

# Cutting Red Tape

**NATIONAL STRATEGIES FOR  
ADMINISTRATIVE SIMPLIFICATION**



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ADMINISTRATIVE SIMPLIFICATION



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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## Foreword

**A**dministrative burden reduction policies are a priority on the political agenda. The removal of measures of direct state control constituted the main source of regulatory improvement between 1998 and 2003. Now the emphasis falls on measures to remove barriers to trade, investment and entrepreneurs. This puts administrative simplification in the broader context of policies to enhance performance and productivity.

The 2003 OECD report on administrative simplification, *From Red Tape to Smart Tape – Administrative Simplification in OECD Countries*, was based on case studies from a limited range of countries at a time when the topic was new, and had a strong focus on the tools used to simplify administrative regulations. Expectations are greater today, and ad hoc simplification initiatives have in many cases been replaced by comprehensive government programmes to reduce red tape. Some instruments, such as one-stop shops, which were new then, have become widely adopted. New programmes and initiatives are now being implemented in OECD countries, notably with a focus on quantitative instruments. Simplification is not easy, making this report timely and relevant if further progress is to integrate the lessons of experience.

Simplification efforts have evolved in recent years mainly in the context of growing pressure from businesses to reduce administrative burdens and improve economic performance. Expectations of citizens have also risen concerning efficiency and transparency. Key questions for the future are: what impacts might simplification efforts have on other efforts to improve public sector performance, including e-government; how co-ordination between central and sub-national levels can be improved, given that many of the procedures are concentrated at the regional and local levels; what more could governments aim to achieve, to further improve business conditions; how the obstacles to a change in administrative culture can be overcome more easily; and how burden reduction efforts can be sustained over time.

The OECD report *Economic Policy Reforms: Going for Growth (2005)* included sets of priorities for all member countries, supported for the most part by indicators, to improve performance through structural reform. Reducing administrative and regulatory burdens figured in the list of priorities for 9 member countries, and public administrative reform and the regulatory environment was highlighted for 7. Analysis of the indicators led to the conclusion that in 1998, countries that had restrictive

*economic regulations also tended to impose burdensome administrative procedures on business enterprises. A positive correlation between these two regulatory areas has persisted into 2003, when the product market regulation indicators were updated. It would seem that reforms which liberalise market access and enhance the role of market-based mechanisms contribute and are conducted in parallel to a reduction in administrative procedures and burdens. And in a less burdensome environment, endorsement for further reforms may be more forthcoming, leading to a virtuous cycle.*

Work on this report was launched by the OECD's Working Party on Regulatory Management and Reform as part of the work programme of the Public Governance Committee. The report was prepared in the Regulatory Policy Division of the Public Governance and Territorial Development Directorate by Fiorenza Barazzoni, Fabienne Cerri and Glen Hepburn, under the supervision of Josef Konvitz and the direction of Rolf Alter. Useful comments have been provided by Lydia Jorgensen. We are grateful to Claire Miguet and her colleagues from the Regulatory Quality Indicators project for their contribution in terms of comparative charts and tables. Following discussion at the meeting of the Working Party on 18-19 September 2006, Flemming Norling Olsen prepared the report for publication; Jennifer Stein was responsible for the editing and final document preparation. The report has benefited from input from many country experts, national officials and Delegates of the Working Party.

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## Summary

**A**dministrative burden reduction policies are a priority on the political agenda. The removal of measures of direct state control constitutes the main source of regulatory improvement between 1998 and 2003. Now the emphasis falls on measures to remove barriers to trade, investment and entrepreneurship. This puts administrative simplification in the broader context of policies to enhance performance and productivity. There is a risk that administrative regulations that are outdated or poorly designed could impede innovation and establish barriers to entry, creating unnecessary barriers to trade, investment and economic efficiency. *Administrative burdens refer to regulatory costs in the form of asking for permits, filling out forms, and reporting and notification requirements for the government.* Red tape is particularly burdensome to smaller businesses and may act as a disincentive to new business start-ups. These effects are more costly in global markets, where business competitiveness can be affected by the efficiency of the domestic regulatory and administrative environment. A complete halt to regulation is not a viable option. The solution lies in the adoption of rigorous regulatory quality programmes, to create regulations that meet quality standards.

Administrative simplification is one tool to improve the quality of regulation, alongside impact assessments (RIA), consultation etc.\* Efforts to reduce administrative burdens in OECD countries have primarily been driven by ambitions to improve the cost-efficiency of administrative regulations. Direct administrative compliance costs include time and money spent on formalities and paperwork necessary to comply with regulations. Indirect or dynamic costs arise when regulations reduce the productivity and innovativeness of enterprises. Most of the measures and practices applied to reach this end also enhance transparency and accountability.

The 2003 OECD report on administrative simplification, *From Red Tape to Smart Tape – Administrative Simplification in OECD Countries*, was based on case studies from a limited range of countries at a time when the topic was new, and had a strong focus on the tools used to simplify administrative regulations.

\* See OECD (2002), *Regulatory Policies in OECD Countries – From Interventionism to Regulatory Governance* for a description of the broader issues of regulatory quality and regulatory management and reform.

Expectations are greater today, and *ad hoc*, bottom-up simplification initiatives have in many cases been replaced by comprehensive government programmes to reduce red tape. Some instruments, such as one-stop shops, which were new then, have become widely adopted. New programmes and initiatives are now being implemented in OECD countries, notably with a focus on quantitative instruments.

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### *Simplification strategies*

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Experiences have differed among OECD member countries and this is to be expected given different government systems, differing priorities and different levels of development with regard to regulatory policy and burden reduction. However, it is possible to identify a number of overall trends in the development of administrative simplification and burden reduction policies across the range of countries included in this study.

A key finding of this study is that administrative simplification is becoming increasingly embedded within the overall regulatory quality systems of respective countries. In the past, administrative simplification was often undertaken on an *ad hoc* or sectoral basis. In most of the countries included in this study there is now more of a “whole-of-government” approach to reducing burdens. Simplification is being increasingly embedded in the policy-making process. Simplification strategies focus on two dimensions: *ex ante* control of the burden introduced by new regulations (a flow concept) and the reform *ex post* of existing burdensome regulation (a stock concept). Although the majority of countries still put greater emphasis on the review of regulations *ex post*, there is a trend towards the use of procedural controls prior to the introduction of new legislation or regulation with a view to minimising new administrative burdens. These controls are mainly applied during the Regulatory Impact Assessment (RIA) process.

While the focus of RIAs is not specifically on reducing administrative burdens, they do assist in stemming the tide of new burdensome regulation. RIAs ensure that regulatory proposals or existing regulatory arrangements are subject to a transparent, publicly accountable and rigorous analysis to determine if they are proportional means of meeting regulatory objectives. They therefore perform a control function by promoting rational policy choice by governments in a relatively transparent environment. Furthermore, RIAs are often subject to a centralised review or clearance by specific institutions.

One of the limits of attempts to improve control on rule-making *ex ante* is that prior estimates of the potential burden of regulation sometimes differ from the actual burdens experienced in practice. To address this issue an automatic review process can be introduced under which regulations are reviewed after

they are implemented to ensure that they are having the intended effect. This allows the performance of regulation to be checked against initial assumptions. Some countries have also introduced special procedural measures to assess the impact of regulation on SMEs in particular, including the assessment of alternatives that might accomplish the stated objectives while minimising the impact on small businesses. Other approaches require specific consultative procedures to be undertaken to ensure adequate representation of the views of small businesses.

Measurement has also become an important part of the burden reduction programmes of many countries. The focus of the measurement exercise (and subsequent burden reduction programmes) tends to be on business, often with special consideration for small and medium sized businesses, but there has also been a trend towards measuring and reducing the burdens imposed on others, including private citizens and the not-for-profit sector. The sophistication of the measurement techniques varies between countries, but the trend is clearly towards more sophisticated and accurate techniques that allow a very detailed examination of the source of administrative burdens. In 2005, 19 of the 22 countries reporting had a government programme to reduce administrative burdens; 14 had established a system for measuring burdens and 9 had quantitative reduction targets.

In many cases, measuring systems are based on the Standard Cost Model (SCM) developed in the Netherlands, which has been introduced or adapted by a number of other countries. In 2003, some European countries formed an informal network – the SCM Network – committed to using the same methodological approach when measuring administrative burdens. The network consists of Austria, Finland, Germany, Ireland, Latvia, Luxembourg, the United Kingdom, Norway, Sweden, Denmark, Belgium, Flanders (Belgium), the Netherlands, France, Hungary, Italy, the Czech Republic, Poland and Estonia. The SCM consists in breaking down legislation into information obligations to measure the burden a single obligation imposes on business. The strength of the model is not only its high level of detail in the measurement of administrative costs, but also the fact that the numbers obtained are consistent across policy areas. Moreover, the model allows governments to set numerical targets for burden reduction and to measure progress towards these targets over time.

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### *Simplification tools*

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Simplification tools aim at improving the management of governments' information requirements to free time and resources of those affected by the regulation. In effect, they provide mechanisms by which government's broad

simplification strategies are implemented. These instruments also have the effect of improving transparency and accountability of administrative regulations.

Many traditional tools for administrative simplification – such as the use of one-stop shops and process re-engineering – continue to be used among OECD member countries to reduce administrative burdens. The innovation over recent years is the increasing use of technology to facilitate this process. These tools are increasingly being used via electronic or web-based delivery platforms rather than through the creation of physical facilities.

This raises issues of co-ordination among ministries and government agencies and the possibility that e-government services may be increasingly linked in future to provide a “whole-of-government” access point. Many of the tools and programmes developed in member countries have focused on reducing administrative burdens imposed by the central government. But there has also been an increasing trend towards considering the burdens imposed by lower levels of government and to adapting and using the simplification tools that have been developed and tested at the central government level at lower levels as well.

The focus is not entirely on the use of electronic methods of achieving burden reduction. Process re-engineering, including the simplification of licensing procedures, continues to play an important role in reducing administrative burdens in member countries – although again the focus is often on the central level of government and more could be done to reduce burdens imposed by lower levels. Facilitating compliance is another important tool. Innovations in this area include: adopting risk-based approaches to reduce unnecessary inspections or data requirements; modifying thresholds to reduce the burdens on small and medium sized businesses; providing more advice to firms on how to minimise burdens; and ensuring that there is adequate notice before new legal and regulatory measures come into effect.

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*A best practice tool kit for simplification  
and burden reduction*

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The discussion in this report highlights the range of tools and approaches that have been adopted in OECD countries to reduce administrative burdens. The tools and strategies adopted by particular countries vary depending upon their objectives, history and culture. However, it is possible to summarise the various instruments used in a list of best practice tools that have been used as follows:

- *Ex ante* measurement of burdens and using this information to trace burdens to their source (however, there are different measurement methodologies available).

- Information about the extent of estimated administrative burdens is increasingly being included in Regulatory Impact Analysis prior to the introduction of new regulations.
- Targets for burden reduction are being set and used to promote simplification in the first place and to monitor progress and maintain the momentum for further simplification and burden reduction.
- Political oversight of very burdensome measures.
- Codification remains an important tool for simplification.
- Information technology is an important tool for reducing burdens, for example, through data sharing, and simplifying licence procedures; and
- Results must be communicated. Measurement can help show that progress has been made.

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### *Institutional frameworks*

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The various forms of organisational structure to promote and achieve administrative simplification in OECD countries discussed in the 2003 report continue to be used. There is no single model that is appropriate in all countries – the institutional structure chosen will depend on political and legal structures in each country and the objectives and priorities of the government. However, a number of trends over recent years show the development and direction that the organisation of administrative simplification is taking:

- There is an increasing trend to include the responsibility for administrative simplification within the agency or organisation responsible for wider regulatory quality, often including the responsibility for ensuring the quality of regulatory impact analysis undertaken by ministries and regulators.
- External committees and taskforces, both permanent and *ad hoc* are playing an important role in maintaining the momentum for administrative simplification. These bodies demonstrate the high level of political support given to simplification efforts in many countries and are often able to produce concrete proposals and recommendations within a relatively short period of time.
- Multilevel considerations, both between levels of government within a country and across countries at the EU level, are becoming increasingly important. This trend recognises the need for administrative simplification (and quality regulation) in all jurisdictions.

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*Future directions*

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It seems highly likely that in many countries administrative simplification and burden reduction programmes will continue to become more embedded within the broader regulatory quality system. This suggests two possible directions for the future development of administrative simplification programmes:

- Administrative simplification will be less likely to be viewed as a stand-alone objective, but will rather be one target within the overall programme of improving regulatory quality.
- A second possibility is that administrative simplification may simply become synonymous with regulatory quality. High quality regulation may increasingly be regarded as that which minimises burdens.

Each of these raises challenges and issues for consideration by governments. The key challenge will be in identifying and achieving the appropriate balance between simplification and other aspects of improving regulatory quality. This question is important because governments must allocate resources (financial, human and political capital and support) to the various programmes. There is a risk that administrative simplification will divert energies from other, sometimes more fundamental reforms which yield even greater economic and social benefits. Administrative simplification programmes are not a substitute for a rigorous regulatory quality programme. How much should be allocated to regulatory impact analysis to ensure that burdensome regulation is not created in the first place. Alternatively, how much should be allocated to reducing the burdens imposed by the existing stock of regulation?

Governments have been making such choices for some time based on their objectives and national priorities. However, the question of how to allocate resources between simplification and regulatory quality is likely to become more important in the future because many of the trends observed in this paper – including the trend towards more sophisticated measurement techniques, greater consultation and the use of electronic delivery platforms – suggest that administrative simplification programmes are likely to become more resource intensive over time.

Governments also need to consider ways in which sub-national levels of government can be incorporated into the administrative simplification and regulatory quality process. Administrative simplification programmes have focused primarily on regulations emanating from the central government. However lower levels of government can be responsible for imposing significant administrative burdens and requirements on businesses and citizens.



### Key points

- Administrative simplification and reducing administrative burdens are a very high priority for OECD member countries.
- In many countries, these programmes are becoming increasingly embedded in the country's broader regulatory quality system. They have evolved from *ad hoc* or sectoral to more comprehensive programmes, often with a “whole-of-government” perspective. Reducing administrative burdens should be a part of making good laws. This objective also contributes to making administrative cultures more responsible and service-oriented.
- Other trends are also evident:
  - ❖ The focus is generally on burdens imposed on businesses (often with a particular focus on small and medium size businesses) but there is increasing consideration given to the burden imposed on citizens and others in the community; and
  - ❖ Quantification of burdens and evidence-based approaches to burden reduction are becoming increasingly important – and the techniques are increasingly sophisticated and detailed. Measurements are being used to trace burdens to their source.
- In terms of administrative simplification tools there is a trend towards greater use of electronic and web-based platforms to support traditional tools such as one-stop shops.
- Reducing the number of licenses – especially those required by business – continues to be an important tool used in many countries to reduce administrative burdens.
- There has been less innovation in terms of the institutional and organisational structures used to achieve administrative simplification. However, consistent with the overall trend towards embedding simplification within broader regulatory quality systems, there is a trend for administrative simplification to be included as a responsibility of the body responsible for overall regulatory quality.
- Business sees administrative burdens as part of regulations as a whole. The challenge for governments is to communicate results of efforts to cut red tape, which may represent only a fraction of total compliance costs.
- The trends and developments observed in this report raise some key considerations for the future development of administrative simplification programmes:
  - ❖ How long does it take to show results? What are realistic targets?

**Key points** (cont.)

- ❖ How will governments evaluate resources required and allocate them between administrative simplification programmes and broader regulatory quality objectives?
- ❖ How can simplification efforts be extended to lower levels of government, to regulation of government by government?

## Introduction

The complexity and dynamism of societies and economies create an ongoing need both for the creation of new regulation and for amending or updating current regulation. Despite the will to reduce administrative burdens, governments continue to produce regulations which, added to others, become burdensome. Many regulatory costs are imposed on citizens and businesses in the form of asking for permits, filling out forms, reporting and notifying to government, preparing inspections.

Failure to address rising levels of burdens can have an impact on the regulatory authority of the state. If the burdens of administrative regulation come to be seen as unreasonable, compliance rates may fall and the general level of respect for the law will be undermined, putting at risk the effectiveness of regulation as a tool to reach policy objectives. Administrative regulations that are outdated or poorly designed to achieve policy goals impede innovation and entry, and create unnecessary barriers to trade, investment and economic efficiency. Red tape is particularly burdensome to smaller businesses and may act as a disincentive to new business start-ups. These effects are more costly in global markets, where business competitiveness can be affected by the efficiency of the domestic regulatory and administrative environment.

A complete halt to regulation is not a viable option. The solution lies in the adoption of rigorous regulatory quality programmes, to create regulations that meet quality standards. A regular review of existing regulation would necessarily complement new regulations.

Administrative simplification has gained more visibility than other issues, such as privatisation and deregulation, which were core to regulatory reform a decade ago. Simplification efforts are embedded in broader regulatory quality issues and should supplement more fundamental regulatory reforms. The hope is that, over time, comprehensive regulatory quality programmes – in their design and implementation – would diminish the need for administrative simplification programmes.

This report is structured around three key elements of the burden reduction agenda of member countries:

- the first chapter of this report will examine simplification strategies adopted by member countries, that is, what is the broad policy and focus driving simplification efforts;
- the second chapter will examine the more detailed tools used to achieve these strategies; and
- the third chapter will examine the institutional or organisational structures used to pursue the simplification agenda.

The conclusions consider potential next steps or directions that the simplification efforts of member countries may take.

# *Chapter 1*

## **Simplification Strategies**

**A**dministrative simplification is an integrated part of many governments' regulatory reform policies and broader programmes for public governance. Simplification strategies focus on two dimensions: *ex ante* control of the burden introduced by new regulations (a flow concept) and the reform *ex post* of existing burdensome regulation (a stock concept). Some countries have strong *ex ante* strategies; others put their simplification efforts on the review of regulations *ex post*. The strategies outlined above are, however, not mutually exclusive and countries tend to use a range of strategies at the same time.

### **Simplification strategies are part of broader regulatory quality objectives**

Burden reduction efforts are often part of a more comprehensive strategy to enhance regulatory quality. Most OECD countries aim at improving the quality of government regulation according to criteria which have been agreed internationally in favour of a dynamic, ongoing and whole-of-government approach to ensure high-quality regulation. These are outlined in the 2005 *OECD Guiding Principles for Regulatory Quality and Performance*. A range of regulatory quality tools are used by countries to improve regulatory decision-making and ensure systemic quality assurance. Administrative simplification is one such tool alongside Regulatory Impact Analysis (RIA), public consultation, or alternatives to regulation.

Administrative simplification is a regulatory quality tool to review and simplify administrative regulations. Administrative regulations are paperwork and formalities through which governments collect information and intervene in individual economic decisions. They are different from economic regulations, which intervene directly in market decisions, or from social regulations, which protect public interests.

Efforts to reduce administrative burdens in OECD countries have primarily been driven by ambitions to improve the cost-efficiency of administrative regulations as these impose direct as well as indirect costs. Most of the measures and practices applied to reach this end have, however, also enhanced transparency and accountability. Direct administrative compliance costs include time and money spent on formalities and paperwork necessary to comply with regulations. Indirect or dynamic costs arise when regulations reduce the productivity and innovativeness of enterprises.

Simplification strategies intend to review and simplify administrative regulations to improve the efficiency of transactions with citizens and business without compromising the regulatory benefits. This includes removing obsolete or contradictory provisions, improving guidelines for administrative regulation and introducing new tools to reduce and measure the impact of administrative regulations. Simplification strategies can also entail recasting or even removal of regulation where administrative costs are not seen as proportional to benefits.

