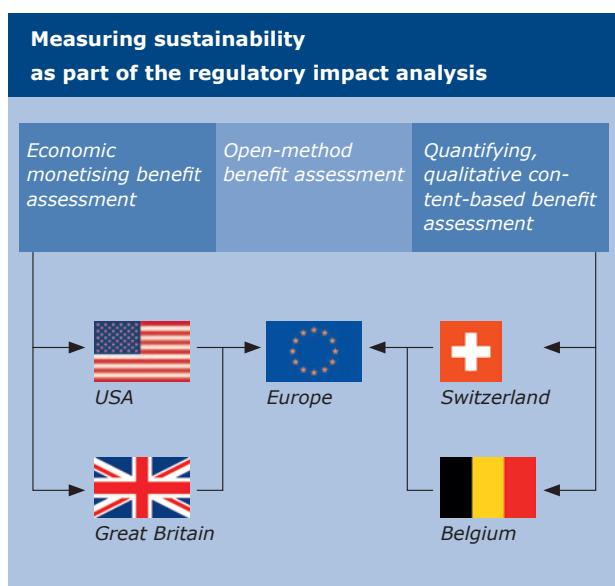


Fig. 12: Selected countries in an systemic overview of legislative impact assessments.

## CHAPTER 9

# The practical test – Pilot usage by the German Federal Ministry for the Environment (BMU)

*During the BMU's pilot run, the Standard Benefits Model proved to be practical and easy to use, providing clear aids for political decision-making.*

### STAGES OF MEASURING SUSTAINABILITY BENEFITS IN THE LEGISLATIVE PROCESS

The sustainability benefits measurement based on the Standard Benefits Model was conducted by the department responsible for the law, i.e. the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, over five stages:

1. *Ground work with relevance analysis (screening)*
2. *Weighting of main groups*
3. *Weighting of indices*
4. *Impact analysis – sustainability benefits assessment ("grading")*
5. *Final conclusions*

When it comes to the traceability and acceptance of the results, it is particularly important that users strive for full process transparency, and unconditionally disclose their methods and evaluations to the political decision-makers in a report sheet.

### PILOT USAGE BY THE BMU

The stages are described as follows, using the example of pilot usage of the sustainability benefits assessment to implement the Industrial Emissions Directive 2010/75/EU (IED) at a national level.

The EU's Industrial Emissions Directive must be converted to a national German law by the legislator by January 2013, whereby changes must particularly be made to the Federal Immission Control Act (BImSchG), Water Resources Management Act (WHG) and the Recycling Act (KrWG).

An initial estimate of possible impact was first made as part of the relevance analysis. To do this, the Federal Ministry for the Environment formulated the respective rules for assessing the sustainability benefits of the planned legislation, which require the current legal situation to be changed as follows:

**1. Art 14, 23, 72 IED**

*Operator reporting duties to authorities and the public*

**2. Art. 15 Abs. 3 und 4 IED**

*Precautionary regulation: Mandatory emission scopes and values for uniform environmental standards in the EU*

**3. Art. 22 Abs. 2 und 3 IED**

*Obligation to compile an initial status report, and to restore the described initial conditions upon closure of a plant*

**4. Art. 23 und 21 Abs. 3 IED**

*New detailed regulations for official monitoring of industrial plants and proper updating of approval requirements*

**5. Art. 24 IED**

*Public involvement and duties of disclosure*

The sustainability factors affected by the new regulations were identified as part of a screening, whereby criteria had to be selected from the National Sustainability Strategy.

The Ministry was also able to establish additional criteria, utilising the model's so-called "wildcard" function and allocating these criteria to the four main sustainability criteria groups.

In this respect, the BMU establishes that the additional measures imposed by the Industrial Emissions Directive also influence the additional sustainability

criteria, the so-called wildcard indices, "Acceptance" (allocated to the sustainability criterion "Social cohesion"), "Technical development" (allocated to the criterion "Intergenerational equity") and "Equal competition in the EU" (allocated to the criterion "International responsibility" – Figure 13.

The main groups affected by the planned legislations were then given percentage weightings in terms of the extent to which they influence sustainability amongst one another. This involved making political decisions and evaluations, which is why a transparent assessment process is so important for result traceability.