Administrative simplification is a key aspect of regulatory quality. The 2005 *OECD Guiding Principles for Regulatory Quality and Performance* make specific reference to the need to reduce administrative burdens. The second principle advises governments to:

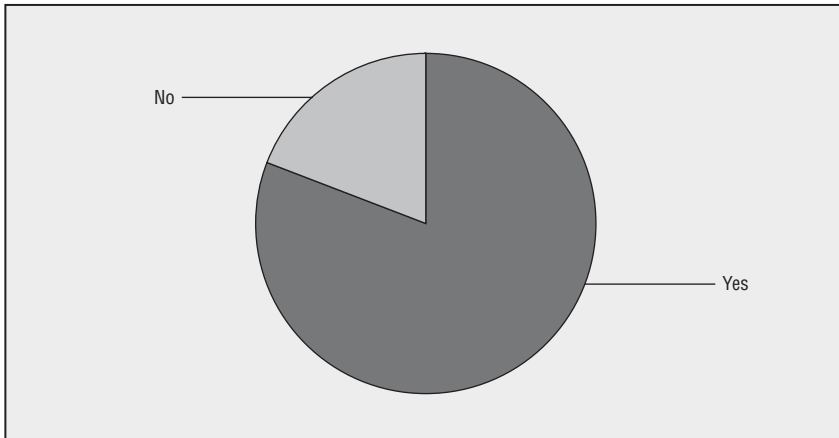
- “Minimise the aggregate regulatory burden on those affected as an explicit objective to lessen administrative costs for citizens and businesses and as part of a policy stimulating economic efficiency.
- Measure the aggregate burdens while also taking account of the benefits of regulation” (see Box 1.1).

#### **Box 1.1. 2005 OECD guiding principles for regulatory quality and performance**

1. Adopt at the political level broad programmes of regulatory reform that establish clear objectives and frameworks for implementation.
2. Assess impacts and review regulations systematically to ensure that they meet their intended objectives efficiently and effectively in a changing and complex economic and social environment.
3. Ensure that regulations, regulatory institutions charged with implementation, and regulatory processes are transparent and non-discriminatory.
4. Review and strengthen where necessary the scope, effectiveness and enforcement of competition policy.
5. Design economic regulations in all sectors to stimulate competition and efficiency, and eliminate them except where clear evidence demonstrates that they are the best way to serve broad public interests.
6. Eliminate unnecessary regulatory barriers to trade and investment through continued liberalisation and enhance the consideration and better integration of market openness throughout the regulatory process, thus strengthening economic efficiency and competitiveness.
7. Identify important linkages with other policy objectives and develop policies to achieve those objectives in ways that support reform.

In OECD member countries, administrative simplification is becoming an integrated part of governments' regulatory reform policies and broader government programmes. Along with RIA, public consultation and the consideration of regulatory alternatives, compliance burden reduction measures are important tools in the task of improving regulatory decision-making. That administrative simplification policies are embedded in broader regulatory quality issues is reflected by the fact that the body in charge of administrative simplification is also in charge of other regulatory quality issues such as RIA and consultation in a majority of countries. This is the case in 20 of the countries surveyed by the OECD in 2005 in the *OECD survey on burden measurement* (see Figure 1.1 and Annex 1).

Figure 1.1. **Institutional body in charge of administrative simplification**



Source: OECD 2005, based on responses to the Survey on Burden measurement.

The alleviation of administrative burdens for enterprises and citizens is firmly on the political agenda for most OECD countries. Developing countries have also started launching administrative simplification initiatives to improve service delivery, interaction between government and citizens and to improve competitiveness (see Box 1.2).

The prominence accorded to administrative simplification policies, nonetheless, varies. For some countries such as Finland or Japan, these policies have remained a relatively minor component of their broader regulatory reform policies. For others, administrative simplification constitutes a key element in regulatory reform efforts. In the Netherlands, the regulatory quality agenda has emphasised the reduction of administrative burdens for its business. The United States has focused on improving regulatory quality through rigorous application of cost-benefit principles. In Canada, administrative burdens are



### Box 1.2. **Administrative simplification in developing countries**

The quantity and complexity of government formalities can impose significant costs on the economy as a whole and represent a key barrier for economic development. Administrative burdens are considered internationally as indicators of the degree of competitiveness and transparency within countries. Many developing countries are launching administrative simplification strategies to improve service delivery, and interaction between government and citizens, as well as to respond to the demand of burden reduction on business, and improved conditions for market competition, trade, and investment.

Administrative simplification can be important in developing countries that are traditionally characterised by heavy but inefficient bureaucratic systems and high regulatory complexity, or that have only recently started programmes for regulatory quality within a broader context of improved governance including transparency, accountability and efficiency of government.

Despite different starting points in administrative reforms, as well as differences in institutional mechanisms and political priorities, relevant similarities exist among OECD member countries and non-member countries in the practices and tools that are adopted, in order to avoid administrative delays, improve the government information management and effect a positive change in the relations between the administration and citizens.

A strong foundation has been created for policy dialogue and capacity building on administrative simplification strategic issues.

In 2005, an *Integrated Checklist on Regulatory Reform* was approved by the OECD member countries and APEC economies, as a policy tool for improved regulation, competition and market openness.

In the 2004 Dead Sea Ministerial Conference, launching the OECD-UNDP *Good Governance for Development Initiative*, Arab countries identified e-government and administrative simplification as two key areas where government's efforts need to focus on to achieve public sector reform goals. An *ad hoc* Working Group has been set up, chaired by Dubai, the United Arab Emirates, and co-chaired by Italy and Korea, with the aim to define national action plans and regional actions.

Arab countries are increasing efforts in administrative simplification, and the spread of e-government tools is considered a strategic factor, as a facilitator for administrative simplification, innovation in public sector, and interaction with business and citizens.

- In Egypt, particular attention has been paid to the opportunities e-government offers to map and reengineer business processes in government organisations, with the objective to reduce the cost of business.

### Box 1.2. **Administrative simplification in developing countries** (cont.)

- In Lebanon, administrative reform and simplification are priority areas, and a pilot project has been proposed in the Beirut municipality to apply administrative simplification techniques at sub-national level.
- In Tunisia where a series of administrative simplification tools such as one-stop shops are already in place, one of the priorities for action is the improvement and simplification of the regulatory framework to promote the creation and development of new firms, and there are ongoing efforts to increase co-ordination and implementation of reform.

The sequencing and pacing of administrative simplification reform are essential for the success of the efforts to be undertaken, and to this end a number of conditions, priorities and challenges are shared by OECD members and developing countries:

- Leadership and commitment for administrative reform.
- The establishment of a national strategy, and appropriate structure and co-ordination mechanisms.
- A framework for administrative simplification, and introduction of administrative procedure acts or other instruments of administrative justice to frame the administrative decision-making process and its judicial review.
- *Ex ante* policies (e.g. RIA) to avoid introduction of new administrative burdens, and consultation mechanisms for the identification of priorities.

Efforts to assure effective implementation and compliance, and accountable results call for a deep change in traditional administrative culture, most notably through appropriate resources, capacity building actions, and creation of networks for exchange of practices and policy dialogue among developed and developing countries.

an important area, but are not seen as a separate area with separate objectives: it is one element towards better regulation among several that can ultimately lead to better policy outcomes.

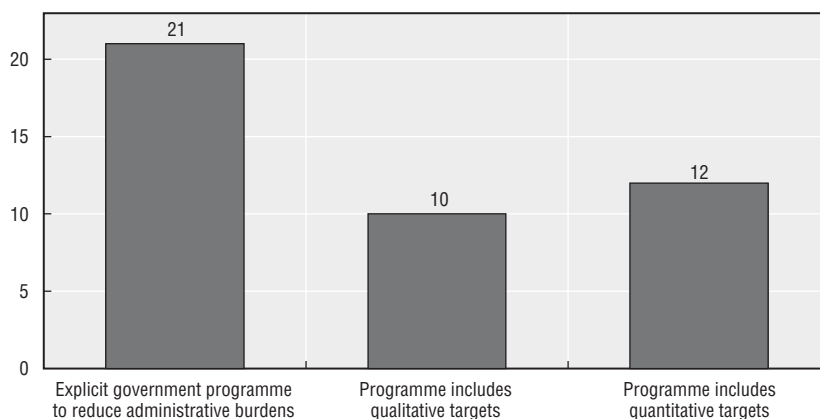
Countries have different approaches towards burden reduction. Some countries – such as New Zealand and Australia – have focused their efforts on avoiding the creation of the burden through a strong *ex ante* control, and there is a clear tendency in most countries to increase this control. The majority of countries, however, still focus on existing burdens: this responds to the perception that administrative burdens are widespread.

An increasing number of countries are now taking steps to measure the extent of administrative burdens and have set reduction objectives over time. In 2005, 21 countries reporting had a government programme to reduce administrative burdens; and 11 had quantitative reduction targets (see Figure 1.2 and Annex 2). A quantitative approach allows the targeting of burden reduction policies and programmes. It also permits objective measures of administrative burdens to be developed and to track them over time, in order to be able to measure reform success and properly target reform priorities.

A focus on small businesses is found in almost all OECD countries. Efforts have been increased to avoid the creation of burdensome new regulation *ex ante* and “small business friendly regulatory design” is becoming increasingly common. This reflects the recognition that this sector is less well placed to deal with administrative burdens. Results of a survey described in a 2001 OECD report, *Businesses’ views on red tape*, show that compliance costs for SMEs are substantial. SMEs declared that complying with administrative requirements and regulations represented a cost of 4% of their annual turnover. The 2001 report also stressed the increasingly disproportionate impact on smaller companies.<sup>1</sup>

Figure 1.2. **Government programmes to reduce administrative burdens**

Number of countries



Note: See Q13: a, a(i); a(ii), 2005 OECD Regulatory Indicators Questionnaire.

## Improving rule making *ex ante*

An important trend amongst countries is to avoid the creation of administrative burdens by improving rule making *ex ante*, operating procedural controls prior to the introduction of new legislation or regulation. This control is mainly done during the RIA process in OECD countries. Some

countries have introduced further procedural checks to control the flow of burdensome new regulation.

In countries such as Australia, Canada, the United States, the United Kingdom and New Zealand, where the RIA system is traditionally effective, burden reduction policies have been strongly linked with *ex ante* assessment processes. A major objective of these procedural controls on the substance of proposed regulation is to ensure that a rational approach to the achievement of policy goals has been taken during policy development, and that this has been informed by the involvement of a wide range of affected groups.

In most other OECD countries there is a trend to increase action *ex ante*. In Finland, the burdens are systematically considered before the introduction of legislative amendments and new legislation. In Sweden, priority has been given to the reduction of new burdens in recent years by focusing on the assessment of new or altered regulations. Mexico is another country aiming at controlling the burden creation through the RIA system, compulsory by law since 2000. Japan's simplification strategies are principally relying on *ex ante*

### Box 1.3. Portugal's 2006 legislative and administrative simplification programme

Simplex 2006 is both a preventive and corrective programme.

**Preventive *ex ante* simplification** will be achieved through the introduction of the "Simplex Test" to assess the impact of the regulations to be introduced. The test will be made up of four parts:

- Assessment of the new burdens introduced by the regulation and identification of alternative solutions.
- Quantification of the costs those burdens will impose on their target groups (using a formula inspired by the SCM).
- Controlling that the measure is in accordance with good electronic administration practices.
- Verifying that it is part of a systematic and coherent legislative consolidation process.

The **corrective *ex post* simplification process** is made up of 333 measures in six main areas – 30 of those measures are expected to have significant impacts in terms of improving the quality of the relationship between the administration, citizens and businesses.

- Eliminating certificates.
- Dematerialisation: elimination of paper.
- Debureaucratisation: fighting procedural complexity.
- Deregulation: eliminating unnecessary controls and constraints.

#### Box 1.4. **New laws strengthened *ex ante* control in Germany, Greece and Italy**

In **Germany** an impact assessment has to be formulated for all draft laws and regulations since the Federal Joint Rules of Procedures (GGO) became effective in September 2004. An evaluation and reduction of new burdensome regulation will be part of this impact assessment. The government elected in 2005 has decided to enhance this *ex ante* control by creating a new independent advisory body at the Federal Chancellery. The “Normenkontrollrat” will make sure that draft laws and regulations are necessary and will take the administrative burdens linked to it into account. This advisory body will have the power to point to draft laws that are superfluous in their form or contravene the principles of good lawmaking.

In **Greece**, a circular on the improvement of the regulatory environment was issued by the Prime Minister (Y190/18-7-2006). The Prime Minister’s circular was addressed to all Ministers, deputy Ministers and Secretaries General of the prefectures. According to it, the central control of the quality of law is supervised by the General Secretariat of the Government. In each Ministry, a department is responsible for examining the quality of the Ministry’s laws and regulations in co-ordination with the General Secretariat of the Government via a liaison person who is especially designated to this task. At the preparation phase of law making, a quality evaluation report is to be prepared, assessing whether there has been a precise evaluation of the problem to be solved, whether alternative solutions have been envisaged and if a consultation has taken place. A detailed RIA – especially focusing on impacts of the proposed regulation on the economy, the employment, and the environment – as well as consultation are mandatory. These reports are obligatory for every primary law and secondary regulation and will be repeated following to the enforcement of each law to evaluate its implementation.

In **Italy**, a 2006 law on “Urgent measures on organisation and functioning of public administration” has established a new Interministerial Steering Committee chaired by the Prime Minister or by the Minister for State Reform and Innovation in Public Administration.

- The Committee is responsible for guiding simplification policies through the preparation of annual action plans and applies RIA to conduct reviews. It:
- ❖ Operates a quality control of the Government’s regulatory initiatives *ex ante*.
- ❖ Requires a re-examination of proposals if these appear unnecessary or unjustifiable on a cost/benefit basis or are inconsistent with the objectives outlined in the annual action plan.

**Box 1.4. New laws strengthened *ex ante* control in Germany, Greece and Italy (cont.)**

A high level technical Unit for Simplification and Better Regulation has also been created with a 2006 law, under the political leadership of the Under Secretary of State of the Presidency of the Council of Minister, to coordinate the codification and regulatory simplification process. Both bodies have been set up in September 2006, with specific regulations enacting the relevant laws, with the aim of reinforcing an explicit regulatory policy throughout Government. In this framework, a “Permanent Table for Simplification” – an *ad hoc* consultative body for all regulatory simplification measures – will also be set up.

mechanisms to control burden creation. Portugal in its new administrative and legislative simplification programme Simplex 2006 puts a common emphasis on preventive (*ex ante*) and corrective (*ex post*) simplification (see Box 1.3). Countries such as Germany, Greece and Italy have recently made provision for an increased *ex ante* control of regulation in new laws (see Box 1.4).

**Regulatory impact assessment**

RIA processes are useful instruments for reducing or minimising administrative burdens. While the focus of RIAs is not specifically on reducing administrative burdens, they do assist in stemming the tide of new burdensome regulation. RIAs ensure that regulatory proposals or existing regulatory arrangements are subject to a transparent, publicly accountable and rigorous analysis to determine if they are minimum means of meeting regulatory objectives. They, therefore, perform a control function by promoting rational policy choice by governments in a relatively transparent environment. RIAs employ stakeholder consultation processes to verify the government estimates of the size of the burdens involved.

Furthermore, RIAs are often subject to a centralised review or clearance, such as by the Privy Council Office in Canada, the Better Regulation Executive in the United Kingdom, the Office of Management and Budget in the United States, the Federal Regulatory Improvement Commission (COFEMER) in Mexico. These institutions have controlling functions: their role is to conduct a final assessment of the law to ensure that it meets the quality standards required.

The development of RIAs has had important positive implications in terms of administrative simplification and burden reduction, particularly as subordinate legislation has taken an increasingly prominent role in recent

decades. In OECD countries RIAs are conducted following certain guidelines which are more or less the same and have been inspired by the OECD, notably in the 1997 report on *Regulatory Impact Analysis: Best Practices in OECD Countries* (see Box 1.5).

- In **Australia** administrative burdens are measured on a systematic basis for all new and amending regulations via the Regulatory Impact Statement (RIS) process. Regulations that impact on business in all sectors are subject to an RIS: a written statement detailing the regulatory impact analysis undertaken in the development of a regulatory proposal.
- In the **United Kingdom** the compliance cost assessment is applied to all regulation having an impact on business, charities or voluntary bodies in the United Kingdom. The assessment was strengthened in 2000 to ensure that the benefits of regulation justified the costs. The current RIA process ensures that new policies are justified and impose the minimum costs on business and citizens. Increasing attention has also been paid to the bureaucratic burden that could be imposed within the public sector. In 2004 proposals with a significant effect on the public sector – notably on front-line units such as schools and hospitals – were brought within the formal RIA requirement.

A number of steps have been taken to reduce the regulatory burden of **European Union** legislation *ex ante*. The European Commission introduced an

#### Box 1.5. OECD guidelines for an effective RIA

The following key elements are based on good practices identified in OECD countries:

1. Maximise political commitment to RIA.
2. Allocate responsibilities for RIA programme elements carefully.
3. Train the regulators.
4. Use a consistent but flexible analytical method.
5. Develop and implement data collection strategies.
6. Target RIA efforts.
7. Integrate RIA with the policy-making process, beginning as early as possible.
8. Communicate the results.
9. Involve the public extensively.
10. Apply RIA to existing as well as new regulation.

Source: OECD (1997), *Regulatory Impact Analysis. Best Practices in OECD Countries*, Paris.

impact assessment system for EU regulation in 2001. The use of RIA has been extended to the Council's and European Parliament's significant amendments to Commission proposals in 2003 following to an inter-institutional agreement on better lawmaking. The system provides an assessment of the economic, social and environmental impact of Commission proposals on Europe as a whole. These impact assessments operated at EU level complement the national RIA systems in EU member states.

### *Impact assessments with a specific focus on administrative burdens*

A growing number of countries have an impact assessment system which has a specific focus on administrative burdens and apprehends precisely the potential burden creation of new regulation. **Germany** has introduced the criterion of administrative burdens in its RIA system in 2004 (see Box 1.4). The **European Commission** has introduced a special analysis of these burdens early 2006. **Belgium** is assessing the potential impact of new regulation in terms of administrative burdens using a simplified RIA, called "Kafka Test". This test, extended in 2004, contains a more substantial analysis of potential effects of new proposals as well as a quantitative estimation. It applies for regulation with legal effect on businesses (about 20% of all regulation proposals). **Portugal's** simplification programme – Simplex 2006 – introduced the "Simplex Test" made up of four criteria to assess the impact of the regulations to be introduced in terms of burdens (see Box 1.3).

- In **New Zealand** a specific Business Compliance Cost Statement (BCCS) is to be prepared for all regulatory proposals having "red tape" implications for business in order to ensure that compliance costs of future policy measures are fully considered and kept as low as possible. This system has been introduced in 2001 and is a further step alongside the standard RIS that is required for all regulatory proposals submitted to government.
- In the **Netherlands** there is an assessment system for new legislation which among other things includes the assessment of impacts on the environment, the economy and administrative burdens.
- In **Denmark**, economic and administrative consequences for the business sector are one of the areas of the impact assessment.

One of the limits to the attempt to avoid the creation of administrative burdens by improving control on rule-making *ex ante*, is that these estimates – on the potential burden of new or modified existing regulation – sometimes differ from the actual burdens experienced as a result of the regulation. To address this issue an automatic review process with a follow-up of regulations can be introduced: regulations would be reviewed after they are implemented to ensure that they are having the intended effect. This allows checking the performance of regulation against initial assumptions and is a powerful



adjunct to *ex ante* RIA. The **United Kingdom** has for example decided to strengthen the RIA system by introducing a monitoring of regulations following their introduction. As set out in the Budget for 2005, departments have to explain how the regulations for which they are responsible are going to be monitored using post-implementation reviews, before these are introduced.

### ***Small business impact assessments***

Some countries have introduced special procedural measures to assess the impact of regulation on SMEs in order to avoid the creation of unnecessary burdens. This includes, for example, requiring agencies to prepare special impact statements for proposed regulations that affect small businesses. These small business impact statements can contain a description of any significant alternatives that accomplish the stated objectives while minimising any significant economic impacts of the proposed rule on small businesses. Other approaches can require specific consultative approaches to be undertaken to ensure adequate representation of the views of small business.

- In the **United States** the Regulatory Flexibility Act (enacted 1980) directs agencies to consider the potential impact of regulations on small business and other small entities in order to minimise any significant economic impact on such entities.
- The **United Kingdom** has mandatory consultation requirements of small business as a key part of the RIA process. There is also a set of guidelines for helping companies to comply with legislation as part of the RIA. The guidelines call for the use of simple language to ensure that they are understandable by small companies and require that there is a 3 month period from the publication of the guidance to the coming into force of the legislation.
- **Sweden** has introduced a special separate impact assessment to assess the effects of new regulations on small business.

### ***Further procedural checks***

Some countries have introduced further procedural checks for regulatory actions. In **Denmark** for example, since the end of 2004, all new pieces of legislation with significant administrative burdens for the business sector (approximately 340 000 € a year, or more than 10 000 burden hours) will be presented to the Cabinet Committee on Economic Affairs for further discussion. Before the presentation a business test panel, managed by the Ministry of Economic and Business Affairs, will estimate the burdens caused for the business sector. **Canada** has a Business Impact Test which is introduced on top

of RIA when regulatory change is characterised as major and when the anticipated costs of proposed regulation are expected to exceed CAD 50 million.

The **United States** have a strong tradition in avoiding the introduction of costly and burdensome legislation.

- The Paperwork Reduction Act (PRA) requires federal agencies to request OMB approval before collecting information from the public; this approval is valid for 3 years. OMB control aims to minimise the amount of paperwork the public is required to complete for federal agencies. To obtain OMB approval, agencies need to demonstrate that the collection of information is the most efficient way of obtaining necessary information, that the collection is not duplicative, and that it will make practical use of it.
- The President Executive Order 12866 requires executive branch agencies to clear all significant regulatory actions with the Office of Information and Regulatory Affairs (OIRA). It mandates agencies to tailor regulations to impose least burden on society and to take into account the cost of cumulative regulations. Furthermore, if a proposed or final regulation is determined by an agency or by the OIRA administration to be “economically significant” (annual effect of \$100 million or more) the agency must undertake a cost-benefit analysis.

### ***Controlling the flow of new regulation***

New approaches to control administrative burden creation have emerged. Some countries, such as the Netherlands or the United Kingdom moved towards adopting a framework for managing regulation that provides a better balance or compensation between the creation of new measures and the simplification of existing regulations. The rationale of such measures is to centrally manage and control the development trend in administrative burdens within each line ministry as well as globally across the range of government institutions.

- The **United Kingdom** government has introduced the notion of “compensatory simplification”. It involves that major regulatory proposals by departments require consideration of compensatory simplification measures during the RIA process; with the introduction of new regulations, the scope of off-setting simplifications should be addressed.
- In the **Netherlands**, the Dutch cabinet target of a 25% cut of the burden has been translated into reduction targets per ministry. Whenever the limit is exceeded because of the administrative burden in new legislation, ministers are obliged to compensate with new reductions. This limitation of the administrative burden compels a ministry to moderate production of new burdensome legislation and ensures a process of permanent monitoring over ministerial production of administrative burdens.

**Mexico** is another example of a country which is attempting to control regulatory inflation. Mexico introduced a regulatory moratorium following a Presidential Order issued in May 2004. The Order establishes that the federal ministries have to suspend their regulation issue, as well as the creation of formalities that citizens must fulfil. The moratorium has been extended until November 2006 following the positive reaction it has generated from the private sector.

## Reviewing existing burdens *ex post*

To start the review process *ex post*, governments need to set priorities and identify the areas where the burdens are to be reduced. In the countries considered, governments are increasingly anchoring simplification strategies on factual evidence on burdens.

### Targeting simplification efforts

As a general trend, simplification strategies mainly focus on business, an area where the burdens have the most negative effect on competitiveness and growth. Reducing burdens on citizens is, nonetheless, becoming more common. Countries are increasingly relying on suggestions from user-groups to set simplification priorities.

### Target groups

Countries have different priorities concerning simplification. Some have targeted their efforts on simplifying regulations for certain groups, notably for business. Simplification strategies, nonetheless, tend to be more comprehensive in their approach. Recently, a number of countries with a very strong focus on business like the United Kingdom, Denmark or the Netherlands have started to extend their burden reduction efforts to other groups, such as the public sector or the citizens.

**Some countries have comprehensive objectives and include citizens in the burden reduction efforts.** A large group of countries, such as Belgium, Canada, France, Germany, Greece, Hungary, Italy, Korea and Portugal have comprehensive burden reduction objectives.

- In **Belgium**, following to a 1998 law promoting independent enterprise, simplification efforts focused at first mainly on business. Since 2003, citizens are included in the burden reduction efforts and a citizen specific unit has been created at the Agency for administrative simplification (Agence pour la Simplification Administrative).
- In **Germany**, the government introduced a programme to reduce administrative burdens in 2003 which targeted both citizens and

businesses. The “Initiative to Reduce Bureaucracy” aimed to reduce red tape in those areas where citizens and business had the most frequent interaction with Federal State agencies and would note the highest relief. The initiative focused on 5 strategic action areas: labour market and self-employment, small business and the private sector, research and technology, civil society and volunteerism, services for business and individuals.

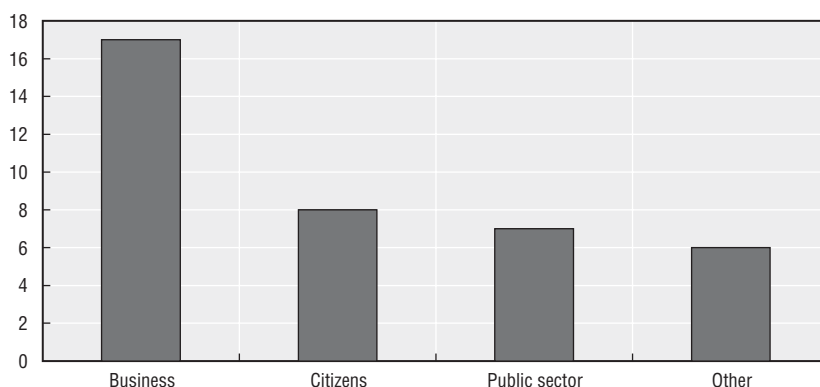
Some countries traditionally pay special attention to citizens, with the aim to enhance the client friendliness of administrative services. This is for example the case in France, in Greece, in Hungary or in Korea.

- **France** has made efforts to improve the relationship between the administration and the public. A 2000 law on the relationship between the administrations and the public intends to reduce the administration’s complexity and to give the end-user of services more rights. The administration now has the duty to further inform, guide and assist the client. The “Charte Marianne” introduces further quality commitments from the administration.
- **Hungary** has worked on enhancing the client friendliness of the administrative services. A project undertaken by the Prime Minister’s Office and the Ministry of the Interior – to be extended country-wide – aims at identifying administrative burdens and parallel regulations. The adoption of a Client Charter is planned.

Many of these countries have, nonetheless, recently increased their efforts towards reducing burdens for business. Although **Greece’s** target group has for example been citizens, more attention has lately been paid to the burden of administrative regulations on business. Hungary has recently reshaped its tax system to reduce the burden of the tax system on business and more particularly on SMEs.

**Most countries aim to promote an effective framework for the business sector.** As a general trend, business is by far the most targeted group in the burden reduction efforts of OECD countries. Most governments aim at creating an environment that will strengthen development and ensure the growth of a competitive business sector. This is reflected in the 2005 OECD Survey on *Burden Measurement*: out of the 20 countries surveyed, 17 countries aim at reducing burdens on business, 8 countries target citizens and 7 countries target the public sector in their burden measurement efforts (see Figure 1.3).

Many countries with efficient burden reduction policies have targeted their efforts towards creating better business regulation. Simplification efforts in Australia, Denmark, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom and the United States have a specific focus

Figure 1.3. **Burden reduction efforts focus mainly on business**

Source: OECD 2005, based on responses to the Survey on Burden Measurement.

on business. An effective framework for the business sector avoids unnecessary costs for business and promotes competitiveness and growth.

- In **Mexico**, the 2001 executive decree on deregulation and simplification of business formalities requested government agencies to eliminate and simplify business formalities in the two years following it. Each agency identified the 5 most frequently used business formalities and those having a high impact on economic activities to analyse their rationale and to simplify them where possible.
- In **Poland**, simplification strategies have been targeted towards reviewing the legal acts having a significant direct or indirect impact on the activity of entrepreneurs. With the new Act on Freedom of economic activities, laws are reviewed to be simplified, and redundant regulations eliminated.
- In **Sweden**, strategies have focused on burden reduction for enterprises. An Action Plan to reduce administrative burdens was drawn up with all Ministries, who had to examine laws and ordinances affecting enterprises in their area of competence. Furthermore, priority areas were identified as those creating the greatest volume of administration in enterprises.

**Measures for SMEs.** Some countries have taken specific measures for SMEs. This reflects the recognition that this sector is less well placed to deal with administrative burdens.

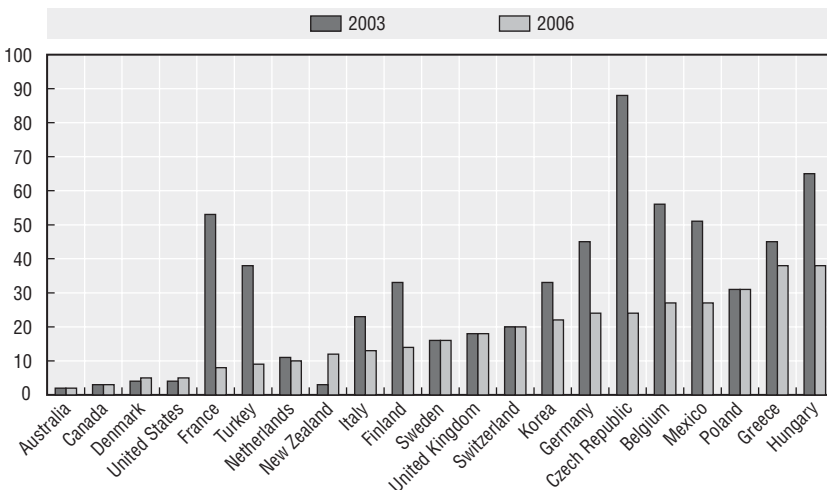
- **Canada:** The Paperwork Burden Reduction Initiative (PBRI), announced in Budget 2004, is designed to ease the regulatory weight on the economy by making measurable reductions in the paperwork burden facing small business. In 2005, a public-private sector Advisory Committee on Paperwork Burden Reduction was created to oversee the PBRI and, in particular, to find

practical and achievable ideas for reducing paperwork burden on small businesses, and to measure and benchmark paperwork burden in order to track progress.

- **Australia:** Red tape reduction programmes have been targeted at SMEs, and regulation both at Federal and at local level is examined. The analysis at federal level started following to Commonwealth government's commitment in 1996 to halve red tape for small business. Recently, the Office of Small Business has started dealing with the burdens imposed by local governments.
- **United States:** The 2002 Small Business Paperwork Relief Act addresses the burden imposed upon small business by Federal regulatory and paperwork requirements and Federal agencies have been requested to develop information to help Small Business comply with the requirements.

Efforts to reduce burdens on small businesses are, nonetheless, found in almost all countries. As the World Bank estimates show, there is a general trend to reduce regulatory barriers to setting up a business in the last three years. Many countries have made significant progress in reducing the time necessary for starting a business (see Figure 1.4).

Figure 1.4. **Duration for starting a business – in days**

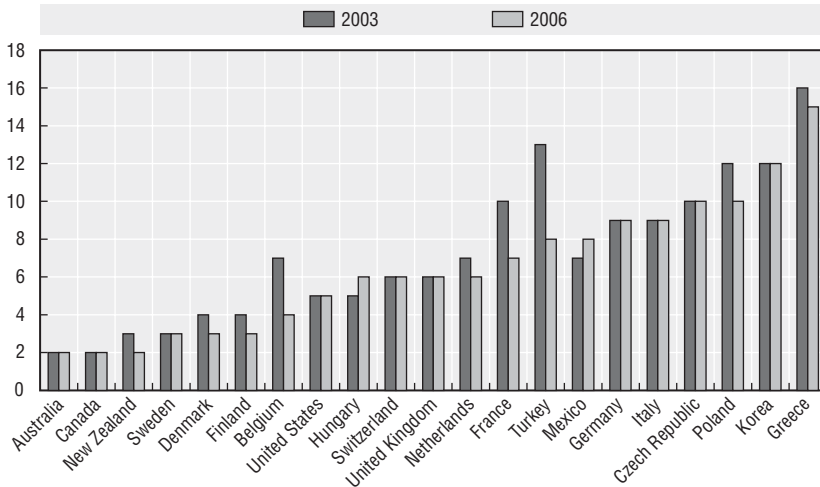


Source: World Bank, Doing Business data of 2003 and 2006 adapted by the OECD Secretariat.<sup>2</sup>

In some countries, the reduction in the time to start-up a business has been accompanied by a streamlining of the necessary procedures. This is for example the case in Belgium, France and Turkey. Countries, which were estimated as having some of the most restrictive barriers to entrepreneurship,

such as France and Turkey, have made substantial progress in reducing the number of procedures for starting a business (Figure 1.5).

Figure 1.5. **Number of procedures for starting a business**



Source: World Bank, Doing Business data of 2003 and 2006 adapted by the OECD Secretariat.

### Identification of priorities through the user group

Administrative simplification programmes have evolved into a more user-focused approach. Effective consultation mechanisms with stakeholders as well as with the public at large are used in countries for the identification of sectors and procedures on which simplification programmes should be carried out. Solutions are sought from the user group, either through direct consultation, or through the use of advisory bodies. These bodies are often seen as capable to reliably identify the priority areas for reform.

- In **France**, the method to identify simplification measures has changed, notably for the preparation of the third simplification law. Users, civil society, socio-professional categories, and elected representatives have been consulted to identify priority areas. User panels have been set up and questionnaires have been distributed to members of Parliament, business representatives, economic stakeholders and citizens.
- In the **Netherlands**, consultation has an essential role in the burden reduction efforts. Actal is a permanent consultative body which can also make use of panels of enterprises or experts and commissions if it is necessary. Actal for example holds consultations with a business panel consisting of 500 enterprises.

- In **Korea**, the Ministry of Government Administration and Home Affairs collects information on how to improve administration every year by consulting administrative bodies at the regional level. Feasibility of the suggestions is then discussed at central level.
- In **Belgium**, the government committed itself to a global simplification called the “Kafka Plan” made of 12 strategic areas and build around deliverables for each minister within a specific time schedule. A number of projects contained in the “Kafka Plan” are inspired from the input of citizens and entrepreneurs via the Internet “Kafka” focus point.<sup>3</sup>

Governments often use taskforce recommendations to define simplification priorities. Independent taskforces are seen to combine the private sector’s perspective on reform priorities and problem areas with bureaucratic expertise and knowledge of the workings of government. They can serve as useful tool to consulting widely with stakeholders, with their independence ensuring that such stakeholders see them as credible. Taskforce models are also interesting for governments as they overcome the division between the active roles of government – which manages consultation – and that of the governed, who are consulted.

- In **Australia** the recommendations of the Small Business Deregulation Taskforce provided the mainstay for administrative simplification and burden reduction measures at the Federal level. The taskforce measured the existing compliance and paperwork burden on small business to achieve a quantitative target reduction.
- In **New Zealand** an *ad hoc* Ministerial Panel on Business Compliance Costs was set up to involve the business sector in the formulation of the government's strategy. The panel – which is no longer active – produced a report with 162 recommendations, a majority of which have been implemented.
- In **Canada**, the Advisory Committee on Paperwork Burden Reduction is mandated to report regularly to the Minister of Industry on progress and results under the Paperwork Burden Reduction Initiative. The Advisory Committee on Paperwork Burden Reduction (ACPBR) submitted its first progress report, entitled *A Strategy to Reduce Paperwork Burden for Small Business in Canada*, to the Minister of Industry in March 2006. The report lays the foundation for the multi-year Paperwork Burden Reduction Initiative and provides recommendations for Government's consideration in addressing paperwork burden reduction.
- In the **United Kingdom** administrative simplification and burden reduction initiatives have been introduced in addition to broader regulatory policy objectives implemented across government. Recent simplification strategies in the United Kingdom have been based on the recommendations made by the Better Regulation Task Force (BRTF) and the Hampton Report in 2005 (see Box 1.6).



### Box 1.6. Simplification strategies in the United Kingdom

Recent administrative simplification strategies in the United Kingdom have been guided by the recommendations of two 2005 reports:

**The BRTF Report**, *Less is more. Reducing burdens, improving outcomes* argues for a similar approach to burden measurement to the one applied in the Netherlands with the measuring of administrative costs to business in complying with regulations and setting reduction targets. It also advises a number of measures to force departments to prioritise between creating new regulations and simplifying and removing existing regulation.

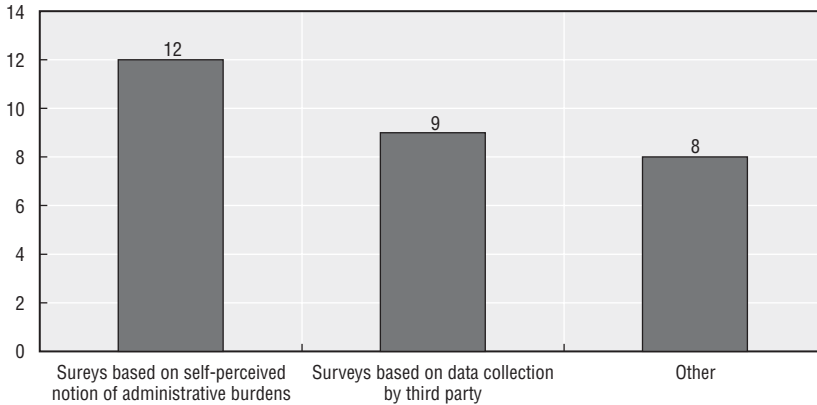
**The Hampton Review**, *Reducing administrative burdens: effective inspection and enforcement*, focuses on regulators and finds that administrative burden on business from regulatory inspection and enforcement (from the national regulators and local authorities) is significant. It advises a risk-based approach across enforcement activities to lift the burden on business. Furthermore, attention should be given to providing advice and support to business on how to comply with regulation. The report also aims for significant consolidation of existing regulatory bodies and recommends reforms to improve co-ordination of national and local regulatory services for greater consistency.

### **Anchoring simplification strategies on quantitative evidence**

Despite the numerous administrative simplification initiatives launched by OECD governments over the past decades, governments have not always had a detailed understanding of the extent of the burdens imposed on businesses and citizens. Policy has often been made on a sector-by-sector basis without a clear understanding both of the actual size of the accumulated burdens and of the progress that can be made in reducing these. To have a clearer idea of the extent of the burden many OECD countries have attempted to measure burdens (see Figure 1.2), either through business surveys, or through quantitative evidence-based approaches. OECD countries' recent experiences suggest that quantitative approaches are increasingly supplementing or substituting business surveys as the primary source of information for assessing the burdens. Quantitative measurements are, however, costly if accuracy is needed. This is why a number of OECD countries still rely on survey-based approaches to target simplification policies.

#### **User surveys**

Over half of the OECD countries considered in this study have employed user-based survey methods to assess the scope of administrative burdens (see Figure 1.6). Survey-based approaches have the potential to function as

Figure 1.6. **Surveys are used to assess the scope of administrative burdens**

Source: OECD 2005, based on responses to the Survey on Burden Measurement.

relatively low-cost, yet reliable means of identifying areas of greatest perceived burdens amongst affected groups. Surveys allow both to measure compliance costs directly and to measure satisfaction with the processes used in administrative procedures.