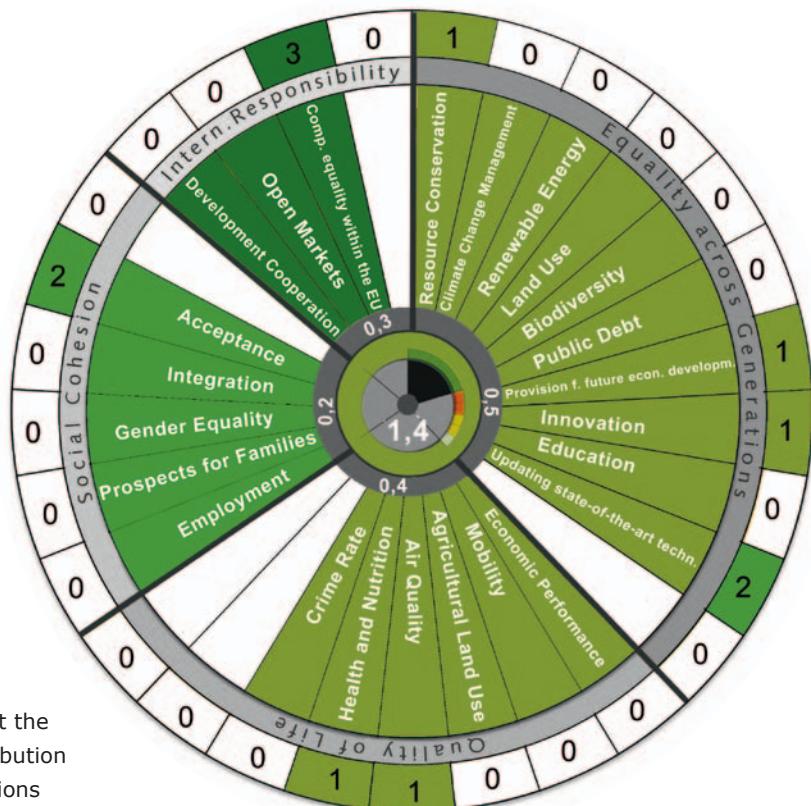
Actions were then taken accordingly based on the weighting of the individual criteria within the four main groups, highlighting the correlations between the effects in the individual criteria, relevant dependencies, and any conflicts of objectives.

During the impact analysis which followed, all criteria were evaluated ("graded") based on their direct effects on national sustainability, whereby the impacts from the law's execution, the impact among target groups, e.g. behavioural changes or adjustments, the resources necessary to implement the law, and other possible impacts not yet known were taken into account. In each individual case, the sustainability impact estimate resulted in a grading from minus 3 to plus 3.

A tool was used to weight, calculate and offset the grades against one another to produce an aggregated sustainability value. This numerical value is supplemented with the known diagram in the sustainability Compass (see Fig. 14), which illustrates the specific sustainability effects of the relevant law.

Fig. 13: Relevance analysis

Developing a Standard Benefits Model	Art. 14, 23, 72 IED	Art. 15 Para. 3 & 4 IED	Para. 22 Para. 2 & 3 IED	Art. 23 & 21 Para. 3 IED	Art. 24 IED
<i>1. Intergenerational equity</i>					
1.1 Resource protection		■	■	■	
1.2 Climate protection					
1.3 Renewable energies					
1.4 Land use					
1.5 Biodiversity					
1.6 National debt					
1.7 Future funding		■		■	
1.8 Innovation		■		■	
1.9 Education					
Additional BMU criteria					
Z.1 Technological development		■		■	
<i>2. Quality of life</i>					
2.1 Economic efficiency					
2.2 Mobility					
2.3 Land management					
2.4 Air quality	■	■		■	
2.5 Health and food	■	■		■	
2.6 Crime					
Additional BMU criteria					
Z.1 Wellbeing development			■		
Z.2 Contentment					
Z.3 Measures to be implemented: Public involvement					
<i>3. Social cohesion</i>					
3.1 Employment			■		
3.2 Prospects for families					
3.3 Equality					
3.4 Integration					
Additional BMU criteria					
Z.1 Acceptance	■	■		■	■
<i>4. International responsibility</i>					
4.1 Development co-operation					
4.2 Opening markets					
Additional BMU criteria					
Z.1 Equal competition in the EU (eco-dumping)	■	■	■	■	



A weighted overall result of 1.16 was calculated as the aggregated benefit value for all implementation aspects examined in the pilot model.