- **Canada** is currently undertaking a triennial Survey of Regulatory Compliance Costs, as part of the Paperwork Burden Reduction Initiative, in order to gather objective and quantitative data on the resources businesses allocate to complying with the information obligations associated with selected federal, provincial and municipal regulations. The first Survey will establish a baseline measure of the compliance burden for benchmarking government's progress in reducing the burden over time. The Survey, undertaken by Statistics Canada has two parts in order to collect data on internal and external costs of compliance. A main survey on internal compliance costs, was distributed to approximately 30 000 small and medium-sized businesses in fall 2005 and a supplementary survey on external compliance costs was distributed to over 5 000 external service providers (e.g., tax specialists, payroll experts and bookkeepers) in early winter 2006. The final survey results will be released in December 2006. Results will be reported by selected industries, employment sizes, and geographic regions.
- In **Korea** government agencies such as the Ministry of Commerce, Industry and Energy, the Small and Medium Business Administration and private sector representatives (Korea Chamber of Commerce and Industry; Federation of the Korean Industries) consulted about 200 businesses nationwide to have a grasp on the amount of burdens perceived. The government also uses the survey method for the follow-up, to assess progress

achieved in the reduction effort. The results of a business regulations sensitivity survey showed that 266 companies assessed the government's efforts to relax regulations more positively in 2003 (76%) than in 2001 (64%).

- **Turkey** has relied on public surveys to find out more about burdens in the health service, the cadastre, the regulatory requirement for opening a business.
- In **Australia**, the Office of Small Business in the Industry Department has recently commissioned a survey of administrative burdens faced by small business to measure perceived “hotspots” of burdens imposed by local government.

### **Measurement**

Recent experiences show that more quantitative approaches are increasingly used as the primary source for assessing and quantifying the size of administrative burdens. In fact, a lack of objective measures of existing administrative burdens may limit the capacity of governments to achieve burden reduction objectives. The absence of such measures can make it difficult to measure objectively the effectiveness of programmes. It also impedes the targeting of burden reduction policies and programmes towards the areas of greatest need. This explains the rising efforts in OECD countries to assess burdens more systematically and develop evidence on administrative burdens. This allows both to properly identify the burdens and target reform priorities, but also to track burdens over time and to measure reform success.

**A framework for managing the burdens in the United States.** The Paperwork Reduction Act provides a framework for the measurement and management of federal information collections imposed on business, individuals and government. The Paperwork Reduction Act of 1995 requires OMB to report annually on the government-wide “Federal information collection burden”. The burden is calculated in burden hours. OMB reports to Congress on the information collection activities and the burden reduction accomplishment.

The Information Collection Budget (ICB) is the vehicle through which OMB, in consultation with each agency, sets annual agency goals to reduce information collection burdens. Paperwork burden is measured as the time spent reading and understanding a request for information as well as the time spent developing, compiling, recording, reviewing and providing the information. Each agency calculates its total information collection “budget” by totalling the time required to complete all its information requests. This budgeting exercise is used to measure progress toward reduction goals. Since 1980, burden reduction targets have varied from year to year. Targets take

into account new statutory requirements increasing the burden. In 2003 the burden was estimated at 8.2 billion hours, a 1.5% decrease compared to 2002.

Special attention is paid in the United States to the complexity of the tax system. The information collected as part of the tax system is the largest component of the paperwork burden imposed by the Federal government. The Internal Revenues Service (IRS) paperwork burden represents nearly 80% of the total burden. Furthermore, the IRS paperwork burden is concentrated: 10 of the 800 IRS forms account for about 80% of the entire IRS burden. Although IRS has a more sophisticated method to measure paperwork burden than that used by other Federal agencies, it is nonetheless developing a more accurate methodology. The current methodology being based on relatively old survey data, it only measures certain types of taxpayer compliance burdens. It has, therefore, limited ability to predict changes in compliance burden resulting from changes in tax policy or tax system administration.

**The Standard Cost Model.** The Netherlands decided to measure the burden legislation lay upon business through the Standard Cost Model (SCM). The SCM is a quantitative methodology for measuring administrative costs imposed by government on business. This method has been introduced as such or adapted by many other European countries in the last years. In 2003, a number of countries created a network to facilitate the exchange of information on the methodology (see Box 1.7).

The SCM consists in breaking down legislation into information obligations to measure the burden a single obligation causes to business (see Box 1.8). The strength of the model is not only its high level of detail in the

#### Box 1.7. **The SCM Network**

In 2003, some European countries formed an informal network – The SCM Network – committed to use the same methodological approach when measuring administrative burdens and simplification based on quantification.\* The Standard Cost Model was chosen as the common approach. The network consists of the United Kingdom, Norway, Sweden, Denmark, Belgium, the Netherlands, France, Hungary, Italy, the Czech Republic, Poland and Estonia. It has a steering group which meets two to four times a year to discuss developments within the area and agree on future actions. The network has recently created a simplification sub group assessing national best practices in terms of simplification and developing potential international simplification tools.

\* For more information on the international SCM network see webpage: [www.administrative-burdens.com](http://www.administrative-burdens.com).

### Box 1.8. The Standard Cost Model Methodology

The Standard Cost Model (SCM) measures the administrative costs imposed on business by central government regulation. The costs are primarily determined through business interviews. Through these interviews it is possible to specify in detail the time companies use to fulfil the government regulation

1. The SCM breaks down regulation into manageable components that can be measured: information obligations, data requirements and administrative activities.
2. The SCM then estimates the costs of completing each activity on the basis of a couple of basic cost parameters:
  - Price: price consists of a tariff, wage costs plus overhead for administrative activities done internally or hourly costs for external services.
  - Time: the amount of time required to complete the administrative activity.
  - Quantity: quantity comprises of the size of the population of businesses affected and the frequency that the activity must be carried out each year.
3. The combination of these elements gives the basic SCM formula:

**Cost per administrative activity = Price × Time × Quantity.**

1. Information obligations are obligations to provide information and data to the public sector or third parties (e.g. Reports about labour conditions, labelling provisions).
2. A data requirement is each element of information that must be provided in complying with an information obligation. Each information obligation consists of one or more data requirements (e.g. VAT number, identity of business).
3. To provide information for each data requirement a number of specific administrative activities have to be carried out. These may be done internally or be outsourced. They can be measured (e.g. description, calculation, archiving information).

measurement of administrative costs, but also the fact that the numbers obtained are consistent across policy areas. Furthermore, the digitalisation of the data gathered makes it possible to monitor the effects of single reduction measurements on the total administrative burden.

The method allows following burdens over time. Changes can be integrated to the measurement once it has been carried out. These changes can result from new information obligations in existing or amended regulation or can be due to the removal of information obligations. Some countries, such as the Netherlands have arranged updating of the measurement after a number of years.

The SCM allows identification of the impact of international legislation in the origin of the burdens. International regulation often gives countries a

certain degree of flexibility in the way to transpose it into national legislation. Burdens can therefore vary according to the ways in which legislation is transposed. The SCM allows benchmarking of international regulations because it provides transparent measurements. A number of European countries have been involved in benchmarking projects, as benchmarking can help identifying best practices in the implementation of international legislation and give countries ideas for reducing their burdens (see Box 1.9).

### Box 1.9. **Benchmarking with the Standard Cost Model**

The SCM has been adopted by many European countries because it allows identifying simplification potential in international and European Union (EU) regulation, for example through **benchmark studies** between countries using the same methodology. The focus of the joint benchmark was to analyse how EU legislation is implemented at national level and to assess the results in terms of administrative burdens. By comparing national systems, the most efficient ways of implementing European rules can then be identified. Measuring administrative burdens can also offer interesting options for simplifying European rules.

- Denmark, the Netherlands, Sweden and Norway have completed a first international benchmark exercise on VAT in 2005 regarding administrative burdens. The benchmark focused on a selection of EU VAT legislation and on how it is implemented at national level and how much administrative burdens it represents.
- Poland and the Netherlands have completed a benchmark project in 2005 which benchmarks a selection of European Union and international transport legislation.

The **OECD** via the **Red Tape Scoreboard project** (RTS) has approached the issue of reducing administrative burdens based on a detailed measuring of the administrative costs faced by businesses in one specific sector: the road freight sector. The focus of the RTS project is on the cost of hiring a new worker as well as keeping a truck on the road during a year. The project intends to conduct a benchmarking exercise based on the basic features of the SCM approach. The RTS project will allow making cross country comparisons. Governments will become able to benchmark their obligations with other countries' and therewith learn from best practice on how to reduce administrative costs.

**The SCM measures burdens on business.** In order to measure regulatory burdens or to evaluate programmes for reducing regulatory burdens with the SCM, a first step can be to develop a “baseline measurement”<sup>4</sup> of existing

burdens, as well as measure the administrative burdens of new laws and regulations. This baseline measurement gives an overview of the regulation and a total figure of the administrative burden<sup>5</sup> on businesses; it also shows where burdensome information obligations and related activities lie, and whether they have a national or European origin. Some countries, such as the Netherlands and Denmark have completed the baseline measurement. This also allows them to use the information available in the baseline measurement to analyse and minimise the administrative burdens in the context of an *ex ante* impact assessment scheme in new legislative proposals (see Annex 2).

- The **Netherlands** started measuring the total extent of burdens on business with the SCM at the end of 2002, building on the MISTRAL methodology.<sup>6</sup> The total of all administrative burdens as of 31 December 2002 were estimated to € 16.4 billion (3.6% of the Dutch GDP). The extent of the burdens per ministry varies. The burdens imposed by the ministries of Finance, Health and Social Affairs and Justice account for more than three-quarters of the total amount of administrative burdens on business.
- **Denmark** has completed measuring the baseline of all administrative burdens early 2006. The baseline measurement includes a measurement of all business related regulation in 16 different ministries.
- The **United Kingdom** is currently undertaking a complete baseline measurement of the regulation affecting businesses, charities and voluntary organisations. Results will be published in 2006.
- The **Czech Republic** decided to complete a baseline measurement of the overall administrative burden in 2005. It includes a measurement of all business related generally binding regulations in 12 ministries and 10 central administrative authorities.
- **Norway** is in the process of carrying out a full scale measurement of the burdens affecting businesses. After the measurement has been carried out, a common simplification plan will be drawn up, with different ministries carrying out simplification initiatives according to the plan.
- **Germany** has announced in the “Koalitionsvertrag” that it will start a baseline measurement of the burdens on firms.

Other countries are currently in the measurement process. They are either testing the methodology in pilot projects or are preparing its introduction.

- **Sweden** is conducting measurements of the burden represented by different laws such as the VAT law, the Annual Reports Act, Income Tax Act and associated law, the VAT law. Measurements in the area of agriculture, environment and labour law are to be completed in 2006.

- **Poland** has recently undertaken measurements based on the SCM in the areas of VAT and Transport regulations as part of a pilot project. In Poland's Regulatory Reform Programme a three-stage plan for implementation of the Standard Cost Model in 2006-2008 has been included.
- **Italy** has undertaken a pilot project for the measurement of administrative burdens on business in 2005. The project covers thirty licences and permits for the exercise of business activities in different sectors.<sup>7</sup> In some cases the areas have been selected in agreement with business organisations. A wider plan for the measurement will be prepared in the view of further reductions of the regulatory burden for enterprises.

**Adapting the SCM to measure burdens on other target groups.** Another group of countries is using an adapted version of the SCM to integrate citizens in their reduction efforts. **Hungary** uses a modified version of the SCM to map regulations and see which ones are generating administrative burdens. The scope is broadened as the administrative burdens affecting citizens and not only business are considered. The measurement involves stakeholders and is mostly based on questionnaires. **France** has recently developed "complexity indicators" to measure burdens both on enterprises and citizens (see Box 1.10).

In the **European Union**, the Commission is considering measuring burdens as confirmed in its Communication<sup>8</sup> "On an EU common methodology for assessing administrative costs imposed by legislation". The method proposed is called "EU Net Administrative Cost Model". Like the SCM, it is a "micro assessment methodology" and allows distinguishing between national, EU and international origins. It has been adapted, as it encompasses burdens on enterprises, the voluntary sector, public authorities and citizens. It also considers the net costs as well as the one-off costs.

Countries that are – or have completed – measuring of regulations on business with the SCM methodology are starting to adapt the methodology in order to extend the measurement to citizens, the public or the voluntary sector. **Denmark** is considering how administrative burdens and barriers on citizens can be targeted in a more systematic and effective way in a pilot project. Since 2005, the **Netherlands** have extended their burden measurement efforts to citizens and the public sector. The **United Kingdom** is including the charities, voluntary organisations in the measurement and is also considering including the public sector, notably the burden created by regulations on front-line public sector such as schools or hospitals.

The measurement of the size of existing burdens can be an important information-based approach to developing a policy on burden reduction and the basis for the evaluation of policy initiatives taken. The size of the burden



### Box 1.10. Measurement efforts in Belgium and France

#### The Belgium Index based approach

Belgium developed a system called “tableau de bord” (score board) to measure and reduce administrative burdens. It records all the variables used in each procedure or formality and makes use of indicators for each procedural step and gives index values to these indicators (the indicators are validated by target groups: administrations or citizens). The index values for a formality are added together and the total is multiplied by the frequency of the procedure and the number of persons concerned. Salary costs or procedure duration are not considered in this measurement. Results obtained give the procedure’s overall index value.

#### The French “Complexity” Indicator

The “indicateur de complexité” project was introduced by the minister for the Reform of the State mid-2005. It intends to measure the administrative complexity from the end-user’s point of view. The method chosen is an adaptation of the Standard Cost Model and evaluates both the volume of legal and administrative documentation and the time spent on red tape.

- To give an idea of the complexity of regulations, the volume of legal texts, guidance and official forms made available to the public for each procedure was assessed. A distinction was made between the prescriptive texts (laws and by-laws), information or explanatory documents and official forms.
- For each procedure a flow chart of the various steps that the user must go through to complete the procedure was prepared to analyse time spent on red tape.

The burden faced by business was assessed first with the measuring of the cost on business of over 130 procedures. A steering committee made up of civil servants and business representatives supervised methods and results. The minister for the reform of the state intends to extend this method to all administrative procedures affecting business. It is also planned that this test will be applied to new measures.

Once the methodology is approved, the intention is to generalise the project gradually to all procedures applying to individual members of the public and their family in 2006, in order to assess the burden of administrative procedures on the French citizens.

can raise awareness amongst politicians, sustain a political constituency for change and help develop and maintain initiatives and policies on burden reduction. Measurable burden reduction goals furthermore strengthen the accountability of reformers.

## Implementing simplification strategies

Successful administrative simplification policies benefit from high-level political support and long-term commitment. Their implementation involves using different instruments to simplify primary and secondary regulations. In some countries this is achieved through the adoption of simplification laws.

### **Commitment to simplification efforts**

Simplification policies tend to be comprehensive and adopted at the highest political levels. Strategies are often outlined in government action plans, reflecting that it is a high level political priority. This lends the authority to the institutions of reform and ensures that the government has incentives to strive to achieve the policy's objectives and goals. It also aids transparency, as the government is, in effect, committing itself to the achievement of those explicit objectives and goals.

- **Mexico** has a biennial regulatory improvement programme (PBMR) where federal ministries identify high impact formalities with the aim to improve them.
- In **Poland**, the simplification of legislation and better regulation is included in the three year national reform programme.
- In the **United States** the Office of Management and Budget (OMB) sets annual goals to reduce information collection burdens for each agency as part of the Paperwork Reduction Act.
- The **European Commission** has issued a Better Regulation Action Plan in the framework of the 2005 Communication on "Better Regulation for Growth and Jobs in the European Union".<sup>9</sup> It calls for member states to demonstrate their commitment to the better regulation principles through the creation of national action plans in the framework of the EU Lisbon programme.

In some countries, simplification is organised in co-operation between government and stakeholders. This is the case in the Netherlands and in Denmark where ministries and business community jointly identify simplification measures following to the results obtained from the measurement.

- In the **Netherlands** ministries have compiled inventories of proposals to reduce the administrative burdens that result from the legislation and regulation within their Ministry. This has been done in co-operation with the business community. Public servants and business people form "mixed committees" which issue joint advice to the specialist Ministers on how the burdens relating to each individual ministry could be reduced.
- In **Denmark** dialogue has been strengthened with business organisations and individual companies on administrative simplification by establishing simplification committees under eight ministries with a substantial

amount of business regulation. These committees are to participate in the simplification efforts, in the formulation of action plans and are to contribute to the Government's annual action plan for simplification.

### ***Political commitment is essential in order to turn policy goals into implementation success***

Political commitment from the top level in government is crucial in order to achieve the policy goal of reducing the administrative burdens. It is important both in terms of the level of commitment, but also in the ways in which this commitment is expressed in concrete terms. While all countries appear to include the improvement of the quality of regulation and the reduction of administrative burdens as part of their programmes, some countries have gone further in making more explicit commitments in this regard.

As regards the level of commitment, some countries have defined targets and deadlines for reaching the policy goal of reducing administrative burdens. Some countries – notably the countries measuring administrative burdens – have set themselves concrete reduction targets. In the **Netherlands** for example, the government decided to reduce administrative burdens for businesses by a net 25% in 2007. In **Denmark**, the government also committed itself to reduce administrative burdens on companies by 25% in 2010. In these countries the measurement efforts followed the governments' commitment to cut red tape. Other countries, such as the **United Kingdom**, **Sweden** and the **Czech Republic** have also decided to set reduction targets. These will, however, be set according to the results of the measurement. This allows them to better evaluate the real scope for future burden reduction efforts (see Annex 2).

Another way of expressing political commitment in concrete terms is personal involvement of high level politicians. This is seen in the **United Kingdom** where the Prime Minister is directly involved in the efforts to create better business regulations and reduce administrative burdens. In **Belgium**, a senior level politician was appointed as commissioner and charged with responsibility to follow efforts in this field. In **Canada**, the Minister of Industry champions the Paperwork Burden Reduction Initiative (PBRI).

### ***Making burden reduction efforts visible***

Communicating the efforts undertaken is important to improve the quality of regulation. It is an area which is developing increasing interest in OECD countries, although clearly targeted visibility efforts are still relatively rare, except for some cases. Visibility of reform shapes the responses fed back to the political system. It also encourages politicians, business and the wider public to further support the reform momentum. In **Belgium**, for example the advancement of the different simplification projects is communicated on case

by case basis and is available on Internet.<sup>10</sup> Communication initiatives often mainly include the publication of annual reports informing the general public and other stakeholders about the results of the burden reduction efforts and contact with the media.

Annual reports communicate on long-term reform impacts.

- In the **United States** the Office of Management and Budget (OMB) reports annually to Congress on the costs and benefits of federal regulations. The report gives an estimate of the total annual costs and benefits of federal rules and paperwork – in the aggregate, by agency, by major rule – analyses the impact of federal legislation and makes recommendations for reform.
- In **Denmark**, the Ministry of Economic and Business Affairs prepares an annual report to Parliament each year on the businesses and regulation. The report accounts for the results of administrative simplification and burden reduction policies as well as the number of laws and notifications adopted in the previous parliamentary year that regulates the businesses.

The **United Kingdom** is an interesting example in terms of media strategy. The government has a vehicle to explain and follow up on government programmes on red tape. The Better Regulation Executive in the Cabinet Office has communication resources to explain government action to citizens and businesses. Important news and main initiatives are largely covered by the press. At the end of 2005, the executive chair of the Better Regulation Executive has responded directly to questions on red tape.<sup>11</sup> Information on reducing red tape is therewith easily available to stakeholders.

### ***Simplifying regulation***

Administrative simplification involves simplifying primary and secondary regulation. It can mean altering legislation by removing obligations for citizens, companies or local government. It can also involve reducing the number of authorities with whom businesses or citizens must interact, or changing administrative procedures in order to provide better service to businesses and citizens. Some initiatives taken to simplify regulation are outlined in Box 1.11 below.

Simplification is often closely associated with the process of consolidation and codification of regulation, especially when it involves “recasting” – the consolidation and amending of existing regulation. Codification repeals a set of acts in one area and replaces them with a single act without making substantive changes to those acts. The simplification process on the other hand makes changes to the substance or regulations. There are links between simplification and codification. When there is a simplification process – streamlining or rewriting of the discipline of a sector – the need to consolidate

### Box 1.11. Simplifying regulation

Simplification involves using different instruments to:

- Remove existing legislation:
  - ❖ Remove single laws, departmental regulations.
  - ❖ Remove entire regulation before a specified date.
- Change legislation to ease compliance:
  - ❖ Compile different laws into one law to simplify communication.
  - ❖ Minimise requirements imposed on the affected companies.
  - ❖ Simplify administrative procedures (e.g. company registration procedures).
  - ❖ Minimise the number of companies which are affected by the legislation (e.g. by increasing thresholds, excluding sectors from being affected).
- Harmonise report obligations:
  - ❖ Harmonise report obligations between different authorities (e.g. by co-ordinating obligations across line ministries).
  - ❖ Harmonise definitions across line ministries.

*Source:* International Study, "Efforts to reduce administrative burdens and improve business regulation", Danish Ministry of Economic and Business Affairs, August 2003.

through codification can appear. There can be a need to simplify measures in the sector during the codification efforts.

In some countries, such as France, Italy, or Germany, simplification and codification are often seen as complementary. Simplification has in these cases also involved the repeal of old regulation that either no longer serves a useful purpose or is no longer consistent. In **Germany** for example, the former German government's simplification programme: "Initiative to Reduce Bureaucracy" involved simplifying the Federal law to create a modern, effective and concise Federal legal order. The Reform of the federal legislation was not being implemented centrally, but by each individual ministry for its own area of responsibility. All federal ministries committed themselves to initiate simplifications of the laws within their remits; this involved abolishing superfluous, unwieldy and incomprehensible regulations. The Ministry of Justice provided advice to other ministries on how to proceed and developed a concept to help them review the stock of regulations and ordinances according to a set of criteria. Indicators for legislation which had become superfluous were for example the following: length of time legal provisions had been in place, remnants in amending laws which were no longer relevant, special regulations that could not be allocated to any existing law and pre-constitutional terminology.

Some countries, such as France, Greece or Italy have used simplification laws to simplify regulation since primary legislation can traditionally only be modified by a law. In **Greece** for example, two simplification laws have introduced simplification measures to the benefits of citizens and businesses; the measures outlined in the laws are then to be put into effect through the signature of joint ministerial decisions.

The adoption of administrative simplification in law has other advantages. It indicates the importance attached to the requirements by government and is also a means to ensuring a high level of compliance. Simplifying administrative regulations through legislation also assists the achievement of consistent standards and outcomes and ensures that the policy made is highly transparent.

### *Simplification in France*

Administrative simplification in France is done according to a rolling programme of simplification laws since 2002. Two laws have been adopted so far. A third law is currently under consideration.

- The first simplification law voted on 2 July 2003 adopted a first series of measures to simplify procedures for users. It also reduced formalities for business: it controlled statistical surveys, introduced declarations instead of authorisations, reduced social and fiscal declarations.
- The second simplification law voted on 9 December 2004 planned the simplification of procedures for citizens, the simplification of the tax system and the setting up of legal basis for electronic administration. It also enhanced codification, simplification measures for business and the modernisation of administration.
- A third simplification law is currently under discussion in Parliament, and should be adopted in 2007; it will introduce further simplification for users/citizens and business, and local authorities and pursue efforts to modernise administration, its structures and functioning. A “repeal law” (“loi anti-loi”) is also to be part of the new bill and shall abrogate parts of texts that are outdated, redundant or unused, or which need explicit abrogation.

### *Simplification in Greece*

Two simplification laws have been passed in 2004. Law 3230/2004 has introduced simplification measures to the benefit of citizens.

- The number of procedures (for example for issuing permits) has been reduced. Notification to the department by citizens has been introduced instead of formal approval.

- A silence is consent rule is applied: there is a tacit approval of the citizen's application once a fixed period has expired.
- Time limits have been introduced: there is a maximum time of 2 months for the administration to send administrative documents.
- Reduction effort of required documentation. Required documentation can now be replaced by a sworn statement by citizens.

Law 3242/2004 has refined the provisions of the previous law and has introduced further measures for citizens and businesses. It has also established a **Central Procedure Simplification Committee**.

- Departments will be searching for the necessary documentation needed for the issuing of a permit in agreement with the citizen.
- When citizens request simple administrative documents from the Citizens' Advice Bureaux (one-stop shops) the request is considered to have been made before the responsible department.
- Introduction of integrated electronic administrative exchanges: the relevant department is responsible for searching and transmitting the documents needed for issuing an administrative document such as a professional license.

### *Simplification in Italy*

In Italy, law 59 of 1997 introduced the mechanism of the annual simplification laws, as well as the main principles and criteria to be followed by the government in the simplification rolling programmes. **Four simplification laws** have been produced since and administrative simplification has become one of the key elements of an on-going process for improving the quality of regulation.

- The first simplification law (law 50 of 1999) has started the process of codification of primary and secondary rules, into so called "single texts". It has also introduced, experimentally, new regulatory policy tools, such as RIA and consultation with stakeholders.
- The second simplification law (law 340 of 2000) has pursued the process of "delegification" of rules, and simplification of administrative procedures.
- The third annual simplification law (law 229 of 2003 on simplification and normative recasting) identified the criteria to be followed for the recasting of selected sectoral laws and focused more specifically to fostering the development of the economic activities (elimination of authorisations and licenses when possible; substitution of authorisations, licenses, permits with business "notice" of start up of activities; introduction of a silence is consent rule).

- The fourth simplification law (law 246 of 2005) allowed government to proceed with the codification and recasting and the simplification of administrative procedures. It stated a number of additional general principles and criteria to be considered such as: the necessary consultation of stakeholders; simplification or deregulation of formalities regarding business activities; self-regulation where possible, reduction of the number of documents that businesses must retain in their records. The 2005 law also introduced a “cutting laws law” (“taglialeggi”), for all state laws preceding 1970, apart from those excluded by the law and those identified by the Government and by an *ad hoc* parliamentary commission for their relevance (e.g. civil law codes, laws regulating constitutional bodies).

### **Techniques for accelerating the simplification process**

Adopting legislation to simplify burdensome regulation is necessary in some countries as well as in the **European Union** (see Box 1.12). This can, however, make the simplification policies less responsive and adaptable to changing circumstances. This is why a few OECD countries have introduced innovative tools to facilitate the reform by using subordinated regulations to eliminate burdens and controls established in statutes. These Acts have sought to increase the capacity to process reforms in overburdened parliamentary systems by providing a mechanism through which the executive can implement reforms to legislation, subject to mechanisms for continued Parliamentary scrutiny and disallowance.

In **France**, administrative simplification is done according to rolling programmes set by administrative simplification laws since 2002/2003. These laws have allowed an acceleration of administrative simplification since they empower Government to propose legislative changes through ordinances (“Ordonnances”), which will be ratified at a later stage by Parliament in a streamlined process. In this institutional arrangement – allowed by article 38 of the French Constitution – Government is accountable to Parliament and annually submits a report on the simplification of rules and procedures adopted by the different Ministries. Two simplification laws have been adopted so far and a third law is to be adopted in 2006.

In the **United Kingdom** the New Regulatory Reform Bill would extend the reform powers of the Regulatory Reform Act of 2001. The Regulatory Reform Act had allowed the reform of an entire regulatory regime, involving repeal or replacement of one or more acts, together with their subordinate legislation. The new Regulatory Reform Bill would further facilitate the simplification process by streamlining the parliamentary procedure, giving ministers the powers to amend, repeal or replace any primary or secondary legislation if they can prove that it improves the law.



### Box 1.12. Facilitating simplification of EU legislation

At present the only way to change EU legislation is for revisions to be put forward as an amending Directive or Regulation, which has to go through the full process of negotiation and inter-institutional agreements. This process is lengthy and complex. In its report *Make it Simple, Make it Better*, the BRTF recommended to give consideration to mechanisms in the EU that can enable simplification to be done quickly without re-opening fundamental political arguments. The BRTF suggests for instance to give effect to the Inter-Institutional Agreement commitment. The Council, Parliament and Commission could adopt “*ad hoc* structures” to expedite simplification proposals through the quickest route. An informal body could meet to agree on a list of simplification measures that did not reopen policy questions.

The BRTF report also suggests that EU legislation could be more flexible. It could for example build in scope for amendments to enable changes to be made if a need for simplification arises. The possible need for revision or simplification or “sunsetting” could also be considered at the outset of negotiation on a new legal instrument.

## Conclusions

Improving the quality of regulation and reducing administrative burdens are firmly on the agenda of most OECD countries. Reduction efforts are still mainly targeted towards business – and on small business – but there is also an intention to lift burdens on citizens and other target groups. An increasing number of countries have expressed a high level of commitment through the setting of concrete burden reduction targets, improved communication strategies and high level political involvement.

Administrative burden reduction efforts have generally evolved from *ad hoc* or sectoral programmes to more comprehensive programmes with a “whole-of-government” approach. The policy demonstrates the responsive and flexibility of government as their economies face the challenges competitiveness, globalisation and technological innovation. Countries still face difficulties in the pacing of reforms. On the one side institutional reorganisation and implementation of simplification measures take time and provoke resistance in the bureaucracy defensive of its administrative culture; on the other, strong constituencies from business and the civil society are putting pressure for immediate and sustained results. There is past limited information available on policy impacts of administrative simplification and on the success past of initiatives to reduce burdens. Commitment to data collection and review mechanisms to follow up policy impacts and results of programmes are therefore essential.

Most governments which place a high priority on cutting red tape are considering adopting – or have already adopted – evidence-based approaches to burden reduction. A quantitative approach to burden reduction has an economic purpose, to take account of the costs, creation and the size of administrative burdens imposed on businesses and citizens. Empirical evidence also allows for progress and setbacks in reducing burdens to be measured.

Quantitative burden reduction objectives should, nonetheless, be complemented by qualitative objectives. This could involve reviewing regulations – or avoiding the introduction of regulations – which are considered burdensome, or superfluous. This effort, supported by stakeholder consultation, is shared by a growing number of member countries, and gives an opportunity to address issues that are seen as especially important by the stakeholders. It reflects the efforts to better adapting rules to the user for good governance and transparency purposes.

In a growing number of OECD countries, administrative simplification is being increasingly embedded in the policy-making process. There is an increasing focus on minimising burdens both *ex ante* and *ex post*. Governments are putting in place mechanisms to ensure that new regulations achieve their objectives while minimising burdens placed on businesses and citizens. At the same time, the process of simplifying and reducing the burdens imposed by the existing stock of regulations continues. Administrative simplification is no longer a one off process, but is now an on-going tool for producing high quality regulation.

## Notes

1. The study presents results from a multi-country business survey implemented between 1998 and 1999, covering about 8 000 SMEs in 11 OECD countries. It found that small SMEs (1-19 employees) spent \$4 600 per employee per year to comply with regulation, medium-sized SMEs (20-49 employees) spent \$1 500 per employee per year and large SMEs (50-500 employees) spent \$900 per employee per year.
2. The information received from the Better Regulation Executive at the Cabinet Office indicates that it is possible to set up a business in 24 hours in the United Kingdom. For further information see website [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).
3. [www.kafka.be](http://www.kafka.be).
4. A baseline measurement is a zero-base measurement of the administrative burdens of all existing legislation.
5. Administrative burdens are defined by the Dutch as the costs businesses have to comply with the information obligations resulting from government imposed legislation and regulations. This also includes the obligation to provide information to third parties like employees or consumers.
6. MISTRAL has been used to quantify administrative compliance costs of different laws and regulations. Burdens are quantified in time as well as in monetary terms.

7. The sectors are: road and naval freight, mills for olive oil production, privacy regulation on banks, insurances and industries, food and beverage, and TVA.
8. COM(2005)518.
9. COM(2005)97.
10. [www.simplification.be](http://www.simplification.be).
11. BBC News, 24/11/2005.



## *Chapter 2*

# **Simplification Tools**

## Introduction

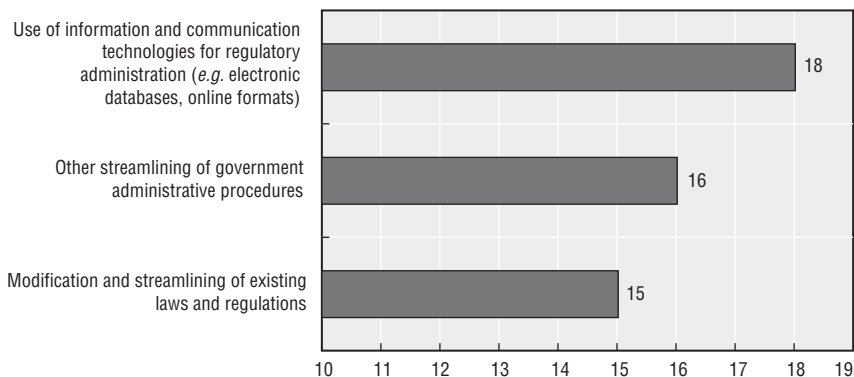
Simplification tools aim at improving the management of governments' information requirements to free time and resources of those affected by the regulation. In effect, they provide mechanisms by which government's broad simplification strategies are implemented. These instruments also have the effect of improving transparency and accountability of administrative regulations.

Simplification tools are generally applied in three areas. These are often closely intertwined.

- **Information dissemination:** making regulatory information requirements easily and cost-efficiently available for relevant target groups.
- **Transactional aspects:** enabling and facilitating regulatory information transactions between authorities and businesses and citizens.
- **Sharing of information:** common storing and sharing information required according to regulations between different government bodies.

The results of the 2005 OECD Survey on Regulatory Quality Indicators show that information and communication technologies are the most privileged simplification tools in OECD countries.<sup>1</sup> As the survey also indicates, the other set of tools mostly used aim at streamlining administrative procedures through process re-engineering (see Figure 2.1).

Figure 2.1. **Techniques to reduce administrative burdens**



Source: OECD 2005, based on preliminary responses to the survey on Regulatory Quality Indicators, for the sub-sample of 22 countries involved in the administrative simplification project.

## Electronically-based delivery mechanisms

Administrative simplification has benefited from the unprecedented and rapid development of ICT-based tools: these offer possibilities for greater coherence and efficiency in regulatory interactions between government, businesses and citizens. ICT mechanisms are essential tools for burden reduction in as they are important “physical” enablers and involve a mix of information dissemination and transactional aspects.

In this way, the efforts to administrative simplification and reduction of administrative burdens link to the broader agenda of e-government (see Box 2.1). The political goal of reducing the burdens is an important driver for e-government in many countries. An important aspect of e-government is the capacity of ICT to transform the structures and procedures of government to improve communication across government and make a simpler and more efficient use of information regardless of where and how services are provided.

### Box 2.1. E-government and administrative simplification

The OECD defines *e-government* as “the use of information and communication technologies, and particularly the Internet, as a tool to achieve better government” (*The e-government Imperative*, OECD 2003). Common ground for programmes on e-government and on administrative simplification is the strive to achieve simpler and more efficient procedures and placing the user (the citizen or the company) at the centre when developing new and improved ways of interaction.

As this report shows, use of ICT is an important tool for achieving administrative simplification – but not the only one. In the same way, e-government is about reducing administrative burdens – but not only that. E-government initiatives cover a wide range of policy goals, and have a central role in current public sector reforms:

- **E-government improves efficiency.** Internet-based applications can generate savings on data collection and transmission, provision of information and communication with customers.
- **E-government improves services.** Successful services (both online and off-line) are built on an understanding of user requirements. A customer focus implies that a user should not have to understand complex government structures and relationships in order to interact with government. The Internet can help achieve this goal by enabling governments to appear as a unified organisation and provide seamless online service.
- **E-government helps achieve specific policy outcomes.** The Internet can help stakeholders share information and ideas and thus contribute to specific policy outcomes.

**Box 2.1. E-Government and administrative simplification**  
(cont.)

- **E-government can contribute to economic policy objectives.** E-Government helps reduce corruption, increases openness and trust in government, and thus contributes to economic policy objectives.
- **E-government can be a major contributor to reform.** All OECD countries are facing the issue of public management modernisation and reform. ICTs have underpinned reforms in many areas, for example by improving transparency, facilitating information-sharing and highlighting internal inconsistencies.
- **E-government can help build trust between governments and citizens.** Building trust between governments and citizens is fundamental to good governance. ICT can help build trust by enabling citizen engagement in the policy process, promoting open and accountable government and helping to prevent corruption.

Source: Adapted from *E-government for Better Government*, OECD, 2005.

## **From traditional physical one-stop shops to centralised government portals**

### **Physical one-stop shops**

The traditional informational approach is the “one-stop shop” for obtaining information. One-stop shops can be defined as offices where applicants and others interested in government services can obtain the information necessary to their query in one location. They are also referred to as “service counter”, “single window” or “information kiosk”. One-stop shops are primarily designed to provide integrated and seamless services with as few and as easily accessible points of contacts with the clients as possible. The purpose of one-stop shops is to provide substantial savings in information search and transactions costs for users in relation to a wide range of interactions with government.

One-stop shops can be general or specialised – specialised one-stop shops often being the outgrowth of general ones. Finally, one-stop shops can be operated by the national, regional or local authorities or in some cases by forms of co-operation between public bodies and private entities, such as business or civil society associations.

Many one-stop shops have been set up in OECD countries in a vast number of combinations to assist both citizens and businesses.

- One-stop shops for citizens date back to the early 1990s with local municipalities being the first providers of such services. Services to citizens have focused most commonly on citizen’s needs and demand patterns such



as “life cycle episodes”. One-stop shops for citizens have notably provided information on registration and licences (birth certificates, car registration), tax reporting, social security, welfare and health services.

- One-stop shops have also widely been used to simplify the government’s interaction with enterprises. Two categories can be distinguished: the “Entreprise service counters” where entrepreneurs can obtain a broad range of services from different public authorities and the “Business licensing services”, which focuses their activities on the provision of information and opportunities for transactions related to the acquisition of permits necessary for engaging in a specific business activity.

There is evidence that many of the variations of the basic idea of one-stop shops have been successful in reducing administrative burdens on businesses and the general public. Gains have been experienced in reductions of time and the cost invested in seeking information, especially on licence and permit requirements.

Delivery mechanisms have expanded from traditional methods, such as face-to-face interviews to telephone and mail, to the use of ICT-based tools, most importantly web portals. Today, OECD countries are focusing on developing “multi-channel” delivery services to improve and facilitate a user’s access to public services – channels involved can range from traditional channels, such as the counter and telephone, to electronically enabled channels: Internet, e-mail, SMS, digital television.

- **France** has set up a one-stop information line with a common number for all administrative inquiries, “3939 Allo service public”, in October 2004.
- **Greece** has introduced a telephone application system “1502”. This call centre allows citizens to apply for a number of certificates and administrative documents.

Notwithstanding the fast growth of Internet-based one-stop shops, physical one-stop shops remain an important means to reduce administrative burdens for citizens and business. These possess qualities, such as personal advice and guidance, or a high level of accountability through the personal involvement of civil servants that web-based one-stop shops cannot offer. Physical one-stop shops are also important in the light of the existing digital divide: the gap between those who have access to the use of ICT and the Internet and those without. Some businesses – for examples SMEs – or groups of citizens might have little or a difficult access to government services provided electronically.

### ***Electronic one-stop shops – web portals***

With the technological progress and the increasing use of IT and Internet, delivery mechanisms for the one-stop shops have evolved: electronic one-stop

shops have complemented/supplemented the traditional physical one-stop shop concept.

The use of ICT made a relevant contribution to the advancement of the one-stop shop concept with the availability of various services online through generalised or specialised portals (electronic one-stop shops). In most OECD countries, one-stop shops and specific purpose portals have been integrated into a broader e-government framework, where one-stop shops have merged into the adoption of government wide portals (see Box 2.2).

### Box 2.2. **Adele programme on electronic administration in France**

In France, the Adele programme on electronic administration has introduced 14 new services for citizens, civil servants, businesses and local authorities. Improvements expected are:

- Better information of the public via the multiplication of websites of public administrations and access points.
- More opportunities for connected citizens to settle their administrative business via the net, by way of “téléprocédures”. More than 84% of the official forms can be accessed and printed from Internet, than handed in. Putting forms online: target is 100% of forms online in 2005.

*Source:* Development of “personalised services”: computerised personal file, central point for change of address, online subsidy request.