On a scale of minus 3 to 3, this implies that the legislative measures make a positive contribution towards implementing the Industrial Emissions Directive at a national level in terms of fulfilling the criteria of the National Sustainability Strategy. From a sustainability-specific perspective, this action would therefore be advisable.

This method could also be used to compare it with other legal options, which would also be evaluated based on the Standard Benefits Model.

## RESULTS FROM THE PILOT USAGE

Along with a sustainability factor for the law as a whole, the political decision-maker is also given an overview of the law's strengths and weaknesses in terms of sustainability, and of the interrelations between factors. The evaluations and long-term impacts of the law are displayed, and further options for optimising the law can also be better identified.

Using the work tool to measure standard benefit proved to be very practical during pilot usage due to its clarity and the simple nature of the calculations to be performed. The tool is also flexible, and can be easily adapted to different projects. The calculation can be easily performed using Excel, and is supplemented with a brief written explanation of the selections and evaluations made. In terms of expense, the process is also realistically affordable for the ministry administration as an additional instrument in legislation procedures.

Fig. 14: Sustainability Compass Art. 15 IED

*Source: FHM-NZBA research project: Developing a Standard Benefits Model to systematically assess the benefit of laws and regulations based on the sustainable concept of growth*

Furthermore, the method can be easily adjusted by other departments to suit other legal objectives or in general for other political decision-making processes.

The pilot usage has shown that the Standard Benefits Model provides clear, instructive, easily comprehensible results for political decision-makers. These results act as a good, additional aid when deciding on a law's sustainability, and can thus make a constructive contribution towards improving the quality of the political decision.

# A success model as the basis for further development

## THE SUCCESS DRIVERS BEHIND THE STANDARD COST MODEL AND STANDARD BENEFITS MODEL

*The methods applied by the Standard Benefits Model are geared around the Standard Cost Model, which has now become an internationally recognised success model.*

The Standard Cost Model (SCM) is an objective, internationally recognised method for measuring bureaucracy costs. It was developed in the Netherlands in the early 1990s, and its methodical approach is now used in numerous countries and at a European level to systematically calculate a large part of the existing bureaucratic expenses.

The Standard Cost Model was adopted by Germany from the Netherlands as a practically tested process with the relevant adjustments. The Standard Benefits Model is in turn geared around a positive prototype, assessing and further developing the long-time experience from Switzerland.

## THE SUCCESS DRIVERS BEHIND THE STANDARD COST MODEL AND STANDARD BENEFITS MODEL

Both models display a parallel methodological structure, and are distinguished by the same success drivers (see Figure 15):

- Clear objective
- Clear method
- Strict co-ordination
- Broad political support, and
- Involvement of all players in the processes

Both processes have a clearly defined, consensus-oriented political objective: to reduce bureaucracy costs by 25% (in the Standard Cost Model), and to fulfil the recognised goals of the National Sustainability Strategy.

Both models are also based on a set method, whether this be a uniform, mandatory national application standard for the Standard Cost Model, or, as with the Standard Benefits Model, introducing the methods of the National Sustainability Compass as part of the regulatory impact assessment.

Fig. 15: Success drivers behind the Standard Cost Model v Standard Benefits Model according to Jeroen Nijland, SCM expert

success driver	SCM	SNM
<b>Clear target</b>	The goal was clear (quantified target: -25 %), Providing a focal point for political energy, and guiding efforts of civil servants	The goal is to reach the targets stated in the Nationale Nachhaltigkeitsstrategie
<b>Clear methodology</b>	A national standard (SCM), which was mandatory to use, Technical support organised for anyone who wants to apply it (time saving tools, helpdesk)	Methodology "Nationaler Nachhaltigkeitskompass" – to be inserted into the German RIA
<b>Strong coordination</b>	Strong central unit overseeing operation, Maximal transparency of implementation, facilitating close monitoring of progress, Periodical reporting to Cabinet and Parliament about progress	Identical process and reporting lines as for "Bürokratiekosten"
<b>Broad political support</b>	Broad support of overall goal and methodology used, enabling political discussion to focus on alternative ways of achieving target	Sustainability-targets in Germany are undebated, having broad support
<b>Stakeholder involvement</b>	Deliberate extensive involvement of stakeholders in operation	Broad involvement of stakeholders in development process (Beirat)