To a substantial extent, these portals can be regarded as burden reduction initiatives: they are based around the presentation of existing information and requirements in a more cost-effective manner through the application of technology. As such, they provide substantial savings in information search costs for both citizens and businesses in relation to a wide range of interactions with government. Besides, they are also rooted in concepts of transparency and accountability for good government by making access to government easier.

In OECD countries, administrative simplification is increasingly linked to the setting up of e-government programmes and governmental portals. E-government systems deliver administrative simplification primarily through improved accessibility of information and services and the creation of more integrated and seamless government services. Increasingly, administrative simplification policies are becoming important parts of e-government plans and much e-government activity is pursuing administrative simplification. This is also reflected in the institutional framework of countries, notably in France, Korea, the United States, or the Czech Republic, where the same departments are responsible for administrative simplification and e-government programmes.

The establishment of centralised government portals is a key element in many e-government plans.<sup>2</sup> They are attempts to create an access point through which citizens or entrepreneurs can find all the relevant government information. They are often complemented by specialised portals aiming to assist a particular sub-set of government client groups. These specialised portals would then be linked to a centralised government portal; they frequently represent an outgrowth of those general portals (see Box 2.3).

### **Box 2.3. One-stop business portals in Canada, New Zealand and Denmark**

#### **The BizPal in Canada**

BizPal is one of the “Smart Regulation” initiatives. It is a web-based service that allows businesses to easily generate a customised list of the permits and licences required by all levels of government. It involves three levels of government in the shared delivery of licences and permits. This one-stop shop resource for obtaining information about federal, provincial/territorial, and municipal government requirements ought to clarify steps for regulatory approval and reduce costs for businesses to meet compliance requirements.

#### **The BizPortal in New Zealand**

One-stop business portal (BizPortal) is one of the essential initiatives to increase the accessibility of government services and information on compliance requirements via technology, as recommended by the Ministerial Panel on Business Compliance Costs. This one-stop business portal is let by Industry New Zealand and will co-ordinate access to business services across government as well as providing private sector information.

#### **The Danish Business Portal Virk**

The business portal Virk.dk provides Danish businesses with access to a wide range of both public and private sector information and services. The portal was developed as a private-public partnership under the mandate of eErhverv – a service association consisting of the Ministry of Economy and Business Affairs, the Ministry of Employment, the Ministry of Food, Agriculture and Fisheries, the Ministry of Environment, municipalities and the Danish regions. A large number of Danish e-government organisations and businesses contribute content to the portal.

### **Electronic transactions**

Some government portals allow Internet based regulatory transactions, extending the logic of an electronic information provision into a one-stop shop or “clearinghouse” for licence or registration issues (see Box 2.4). The

### Box 2.4. Specialised one-stop portals in Korea

The G4C (Government for Citizens) system was established in 2002 and provides online public services for citizens. The system provides help and notice over 4 900 legal civil applications and allows transactions. Since 2003 an Internet-based document issuing system has been set up. Civil applications can be made from home and applicants can receive these forms and print them out from their personal computer. These online applications are available for 22 types of documents, notably the most popular ones such as an attested copy of citizens' registration and the necessary documents for real estate trade. By 2007 the services shall be expanded to 30 types of documents.

The G4B (Government for Business) system is available in Korea since September 2005. It is a government one-stop service portal for businesses. The system is intended to support businesses throughout the whole business lifecycle. It notably provides online support for administrative affairs (e.g. applying for government license or business registration) and online industrial information. The system will also interconnect government industrial networks with private sector services to support corporate activities. The G4B system is currently enhanced to allow businesses to apply and receive a notice on the result of their application for the administrative affairs that can be processed online.

The G4F (Government for Foreigner) system is a comprehensive one-stop shop portal for foreigners and is to provide a variety of services by 2006. It will provide information on three target areas: attracting foreign investment, employment and immigration/residence and will also allow online processing of administrative affairs.

degree of sophistication of these portals however varies; four stages can be identified regarding the degree of online government services:

1. **Information:** the information necessary to start the procedure to obtain this public service is available online.
2. **One-way interaction:** the publicly accessible website offers the possibility to obtain in a non-electronic way (by downloading forms) the paper form to start the procedure to obtain this service.
3. **Two-way interaction:** the publicly accessible website offers the possibility of an electronic intake with an official electronic form to start the procedure to obtain this service. This implies a form of authentication of the person (physical or juridical) requesting the services.
4. **Full electronic case handling:** the publicly accessible website offers the possibility to completely treat the public service via the website, including

decision and delivery. No other formal procedure is necessary for the applicant via paperwork.

Currently, the possibility of undertaking transactions online is only in the process of being fully developed in OECD countries. The degree of online sophistication tends to be situated between one-way interaction and two-way interaction.<sup>3</sup> The majority of online government services in OECD countries – which are more developed for businesses than for citizens – only provide users with information and downloadable forms, and in most cases, they cannot offer them the capacity to undertake transactions online.<sup>4</sup>

There is also an important gap between the online development of services that deal with the administrative obligations of citizens and business – registration and permits – and the income generating services: taxes and contributions from citizens and businesses to the government. The low score for administrative obligations – except for the submission of data to statistical offices – is in part due to complex administrative procedures for the services such as environmental-related permits and applications for building permissions.

It is therefore important for governments to take the opportunity to realise gains from making transactional services available online where they can improve service delivery, although making transactions electronically that are useful is complex.

### **Joining-up e-government services**

E-government offers a major opportunity to organise services and the agencies providing them around users, through portals based on “life events” or similar single-entry points that aggregate or cluster services together. Most users would want to access e-government services from a single point of entry and have little interest in how government is organised. They don’t want to look through many websites to find the services they are looking for. A risk to avoid with the development of the number of websites is to have fragmented services offerings that leave users confused and poorly served. This can be alleviated by making search and navigation as easy as possible for the user (e.g. by increasing the use of semantic search possibilities, search on key words or life events, etc.).

The co-ordination of e-government is important in this respect. Until recently, e-government initiatives were driven by individual agencies in OECD countries with ministries seeking ways to help meet their individual mandates. Decentralised development of e-government raises challenges: ensuring that individual computer systems can communicate with each other, the common standards are in place as new services are developed, the services support rather than duplicate each other. The cross-cutting nature

of e-government requires governments to strike a balance between decentralised initiatives and a coherent approach traditionally associated with more centralised arrangements. Some of the most successful e-government initiatives have been in decentralised systems. Furthermore, technology is too complex and fast-moving to be fully centralised. Centralising some technical aspects of e-government can however better enable decentralised service delivery.

Some OECD countries have strong centralised e-government programmes. This is the case in the **United States** (see Box 2.5) and **Korea**.

- In **Korea**, the Special Committee for e-government under the Presidential Committee on Government Innovation and Decentralisation may analyse all processes and develop mandatory information systems for government organisations such as federal organisations, but also for provinces and municipalities.
- The **United States** have made a major effort to migrate agencies from their unique solutions, to using cross-agency solutions. Steps include establishing single sources of information accessible by citizens in no more than three mouse clicks and developing tools that provide a simple one-stop access to government programmes.

In other countries, the e-government organisation is not empowered to impose mandatory use of certain processes; organisations can organise their business process independently. In some cases, notably in Germany, the way to achieve common processes is then to convince organisations by offering solutions that work and bring advantages when applied.

- In **Australia**, government agencies operate in a largely decentralised management environment. They are responsible for their own ICT investment, strategy, development, implementation and support. There is nonetheless an overall e-government strategy and a range of national e-government standards. Each agency is responsible for determining which services are e-enabled, based on their own policies, procedures and knowledge of their target audience. The Australian government has however created an environment where people are not aware of this structure: a single point of entry brings together a complete collection of information and services.
- In **Germany**, the “Deutschland-Online” was initiated by the Federal State, the Länder and the municipalities in 2003 to provide an integrated e-government. Most of the administrative services are not provided by the Bund, but by the Länder and municipalities. The idea was therefore to bring these services to the level of the national services provided, which have improved following to the national initiative “BundOnline”, which finished in 2005.<sup>5</sup> Problems to be overcome are that there is a difference in the engagement of the Länder in

### Box 2.5. E-government initiatives in the United States

The **E-government Act of 2002** was a significant step forward in the way Federal agencies should consider using IT to transform agency business into a more citizen-oriented and user-friendly process. A Presidentially-appointed Administrator at the OMB is in charge of overseeing the implementation of IT throughout the Federal government and the cross agency E-government initiatives. The Act requires agencies to support many cross-agency e-government initiatives to consolidate duplicative services and operations, save time, money and allow for easier interaction with Government agencies. E-government initiatives are selected on the bases of the values they bring to citizens, while generating cost savings and improving the effectiveness of government.

The **Government Paperwork Elimination Act (GPEA) of 1998** – prior to the E-government Act – required agencies to provide for electronic submission of information, including electronic signature and proper security. The idea was that one way to reduce the paperwork burden on the public was to make government transactions available on Internet – about 68% of transactions were considered to be conductible electronically.\* The GPEA required agencies – by end of 2003 – to provide for the option of electronic maintenance, submission, or disclosure of information, when practicable as a substitute for paper; the use and acceptance of electronic signatures when practicable.

In the **United States**, e-government strategy focuses on a citizen-centred perspective when improving e-services by simplifying and unifying work processes and on creating shared services.

- *Business Gateway* provides small business owners with a single access point to all government services and information designed to assist them to start, run and grow their business.
- *Regulations.gov* allows the public to participate in the regulatory process and thereby provide insight to possible areas for burden reduction. Public can search, view and comment on hundreds of proposed federal regulations from over 160 federal agencies. This initiative has increased citizen and business access to their government.
- *GovBenefits.gov* provides a single point of access for citizens to locate and determine potential eligibility for government benefits and services. It reduces the time citizens spend trying to identify and find relevant information about government benefit programmes and services matching their specific needs.

*IRS Free File* provides a single point of access to free online preparation and electronic tax filing services. Through this initiative, a significant number of tax payers are able to prepare and submit their tax returns over the Internet at no cost, eliminating the need to pay for electronic filing cost or pay for postage.

\* Managing Information Collection, Information Collection Budget of the United States Government, Office of Management and Budget, Fiscal Year 2004.

the e-government effort; there are Länder-specific ICT solutions. 47 different IT systems are for example functioning in citizens' registration offices, some of which are incompatible.

The objectives of the "Deutschland-Online" initiative are the following:

- ❖ Make major, broadest administrative services available online.
  - ❖ Harmonise and interconnect structures and offers of Internet portals.
  - ❖ Facilitate data exchange through building and upgrading common infrastructures.
  - ❖ Defining efficient common standards for an efficient data exchange and avoid duplication.
  - ❖ Improve e-government co-ordination and accelerate the transfer of solutions.
- In **Sweden**, every agency has individual responsibility for technical systems and services. Co-ordination shall be reinforced between agencies to avoid dividing lines, since the 24/7 Agency project plans a single contact with public authority, irrespective of how particular public tasks are divided between different government agencies, or between central government, municipalities and county councils. Firmer forms of co-operation are planned between central government, municipalities, county councils to develop services that match needs of citizens and companies.

Governance structures are central to reach the benefits of e-government for administrative simplification: more integrated user-focused information and services. A user focus implies that a user should not have to understand complex government structures and relationships in order to interact with government. Through Internet, government should therefore appear as a unified organisation and provide seamless online services. Successful elements of a user-focused approach would notably include:

- A single "all-of-government" site serving as a one-stop shop for e-government services or a portal/website achieving the same objectives.
- An initial focus on area where the need is strong and where there is a clear priority and high demand from users.
- Common navigation and search architectures across all online content and services.

The need for effective co-ordination between government departments and between levels of governments is pressing in relation to the use of specific policy approaches and tools. This is the case for one-stop shops and for web portals, notably for the co-ordination between "government wide" or general portals and more specific ones.



Elements stabilising the trend of growth of e-government on the long-term are currently the tendency for decentralisation of political and administrative tasks and the present lack of country-wide co-ordinated policy in many OECD countries. In a number of OECD countries more attention therefore needs to be given to strategies to develop and maintain this co-ordination. This has been stressed by the OECD as one of the factors for successful e-government architecture (see Box 2.6).

**Box 2.6. 2005 OECD report: E-government for better government**

The OECD report, *E-government for better government* (2005) has identified four criteria to optimise IT and Internet as a tool to deliver services to citizens and businesses.

**User-focused e-government:** making electronic services more responsive to the needs of citizens and businesses. This involves bringing services to users in a seamless, integrated manner and requires a comprehensive view of the users' needs and demands.

**Multi-channel service delivery:** improving links between traditional electronic services in order to promote service innovation and ensure access for all users. The approach aims to improve service to the user by integrating service delivery across different delivery systems including Internet, call centres, over the counter service, e-mail and ordinary mail.

**Approaches to common business processes:** identifying common processes within government – and consolidating those common processes – in order to achieve economies of scale, reduce duplication and provide seamless services. Governments can identify common business processes such as payroll, human resources management, accounting and archiving systems to improve and share the use of those systems to avoid redundancy, incompatibility of systems and processes.

**The business case for e-government:** measuring and demonstrating the costs and benefits of ICT investments in order to prioritise and better manage e-government projects. Analysis of e-government costs and benefits allows governments to support investment decisions and evaluate results. Without a business case, governments risk developing technology-enabled services that may not correspond to the needs of business and citizens.

## **Data-sharing and standardisation**

### ***Benefits of data-sharing***

The objective of data-sharing is to create access to reliable data through the optimal sharing of data within the public sector, based on user consent

and legitimate purposes. A certain number of OECD countries have been exploring data-sharing to release burdens on business. Currently, burdens for businesses are increased by the fact that they have to report the same information to several different government entities. The same information often needs to be submitted in other formats and by other means, for example for tax or statistics obligations. This leads to time wasted, processing delays. Sharing data allows reporting from one business administration to many stakeholders according to the principle: collecting data once and using it many times. To make data-sharing more effective and secure, changes need to be made to the public sector ICT infrastructures to create interconnected information systems as well as data structures.

### Box 2.7. Examples of data sharing solutions in OECD countries

In the **Netherlands**, Ministries share information submitted by companies between themselves, saving companies from having to submit information to two different entities. The operation “Walvis-SUB” was introduced by the Ministries of Finance and Social Affairs and Employment in January 2006 to reduce the burdens of social security legislation. It allows companies to only provide the data to the tax authorities, and no longer to the Workers Insurance Authority. Previously, for wage and social security contributions, businesses had to provide almost the same information on various occasions to different government bodies.

In **Korea**, the Ministry of Government Administration and Home Affairs (MOGAHA)\* is setting up a system to share information between administration offices. Currently, 24 types of administrative information – including departure and entrance information, or disability information – have been shared by administration offices. The Ministry has arranged personal information protection measures to allow a safe exchange of information.

In **Norway**, the ALTINN portal allows businesses to provide data, which will then be shared in three different ways: through a web-based schema to be filled out online by the firms; through electronic reports which will be drawn from the firm’s own data systems; through electronic reporting done by firms or professionals (accountants, auditors) on behalf of the firm.

In the **United States**, the Veteran Administration and the Department of Defence have an agreement to provide access to data on shared patients receiving health care from both organisations.

In **Finland**, the post office serves as an intermediary and provides an electronic client service through which companies and associations can make declarations to the authorities that collect statutory data. This allows users to report their data only once.

\* Ministry of Government Administration and Home Affairs.

Several ways of sharing data can be found in OECD countries (see Box 2.7):

- **Smart forms and cards:** users store commonly-used information about themselves on their computer or a smart card which they can provide as needed.
- **Portals:** government agencies collaborate on front end collection of data, that is through shared forms or a portal interface for a common set of services or a shared target population.
- **Agents:** intermediaries (for example, accountants) collect data and submit it to government or use software that collects and packages data to be sent to government.
- **Public sector data sharing:** agencies share specific data, open their databases to each other as needed or share a common database.

### *Standardisation for interoperability*

Standardisation<sup>6</sup> is necessary for an efficient exchange of data between different government entities – to agree on the way terms are spelled out and on the meaning words have. Useful standards could be closely linked to the existing processes and the administration of businesses. The challenge is to standardise in a manner that allows compliance with existing regulations and adheres as much as possible to the existing business process.

- The **Netherlands** (see also Box 2.8) are currently exploring cross-domain standardisation of data. A standard for financial accountability of companies towards the government is being worked out under the responsibility of the Ministry of Finance and the Ministry of Justice.<sup>7</sup> Using this standard enables the various reports to be reconstructed from the company's financial records. Time spent on drawing up accounts will be considerably shortened. This should allow reducing the administrative costs for companies of obligatory retrieving and delivering information to government. The measure is expected to reduce burdens by € 350 million yearly for businesses as from 2007.
- In **Sweden**, the government set up a “Governmental Interoperability Board” in January 2004 to establish common standards for electronic information exchange between agencies; and between agencies, citizens and enterprises.

Amongst others, key barriers to change in the area of data-sharing are: antipathy towards data-sharing and risk-aversion, a lack on trust on how government will handle data. To advance further in this area, governments will need to ensure provision of secure and trusted environments for data-sharing that take into account privacy concerns and give users more control over their data, consent for its use and transparency about how it is used.

### Box 2.8. Harmonising ICT infrastructure for business in the Netherlands: the ICTAL Programme

The ICTAL programme (2003-2006) involves using ICT to reduce administrative burdens.<sup>\*</sup> It was set up by the Dutch government, trade and industry and under the organisational responsibility of the Ministry of Economic Affairs to develop an operational infrastructure for electronic information exchange between businesses and government. It should allow cost reductions and avoid the risk that each government organisation attempts to find its own electronic solution, with its own standards, its own authentication procedures. The objectives are: an integrated service provision, a single data management unit for government, and a single location for the processing of electronic data. The aim is to create systems for “single submission” by businesses for “multiple usage” by government.

The infrastructure relies on three instruments:

- A Business Information Helpdesk: the information medium can be accessed via all government websites and shall also allow to carry out transactions via electronic forms.
- A Basic Company Register: a name and address register of all companies and organisations based in the Netherlands. The unique identification of companies is necessary for the “electronic recognition of companies” and is essential for the exchange of information between different government organisations. It will be compulsory for government organisations to use this register. The register is also to be used for the exchange of information about businesses between different government organisations.
- A Government Transaction Portal: a “digital post office for the government” where businesses can send all data compulsory under government regulations. The portal will process the data traffic and then pass it on to all the relevant government organisations. These transactions will be complemented by a national Digital Authentication Service which is currently being developed

\* Electronic government, including ICTAL facilities are expected to cut administrative burdens by € 95 million by 2007. From 2008 onwards, a cut of around € 280 million could be counted on.

Agreements regarding data access and use and responses to legal and organisation and cultural concerns must also be found.<sup>8</sup>

## Process re-engineering

Process re-engineering approaches are based on the review of the information transactions required by government formalities with the objectives to optimise them, reducing their number and reducing the burden

of each through redesign, elimination of steps and application of technology. These approaches have mainly been applied to burdens on businesses.

## **Simplification of licensing procedures**

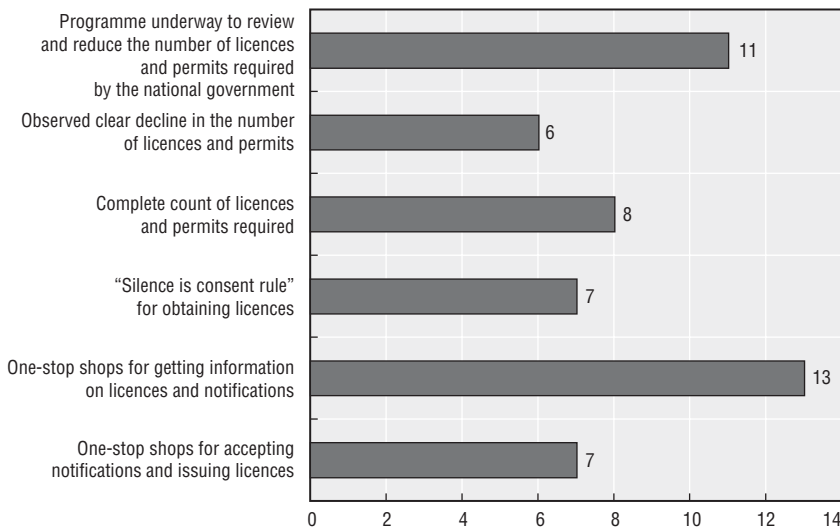
### **Review of licensing procedures at national level**

In OECD countries process re-engineering has started concerning licensing and permitting. Licensing is the practice of requiring prior approval by a government authority for the establishment and conduct of a business or other activities. Approval is based on the provision of specific validated or certified information, usually in written form. Governments use licenses – in varying degrees and with different objectives – to protect the environment, to assure certain market allocations or to protect consumers. It is a widespread form of intervention in business activities, although OECD data suggests that different countries use it to differing degrees.

Business licensing is widely believed to have the potential for serious economic harm, because it raises the question of barriers to new start-ups and because of its anti-competitive possibilities: incumbent firms have strong incentives to lobby regulators to use the licensing arrangements as a means to protect themselves from new entrants.

According to the result of the 2005 *OECD Survey on Regulatory Quality Indicators*, half of the countries surveyed had a national programme underway to simplify licensing procedures for business. Out of the 22 countries surveyed 8 are undertaking a complete count of licences and permits required. This is the

**Figure 2.2. Simplification of licensing procedures for business**



case of Canada, France, Korea, Mexico, the Netherlands, Poland, Switzerland and Turkey (see Figure 2.2). Six out of the 22 countries surveyed, notably Belgium, Greece, Italy, Korea, Poland and Turkey have observed a clear decline in the number of licences and permits required.

Process re-engineering to simplify permits and licenses has involved the replacement of authorisations by notifications, the amalgamation of related licenses, and the introduction of time limits and of silence is consent clauses. In OECD countries, many permits and authorisations were converted into notification, or other requirements that are not essential to the commencement of a business (see Box 2.9). In other cases, documentary requirements were reduced or simplified, or the departments substantially reduced the average length of time required to process applications. Time limits for administrative decision-making were also introduced by countries to reduce costs and uncertainty; they notably involved measures such as silence is consent clauses for the public sector to provide reasonably quick responses to requests from businesses and citizens.<sup>9</sup>

- In 2003, **Italy** introduced the “silent consent” or “start-of-activity” notice as general practices; previously these tools were used only in cases specified by law. “Any authorisation, licence, non-constituent concession, permit or other approval named... shall be replaced by the start-of-activity notice.” In cases where the “start-of-activity notice,, cannot be used the principle of “silence is consent rule” is applied. The measure has however not been extended to instruments issued by government departments involved in strong national interests (law 229).<sup>10</sup>
- In **Greece**, efforts have focused on the authorisation of new businesses, the issuing of professional licences and the approval of certain applications

#### Box 2.9. Cases of facilitated licensing procedures in the Netherlands and in Denmark

In the **Netherlands** revision of the act on private companies with limited liability (Ministry of Justice) is leading to less stringency when setting up a company. A number of declarations will be dropped and the approval of the general shareholders’ assembly for certain legal actions will no longer be required. Companies will no longer have to submit a “certificate of no objection” when setting up a firm. This will be replaced by a notification that a company has been formed. This will be introduced by the Ministry of Justice in the context of reforming the system of preventive supervision.

In **Denmark**, businesses can now get binding prearranged permits on selected areas in the work-place safety legislation from the work-place safety authorities.

concerning SMEs. There has been a reduction in the number of procedures for the issuing of permits and their replacement with a notification from the citizen to the department responsible, which will check compliance with the legislative framework in force. Time limits have been introduced with the tacit approval of the citizen's application once a fixed period of time has expired if the competent authority has not refused the application. 2 months has been set as the maximum time for the administration to sending the administrative document.

- In **Poland**, there has been a simplification of permitting and licensing process with the Act on freedom of economic activity in July 2004. Registration for business has been simplified through the introduction of a one-step procedure, the creation of a single identifier for business when conducting economic activity and the reduction of the number of licences and permits. Application has been introduced instead of permits to make registration less burdensome for businesses. There has been simplification/abbreviation of procedures of registering economic activity through the use of electronic signatures and central databases of persons conducting economic activity.

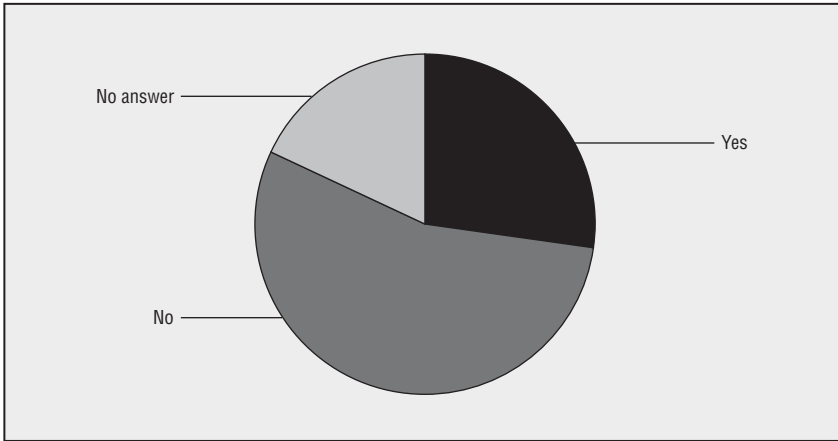
### **Review of licences and permits at sub-national levels**

A minority of countries is reviewing the permits required by the sub-national level. Six countries out of the 22 countries surveyed during the 2005 OECD Survey on Regulatory Quality Indicators are reviewing the number of licences and permits at sub-national level, notably Canada, Greece, Korea, Mexico and the United Kingdom. The survey however reveals that fewer countries are reviewing licences and permits at sub-national level than at national level (see Figures 2.3 and 2.4).

In some countries the different levels of government are starting to co-ordinate efforts to reduce the burdens on businesses.

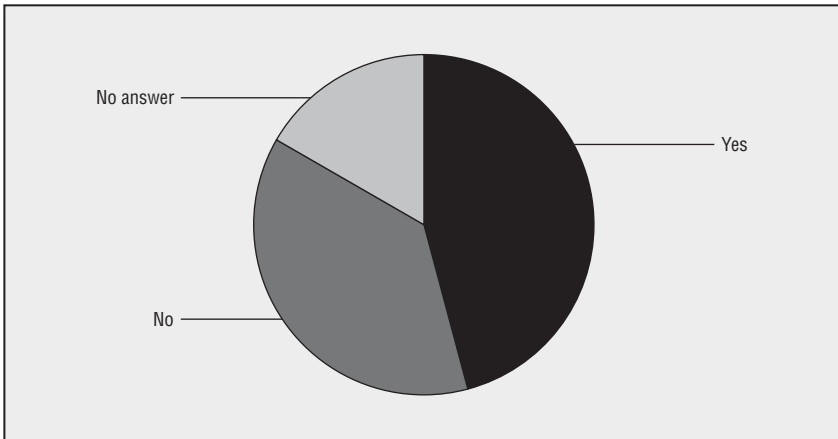
- In **Italy**, law 246 of 2005 introduced agreements between the Government and the regions to:
  - ❖ Facilitate the co-ordination of their respective areas of responsibility, notably regarding the administrative formalities that businesses must fulfil and procedures for authorisations, licences, approvals.
  - ❖ Identify nation-wide approaches to simplification of such formalities.
  - ❖ Ensure the removal of obstacles to the functioning of smooth operations of unified business help-desks or one-stop shops.
- In **Sweden**, the Swedish Business Development Agency produced a report in 2004 on the most important permits needed to start a business and on the average processing time to receive the permits. The report stressed differences

**Figure 2.3. Programmes underway to co-ordinate the review and reform of permits and licences at sub-national levels of government**



Source: OECD 2005, based on preliminary responses to the survey on Regulatory Quality Indicators, for the sub-sample of 22 countries involved in the administrative simplification project.

**Figure 2.4. Programme underway to review and reduce the number of licences and permits required by the national government**



Source: OECD 2005, based on preliminary responses to the survey on Regulatory Quality Indicators, for the sun-sample of 22 countries involved in the administrative simplification project.

in processing times for permits between municipalities as well as gaps in the agencies' and municipalities' knowledge of – and information about – the length of processing times. The government is in the process of formulating more concrete targets for government agencies to simplify starting a business.



## Facilitating compliance

### Adopting risk-based approaches

Risk-based approaches allow to deliver better overall regulatory outcomes while reducing the costs incurred by the majority of low-risk businesses as unnecessary inspections or data requirements on less risky businesses would be ended. The underlying principle of risk assessment is that resources, which are often scarce, should not be used to inspect or require data from businesses that are low-risk.<sup>11</sup> The benefits of a risk-based approach are that it focuses regulators' resources in those areas where the risks to society are greatest, ensuring inspections of riskier businesses that may not otherwise take place because of lack of resources. It also means that large-scale random inspections are replaced by more targeted intervention.

- In the **United Kingdom**, the new Regulatory Reform Bill will introduce a package of reforms to reduce the costs to businesses of complying with regulation – the Hampton Review recommended a change of culture based on a risk-based approach to reduce compliance burdens. The government plans to make regulators apply a risk-based approach in all aspects of their work when making data requests from businesses, when shortening forms, when applying penalty regimes and when applying systems of inspection and enforcement. Regulators' resources and inspection activity will be strengthened in the areas where the risks are greatest.
- In **Canada**, the External Advisory Committee on Smart Regulation (EACSR)<sup>12</sup> required that further work be done on issues related to compliance and enforcement. Compliance should be based on a risk management approach. Because government does not have the resources to inspect or enforce all regulations; a relationship of trust should be built whereby government compliance strategies could include incentives for businesses and citizens to voluntarily demonstrate compliance. Federal government plans outlined in the "Report on actions and plans" on "Smart Regulation" state that regulation needs to be designed to achieve desired economic and social policy objectives. Regulatory attention needs to be focusing on areas which pose the greatest risk. This should allow reducing the overall regulatory burden. Sanctions should be sufficient to deter non-compliance.
- **Denmark** has introduced a simplified, more targeted environmental supervision. Environmental supervision is prioritised towards firms that do not comply fully with the legislation. The supervising authorities are to categorise firms into 3 levels depending on the firm's effort on environmental issues. Supervision of level 1 firms, which are the most environmentally friendly are thus not being prioritised as high as level 2 or 3 firms, where the need for supervision is greater.

- **Poland** has reduced the number of inspections on business with the 2004 Act on the freedom of economic activity to favour economic activity and reduce the burdens on enterprises.

### *Modifying thresholds to lift burdens on SMEs*

Governments have realised that SMEs play an important role in economic prosperity and that they tend to be disproportionately affected by regulation. Specific simplification measures therefore focus on this particular group and involve modifying regulatory designs to take better account of the compliance capacity of this group. In countries such as the Netherlands and Denmark this has for example been achieved by modifying regulatory thresholds to lift compliance burdens on small enterprises.

#### **Denmark:**

- Raised the threshold for VAT-registration from 20 000 DKK to 50 000 DKK. The result being that 31 000 small firms are now exempt from reporting their VAT accounts to the tax authorities.
- Government has reduced the demands applying to SMEs considering annual reports, which contains many complicated rules.

In the **Netherlands**, to benefit SMEs, a reduction has been decided in the size of the spot test group concerning the questionnaires imposed by Statistics Netherlands. More generally, the Ministry of Affairs has also decided to make more use of existing sources such as data from the tax authorities for labour market, annual and short-term statistics. This means that fewer questionnaires would be circulated.

### *Redirecting resources to advise*

Further advice can reduce administrative burdens by reducing time taken to comprehend regulations and data requirements. Although regulators in OECD countries generally provide some sort of advice, many countries would agree that more resources should be directed to advice. Business knowledge of regulations is generally rather low and regulators are still often failing to communicate their requirements simply and effectively to business. Business should be able to find out quickly what regulations apply to them, what those regulations require and how cost-efficiently these requirements can be met. Some countries have taken specific measures to increase advice provided by regulators, notably advice to SMEs, who do not have the staff or time available to monitor changing legal requirements.

- **United Kingdom:** as set out in Budget 2005, the government intends regulators to focus greater resources upon providing comprehensive advice to businesses and do more to help them understand and comply with regulations easily and cheaply, as recommended by the “Hampton Review”.

The acceptance of this recommendation also means that in the future, forms will be shorter, simpler, written in plain English and designed around business practices.

- In the **United States**, the Small Business Paperwork Relief Act (2002) addresses the burden imposed upon small businesses by Federal regulatory and paperwork requirements. The Act introduces initiatives to lift compliance costs for SMEs, notably to make it easier for small firms to find compliance information. It requires each Federal agency to establish one point of contact to act as liaison between the agency and small businesses; OMB is to publish on an annual basis and in consultation with the SBA, a list of compliance assistance resources available to small businesses.

### *Phased-in implementation of regulations*

Another approach to reduce effective compliance burdens is to ensure that there is adequate notice before the new legal and regulatory measures come into effect. This can be achieved by helping business to anticipate new regulatory measures by having common commencement dates for new regulatory measures. It can also be achieved by providing business sufficient time to reach compliance to consider the most cost-effective way to reach it. These approaches have been implemented in countries like the **Netherlands** and the **United Kingdom** which have worked on improving the predictability of new of changing regulatory measures.

- *Adopting common commencement dates*: in the United Kingdom an initiative is underway that gets all departments to stick to “common commencement dates”. This means that new or amended regulation will only be introduced on one or two days each year. The Netherlands are also adopting this principle.
- *Leaving time before the implementation of regulations*: the Netherlands have decided to leave a long period of time between the announcement of the introduction of new legislation and the introduction itself. In the United Kingdom, guidelines recommended that business should be provided with a 12 week preparation period before a regulation comes into force.

## Conclusions

Many traditional tools for administrative simplification, such as the use of one-stop shops and process re-engineering, continue to be used among OECD member countries to reduce administrative burdens. The innovation over recent years is the increasing use of technology to facilitate this process. The tools are increasingly being used via electronic or web-based delivery platforms rather than through the creation of physical facilities (such as a

physical shop front where businesses and citizens can interact with government).

This raises issues of co-ordination among ministries and government agencies and the possibility that e-government services may be increasingly linked in future to provide a “whole-of-government” access point. Multi-level issues also remain important. Many of the tools and programmes developed in member countries have focused on reducing administrative burdens imposed by the central level of government. There is an increasing trend to consider the burdens imposed by lower levels of government and to adapt and use the simplification tools which have been developed and tested at the central level of government at the lower levels.

The focus is not entirely on the use of electronic methods of achieving burden reduction. Process re-engineering, including the simplification of licensing procedures, continues to play an important role in reducing administrative burdens in member countries – although again the focus is often on the central level of government and more could be done to reduce burdens imposed by lower levels. Facilitating compliance is another important tool to reduce burdens imposed, particularly on businesses. Innovations in this area include adopting risk-based approaches to reduce unnecessary inspections or data requirements; modifying thresholds to reduce the burdens on small and medium size business; providing greater advice to firms on how to minimise burdens and the phasing in of regulations.

### Notes

1. In this context, ICT tools are mainly described as means to achieving administrative simplification and burden reductions. This is a narrower concept than that of e-Government.
2. E-government plans are overarching strategies for the application of key ITs throughout the government sector in a strategic and co-ordinated fashion. Key elements of these plans are traditionally: 1) to enhance customer focus by facilitating access to government administrations by the public, via the Internet; 2) to modernize the state sector's operation by using online operations to deliver efficiencies and better performance; 3) to increase the immediacy and the effectiveness of communications between administrations (*e.g.* through a secure Intranet).
3. European Commission (2005), “Online availability of Europe’s public services”, report of the fifth measurement, March.
4. See OECD (2005), *E-government for Better Government*, Paris.
5. “BundOnline 2005”: large-scale initiative which intended to provide all services that could be provided through Internet online. The initiative has made about 400 services available online, for example pension request or statistical obligations for enterprises.
6. Standards need to be freely available and free of use to maximise influence.

7. The field of annual accounting, taxation and economic statistics are areas where the governments noticed that burdens are the heaviest.
8. For more information, refer to the OECD E-Government work underway on the transformative impact of data sharing, re-use and management. As part of its 2006 programme of work the OECD will identify case studies of data sharing solutions.
9. For more information on the simplification of licensing procedures and on the introduction of time limits, see OECD (2003), *From Red Tape to Smart Tape. Administrative Simplification in OECD Countries*.
10. National defense, law enforcement, immigration, justice, finance, public health and safety, safeguarding the cultural or national heritage and the environment as well as instruments required by EU legislation.
11. Because the work they do is safe, or because they have good systems for managing risks.
12. In its recommendations of the 2004 report “Smart Regulation: A Regulatory Strategy for Canada”.



## *Chapter 3*

# **Institutional Frameworks**

## Introduction

There is significant variation between countries in relation to the institutional or organisational framework used to achieve administrative simplification. These differences reflect, at least in part, different political and administrative arrangements within countries. Institutional arrangements are also included by the objectives being sought – issues such as whether simplification focused on particular areas, or is part of a wider regulatory quality agenda will influence institutional structures.

Institutional or organisational frameworks can be characterised as:

- *Single purpose entities* – an entity charged, as its sole objective, with promoting a specific element of simplification, for example plain language drafting or burden reduction for specific groups such as small business.
- *Administrative simplification agencies* – a specific entity with the role of promoting administrative simplification across government.
- *Regulatory reform agencies* – an entity with responsibility not only for administrative simplification but also for broader regulatory quality issues.
- *External committees* – specialist committees established by government and usually comprising a majority of non-governmental representatives, with the purpose to carry through and co-ordinate, promote, propose or implement administrative simplification.

These structures are not necessarily exhaustive or exclusive. Many countries use a range of the institutional structures to achieve administrative simplification objectives. It is also possible that the emphasis given to particular elements may change over time.

Multilevel co-ordination between different jurisdictions or levels of government is also becoming an increasingly important focus of simplification efforts. Appropriate institutional arrangements need to be established to ensure consistent and effective simplification measures are taken across jurisdictions.

## Single purpose entities

Single purpose entities have a narrow focus on promoting a particular aspect of administrative simplification or they focus on the problems faced by particular sectors, such as small to medium size businesses.



Small business is often the focus of single purpose entities – acknowledging the particular problems and issues faced by this sector. Examples of such entities include:

- In the **United States** the Small Business Administration (SBA) was established in 1953 to provide assistance and meet the specific needs of small businesses. Within the SBA the Advocacy's Office which includes advocates who pursue regulatory, legislative and other policy proposals to support small business grow. It also monitors federal agencies' compliance with the Regulatory Flexibility Act which requires federal agencies to analyse the impact of proposed regulations on small businesses. The Office of Advocacy reports to the Congress each year on the agencies' compliance with these requirements.
- In **Australia**, the Office of Small Business, which is located in the Department of Industry, Tourism and Resources, aims to be a focal point for the development and consideration of small business policy issues within Government. A key element of the Australian Government's small business plan is to reduce the burden of regulation.

Other single purpose entities may focus on promoting plain language drafting to simplify and improve accessibility to laws. The promotion of e-government and electronic means of complying and accessing government regulations is also often carried out by single purpose entities.

In **France**, for example, a specific agency was created in 2003, the Agency for Information and Communications to prepare a strategy plan and programme of action for the 2003-2007 period. Its functions have subsequently been integrated into the Directorate-General for the Modernisation of the State. One outcome of this body has been the development of the ADELE (Administration Electronique) programme in 2004. This e-government action plan runs until 2007 and will involve making available online 300 new services for citizens, civil servants, businesses and local authorities.

## Administrative simplification agencies

Administrative simplification agencies promote simplification across government. These types of agencies are used in a small number of countries and can promote administrative simplification across all stakeholders including businesses and citizens.

A key example of an administrative simplification agency is the Agency for Administrative Simplification (AAS) in **Belgium**. This agency was established in 1998 as an independent agency under the office of the Prime Minister, with a steering committee consisting of representatives of business,

unions and the civil service. Its status allows it to enjoy a substantial degree of autonomy in its work. Its area of operations includes:

- Initiating simplification projects across government.
- Co-ordinating the simplification policy on an administrative level.
- Reporting to the Government, Parliament and stakeholders; and
- Develop tools to measure administrative burdens.