Furthermore, both models also feature strict co-ordination by central control units, identical processes, and standardisation. In the Standard Cost Model, this co-ordination is performed by the Federal Bureau of Statistics/Destatis, which acts as the competent centre for uniform method application and practical implementation and as an advisor for all parties involved, and by the Regulatory Control Council (NKR) established as part of the programme, which advises legislators as an independent committee and checks all legal drafts for new bureaucracy expenses. These processes should also serve as an example of control for the Standard Benefits Model.

The Standard Cost and Standard Benefits Model still enjoy broad political support and acceptance, because the measurement and reduction of bureaucracy costs, as well as the implementation of sustainability objectives, are largely accepted by all parties, with a general consensus having been reached. Both models are also distinguished by the fact that all relevant players are intensively involved in the development processes through advisory boards and committees.

The Standard Benefits Model thus consciously and purposefully ties in with the success factors of the established, generally recognised Standard Cost Model, which, with its success factors, serves as an example for the Standard Benefits Model.

A generally recognised process from another European country, in this case the sustainability assessment introduced by the Swiss Federal Office for Regional Development, has also been used as a blueprint for the National Sustainability Compass presented here, having been systematically further developed and optimised for Germany's needs.

It is particularly helpful that the Standard Benefits Model is consciously and purposefully geared around the process stages already known from the bureaucracy cost measurement. All players, ministry officials and politicians can draw on the positive experience gained with the equally easy-to-use Standard Cost Model, and apply this to the new model.

Adapting and further developing known, tried-and-tested processes increases the practical acceptance and options for applying the new sustainability assessment method to regulatory impact analyses in environmental legislation in everyday practice.

#### PROSPECTIVE APPLICATION OF THE STANDARD BENEFITS MODEL

Ultimately, the Standard Benefits Model should also be applied to other areas and legislations as a general process, and routinely incorporated into the general regulatory impact analysis.

# Authors

## Project group

Prof. Dr Volker Wittberg

*Head of the National Centre for the Reduction of Bureaucracy Costs (NZBA),  
Fachhochschule des Mittelstands (FHM), Bielefeld (Bielefeld University  
of Applied Sciences)*

Lawyer Hans-Georg Kluge

*Retired secretary of state, retired district administrator (Landrat)*

Frauke Ley

*City legal director, manager of the Lord Mayor's office, City of Bielefeld*

Thomas Wolf-Hegerbekemeier

*Assessor, Mag. rer. publ., public administration specialist,  
head of legal department, District of Lippe*

## Volunteers on the project's advisory board:

Dr Hans-Jörg Dietsche

*Personal advisor to the minister, Federal Ministry for the Environment,  
Nature Conservation and Nuclear Safety*

Matthias Schäfer

*Economic policy team leader, Konrad Adenauer Foundation*

## in collaboration with:

Henning Bornkessel M.A.

*Research assistant, Fachhochschule des Mittelstands (FHM)*

Metje Rocklage MBA

*Research assistant, Fachhochschule des Mittelstands (FHM)*

Heiko Rottmann

*Advisor to Patricia Lips MP, German Bundestag*

## CREDITS & LEGAL INFO

### **Publisher**

Konrad-Adenauer-Stiftung e.V.  
Rathausallee 12  
D-53757 Sankt Augustin  
Telephone: +49 2241/246-0  
Facsimile: +49 2241/246-2591

Tiergartenstraße 35  
D-10785 Berlin  
Telefon: +49 30/26996-0  
Facsimile: +49 30/26996-3261  
Email: [redaktion@kas.de](mailto:redaktion@kas.de)

### **Manager**

Matthias Schäfer  
Konrad-Adenauer-Stiftung

### **Editor**

Caroline Stein  
Konrad-Adenauer-Stiftung

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