An important recent initiative of the AAS has been the development and introduction of the Kafka test in 2004 as an *ex ante* tool to assess the potential impact of new regulation proposals on administrative burdens prior to the regulation being discussed in the Council of Ministers.

In the **Netherlands** the Interministerial Project Unit for Administrative Burdens (IPAL) located within the Ministry of Finance was established to co-ordinate the measurement of administrative burdens and the attainment of the Government's burden reduction target. IPAL consists of a group of cross departmental experts and co-ordinates the programme in co-operation with the Ministry of Economic Affairs.

## Regulatory reform agencies

Regulatory reform agencies with a broader focus than administrative simplification agencies are more common among OECD countries. Responses to an OECD survey indicated that in eighteen countries the body responsible for co-ordinating the country's administrative simplification policy is also in charge of regulatory oversight and/or the promotion of other regulatory quality issues, such as RIA and consultation procedures.

In many countries these agencies have been in existence for some time and have played an important role in the administrative simplification and regulatory reform agendas of their respective countries. For example:

- In **Australia**, the Office of Regulation Review has been in existence since 1998 with a mission to promote the Australian Government's objective of effective and efficient legislation and regulations, and to do so from an economy-wide perspective.
- The Office of Information and Regulatory Affairs in the **United States**, in existence since 1980, is located within the Office of Management and Budget.
- In **New Zealand**, the Regulatory Policy Unit within the Ministry of Economic Development is responsible for reviewing regulatory impact statements and business compliance cost statements. It is responsible for issues relating to the quality of regulation, and it takes a leading role in improving capability in producing quality regulation in all government departments.

In other countries the role and structure of these bodies is continuing to evolve. For example, in the **United Kingdom**, a new body, the Better Regulation Executive (BRE), was created in May 2005. It is located within the Cabinet Office, a central government department, and is led by an executive Chair recruited from outside central government with management board members from the private sector. It is tasked with taking forward the government's better regulation agenda and has overall responsibility for the government's commitment to:

- Regulate only when necessary.
- Set exacting targets for reducing the cost of administering regulations; and
- Rationalising the inspection and enforcement arrangements for both business and the public sector.

In addition, the BRE will take forward the work previously carried out by the Regulatory Impact Unit (RIU) including:

- Scrutinising new policy proposals from departments and regulators.
- Speeding up the legislative process to make it easier for departments to take thorough deregulatory measures.
- Working with departments to take through deregulatory measures; and
- Driving forward the better regulation agenda in Europe.

In **Korea**, the Regulatory Reform Committee (RCC) under the Prime Minister's Office, established in 1997, comprises members from both the private and public sector. Its wide ranging responsibilities and powers include the preparation of annual reform plans, consultation with stakeholders and the public, and the review of Regulatory Impact Analysis documents prepared by ministries. Additional responsibilities include:

- Reviewing existing regulations, and the establishment and implementation of a comprehensive plan on regulatory improvement; and
- Inspection and evaluation of the progress made by administrative agencies on different levels in terms of regulation improvement.

In order to support the work of the RCC and to focus on the total bundle of regulations affecting a particular activity of sector, the Korean government established the Regulatory Reform Task Force (RRTF) under the Prime Minister's Office in August 2004. Its mandate is to facilitate reform of "bundle regulations" that involve multiple ministries rather than single regulations.

The RRTF has focused on bundle regulations in 45 strategic areas, including golf course construction, marine transportation, internal administrative regulation and job training regulation. By July 2006, the RRTF had drafted 1 421 detailed improvement plans relating to the 45 strategic areas.

## External committees

External committees or “taskforces” are commonly used by OECD countries to address administrative simplification issues. The initiation of new committees or taskforces has been perhaps the most active area of change in terms of simplification institutions since the publication of the 2003 report. The creation of such committees or taskforces can bring together expertise from outside government and can provide a high profile to simplification activities. This is perhaps the most dynamic area of institutional change in administrative simplification since the 2003 report.

These committees or taskforces can be either permanent or temporary; both have been used recently in OECD countries.

### *Permanent bodies*

In the United Kingdom the Better Regulation Taskforce was established in 1997. However, in January 2006 this taskforce was transformed in a new Better Regulation Commission. One reason for the change was the UK Government’s desire to demonstrate a permanent commitment to administrative simplification and regulatory reform implementation.

The BRC, like the Task Force, will be an independent advisory body sponsored by the Cabinet Office. It will sit alongside the BRE and provide independent advice to government from business and other stakeholders about new regulatory proposals, and about government’s overall regulatory performance. The government expects the BRC to work with business organisations and others to make proposals to government for regulatory and administrative simplification. The BRC will continue the work of the BRTF and take on new responsibilities for monitoring the reforms set out.

The work of the Commission will include:

- Challenging departments and regulators to ensure that regulation and its enforcement in accord with the five Principles of Good Regulation – proportionality, accountability, consistency, transparency and targeting.
- Vetting plans from departments and regulators to reduce administrative burdens.
- Scrutinising progress by departments and regulators to reduce wider regulatory burdens, including the use of alternatives and deregulation.
- Investigating specific regulatory and policy issues and making recommendations to government through published independent reports for government to respond to within 60 days.
- Working with business and other external stakeholders in EU member States, and the EU institutions, to support the “Six Presidency” initiative on better regulation in Europe.

Other recent standing committees, advisory bodies or taskforces contributing to administrative simplification in member countries include:

- In 2003, **France** established the “Conseil d’orientation de la simplification administrative” which replaced the “Commission pour les simplifications administratives”. The functions of the new organisation, which consists mainly of parliamentarians and representatives of local authorities, are to:
  - ❖ provide an opinion on the annual simplification programme of administrative formalities and procedures prepared by each ministry;
  - ❖ advise the Prime Minister on the annual report to be sent to parliament;
  - ❖ advise different ministries on simplification measures at their request; and
  - ❖ produce a public report each year.
- In 2004, **Greece** established an advisory body, the Central Procedure Simplification Committee. Its functions include planning, implementing and monitoring simplification initiatives, reform of organisational structures to support simplification efforts, and evaluating the results of the simplification programme.
- In 2005, **Canada** established an Advisory Committee on Paperwork Burden Reduction (ACPBR). The Committee comprises 14 members representing both the public and private sectors, including small business owners, business associations, and Government departments and agencies. The ACPBR has been tasked with identifying concrete initiatives to reduce the administrative burden on businesses and to track government’s progress in lessening the burden over time. It will assess the administrative cost associated with key burdensome regulations using the results of the Statistics Canada Survey of Regulatory Compliance Costs.

### **Temporary or ad hoc taskforces**

Temporary taskforces or inquiries can focus on particular issues and often have a strong mandate to investigate and report their findings quickly. The strong political support given to these bodies can often ensure that they have access to information and adequate resources to undertake their task. They can also play an important role in highlighting problems and bringing them to the attention of policy makers and the public.

In the **Netherlands**, the Advisory Committee on the Testing of Administrative Burdens (ACTAL) was created in 2000 to oversee the administrative simplification and burden reduction programmes of government ministries. It is an independent body consisting of three board members and supporting secretariat. It had originally intended to be in existence for three years and to cease operations in 2003. However, its work

### Box 3.1. Australian taskforce on reducing regulatory burdens on business

In October 2005, the Australian Prime Minister and Treasurer jointly established a Taskforce to identify and recommend improvements to Australian government regulation that are “unnecessarily burdensome, complex, redundant or duplicate regulations in other jurisdictions”. The Taskforce comprised four members with wide ranging experience within the civil service, business, law and small business. Its work was supported by a secretariat drawn from relevant government departments.

The Taskforce was required to report to the Australian Government by 31 January 2006 – it was therefore given a relatively short period of time to complete its work. The Taskforce consulted widely with businesses, government agencies and other stakeholders. It also invited written submissions, and over 150 were received from a range of stakeholders.

The Taskforce made 178 recommendations in its final report to the Australian Government. The Taskforce recognised that not all changes could be made at once and so it identified a number of priority reforms to existing regulations. The priority reform areas were chosen because they were likely to impose significant burdens on individual businesses or affect a significant number of businesses. The features of the priority reform areas identified by the Taskforce were:

- *Excessive coverage, including “regulatory creep”* – regulations which affected more firms than originally intended or their coverage had become more extensive as the real value of thresholds had been eroded by inflation.
- *Overlapping and inconsistent regulatory requirements* – both within government and across jurisdictions.
- *Regulation that is redundant or not justified by policy intent* – covering poorly designed regulation or that which is redundant because circumstances have changed since its introduction.
- *Excessive reporting or recording burdens* – multiple demands from different arms of government which ask for similar information or demands that are excessive or unnecessary.
- *Variations in definitions and reporting requirements* – which create confusion and extra work for business.

Under each of these priority areas the Taskforce identified a range of specific measures that could be taken by government to reduce the regulatory burden faced by businesses. In addition, the Taskforce identified priority areas for further review. Due to time constraints, the Taskforce itself could not make specific recommendations.

Source: Banks (2006); Regulation Taskforce (2006).

has continued and its mandate extended by the Dutch Government. In 2005, its tasks were expanded to include consideration of administrative burdens imposed on citizens by proposed and existing laws and regulations. It is also exploring opportunities to reduce administrative burdens between various branches of government. In 2006, its mandate was extended to 1 June 2009.<sup>1</sup>

**Australia** has made wide use of temporary taskforces to push forward their simplification agenda. In 1996 the Australian Government established a Small Business Deregulation Taskforce to advise it on ways to reduce administrative burdens on small businesses. More recently, the Australian Government adopted a similar model to examine regulation burdens on businesses more generally (see Box 3.1).

**Canada** has also used external advisory committees to provide input into its simplification and regulatory quality programme. In 2003 the Canadian Government established the External Advisory Committee on Smart Regulation (EACSR). The committee was given a wide brief to propose a regulatory strategy for Canada in the 21st century. One of its strategic objectives was to reduce administrative burdens faced by businesses and citizens. The EACSR presented its report to the Prime Minister in September 2004.

## Multilevel co-ordination

Among OECD countries there is an increasing awareness of the importance of promoting administrative simplification and regulatory quality at all levels of governments. This can include both lower level governments within a country but also across countries – for example, in the context of the European Union.

In **Australia**, most State governments have a regulatory quality or oversight body which often mirrors the roles undertaken by the Office of Regulation Review at the national level. For example, in the state of Victoria this role is undertaken by the Victorian Competition and Efficiency Commission which was established in July 2004 and incorporated work previously undertaken by the Victorian Government's Office of Regulation Reform. These bodies provide oversight to regulation and simplification which is the sole responsibility of the specific state.

However, reform and simplification efforts are also co-ordinated across jurisdictions through the Council of Australian Governments (COAG) which is the peak intergovernmental forum in Australia. COAG comprises the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. The role of COAG is to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require co-operative action by Australian

governments – including aspects of regulatory reform and administrative simplification.

In **Canada**, a Federal, Provincial and Territorial Working Group on Regulatory Reform has been created as a forum to help build a shared approach to regulatory reform. Its work includes developing common regulatory principles, developing a consistent approach to regulatory impact analysis and sharing best practices. The aim of the group is to develop governments' capacity to produce quality regulation and encourage regulatory co-operation across jurisdictions.

Co-ordination can also take place across national jurisdictions. At the **European Union** level, the European Commission plays a key role in promoting simplification across the members of the European Union. In 2003, the European Commission launched a range of measures designed to reduce the volume of the Community *acquis*, improve the accessibility of legislation and to simplify existing legislation. As part of this simplification programme the Commission developed a rolling plan for simplification.<sup>2</sup>

This process does not take place in isolation by the Commission itself but is developed in a manner consistent with the Inter-Institutional Agreement on Better Law Making agreed to by the European Parliament, the Council and the Commission. This agreement establishes a global strategy for better law making through the EU. There is also substantial consultation with EU member countries.

## Conclusions

The various forms of organisational structure to promote and achieve administrative simplification in OECD countries discussed in the 2003 report continue to be used. There is no single model which is appropriate in all countries – the institutional structure chosen will depend on political and legal structures in each country and the objectives and priorities of the government.

However, it is possible to identify a number of trends over recent years which show the development and direction that the organisation of the administrative simplification tasks is taking:

- There is an increasing trend to include the responsibility for administrative simplification within the agency or organisation responsible for wider regulatory quality (often including the responsibility for ensuring the quality of regulatory impact analysis undertaken by ministries and regulators).
- External committees and taskforces, both permanent and *ad hoc* are playing an important role in maintaining the momentum for administrative simplification. These bodies demonstrate the high level of political support



given to simplification efforts in many countries and are often able to produce concrete proposals and recommendations within a relatively short period of time.

- Multilevel considerations, both between levels of government within a country and across countries at the EU level, are becoming increasingly important. This trend recognises the need for administrative simplification (and quality regulation) in all jurisdictions.

### **Notes**

1. ACTAL 2006, Annual Report 2005, The Hague, Netherlands, available on [www.actal.nl](http://www.actal.nl).
2. COM(2003)71, "Updating and Simplifying the Community Acquis".



## **Conclusions and Future Directions**

## Conclusions

Administrative simplification and reducing the administrative burdens imposed by regulations on businesses, citizens and other members of the community is clearly an important issue for OECD member countries. The 2003 report *From Red Tape to Smart Tape: Administrative Simplification in OECD Countries* provided an overview of the administrative tools used by a number of countries, a valuable contribution at the time. However, as demonstrated by the range of examples and experiences discussed in this report, administrative simplification is an area that has moved ahead rapidly since 2003.

Experiences have differed among OECD member countries and this is to be expected given different government systems, differing priority and different levels of development with regard to regulatory policy and burden reduction. Nevertheless, it is possible to identify a number of overall trends in the development of administrative simplification and burden reduction policies across the range of countries included in this study.

A key finding of this study is that administrative simplification is becoming increasingly embedded within the overall regulatory quality systems of respective countries. In the past, administrative simplification was often undertaken on an *ad hoc* or sectoral basis. In most of the countries included in this study it is now more of a whole-of-government approach to reducing burdens. An important element of this is that simplification is being increasingly embedded in the policy making process. There is a focus on reducing burdens both *ex ante* and *ex post*, although the relative emphasis given to *ex ante* and *ex post* evaluation of burdens varies between countries.

Measurement has also become an important part of the burden reduction programmes of many countries. The focus of the measurement exercise (and subsequent burden reduction programmes) tends to be on business, often with special consideration for small and medium size businesses but there is a trend towards measuring and reducing the burdens imposed on others including citizens and the not for profit sector. The sophistication of the measurement techniques varies between countries, but the trend is clearly towards more sophisticated and accurate techniques which allow a very detailed examination of the source of administrative burdens. This information is then used both to target burden reduction programmes and to monitor progress overtime.

In terms of tools used to implement simplification strategies, the major development and continuing trend is towards the use of electronic and web based platforms to support traditional tools such as one-stop shops. These platforms are increasingly allowing a whole-of-government approach to be developed. Licence reduction programmes – especially those affecting business – also continue to be an important element of the burden reduction programmes of many countries.

There has perhaps been less innovation in terms of the institutional or organisational structures used to achieve administrative simplification. Institutions and organisations similar to those discussed in the 2003 report continue to be used. However, a noticeable trend is for responsibility for administrative simplification to be included in the body responsible for wider regulatory quality. Often this is the same body that is responsible for overseeing the conduct and evaluation of regulatory impact analysis. This trend reinforces the conclusion that administrative simplification is being increasingly regarded as part of the overall regulatory quality objective of governments rather than a stand alone exercise conducted in isolation.

External committees and taskforces also remain vital in many countries to maintain the momentum for reform and as a demonstration of high level political support for simplification programmes. Such committees have been widely used in the past and experience in member countries over the past few years suggests that it is a trend which will continue.

## **Futures directions**

This section attempts to draw out some possible implications if the trends and conclusions observed in the previous section continue into the future.

Administrative simplification and burden reduction programmes will continue to become more embedded in the broader regulatory quality system. This suggests two possible directions for future development of administrative simplification programmes in many countries:

- Administrative simplification will be less likely to be viewed as a stand alone objective, but will rather be one tool or objective within the overall objective of regulatory quality. Each country will need to decide what resources are devoted to simplification or to the other elements of regulatory quality.
- A second possibility is that administrative simplification may become synonymous with regulatory quality. High quality regulation may increasingly be regarded as that which minimises burdens.

Each raises challenges and issues for consideration by governments. The key question that may be faced by governments is the appropriate balance between simplification and reducing burdens and other aspects and tools of regulatory quality. This question will be important when governments must allocate resources (financial, human and political capital and support) to the various programmes. There is a risk that administrative simplification will divert energies from other, sometimes more fundamental reforms which yield even greater economic and social benefits. Administrative simplification programmes are not a substitute for a rigorous regulatory quality programme. How much should be allocated to regulatory impact analysis to ensure that burdensome regulation is not created in the first place? Alternatively, how much should be allocated to reducing the burdens imposed by the existing stock of regulation?

Governments have been making such choices for some time based on their objectives and national priorities. However, the question of how to allocate resources between simplification and regulatory quality is likely to become more important in the future because many of the trends observed in this paper – including the trend to more sophisticated measurement techniques, greater consultation and the use of electronic delivery platforms – suggest that administrative simplification programmes will become more resource-intensive over time. There is a clear trend among countries to make greater use of evidence-based approaches to guide simplification programmes. The possible next step could be to take a wider evidence based approach to determine the relative priority to be given to simplification and/or to other regulatory quality objectives. This analysis of the relative merits and benefits of different approaches does not seem to have been undertaken to date.

Another issue to be considered by governments is how the sub-national level of government should be drawn into the administrative simplification and regulatory quality agenda. Administrative simplification programmes have focused primarily on regulatory burdens emanating from the central government. However lower levels of government can be responsible for imposing significant administrative burdens and requirements on businesses and citizens.

Administrative simplification helps promote change in administrative culture towards a more service orientated approach to citizens and businesses. Citizens and businesses benefit from reduced administrative burdens, but the government itself also benefits as better, service orientated regulation increases citizen's and businesses' trust in government and its processes.

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## ANNEX 1

## *Institutional Bodies in Charge of Administrative Simplification*

	Body in charge for administrative simplification	Tasks of the body	The body co-ordinating administrative simplification is also in charge of regulatory oversight, RIA and consultation <sup>1</sup>
<b>Australia</b>	Office of Regulation Review (ORR) part of the statutorily independent Productivity Commission	Administers the Regulatory Impact Statement (RIS) process and ensures that regulatory objectives are achieved with minimum adverse impact on business and consumers	Yes
	Office of Small Business (Department of Industry, Tourism, Resources)	Assesses burdens faced by Small Business	
<b>Belgium</b>	Administrative Simplification Agency (Office of the Prime Minister)	Co-ordination and implementation of administrative simplification projects	No
<b>Canada</b>	There is no body as such co-ordinating administrative simplification policies. Responsibilities are split between the Privy Council and the Ministry of Industry	The Privy Council is responsible for ensuring that regulatory policy is respected. The Ministry of Industry is responsible with regard to the current Paperwork Burden Reduction Initiative (PBRI)	No
<b>Czech Republic</b>	Department of Regulatory Reform and central state administration reform (Office of Government)		Yes
<b>Denmark</b>	Division for Better Regulation (Ministry of Finance)	Responsible for the co-ordination of the annual action plan for regulatory simplification	Yes
<b>France</b>	Division of quality and simplification (Ministry of Finance)	Pilots simplification laws, co-ordinates simplification of law, procedures and formalities	Yes
<b>Germany</b>	Secretariat on the Reduction of Bureaucracy at the Federal Ministry of the Interior (BMI)	It co-ordinates individual federal ministries' projects to reduce bureaucracy	Yes

1. Responses to the 2005 OECD Survey on Burden measurement.

	Body in charge for administrative simplification	Tasks of the body	The body co-ordinating administrative simplification is also in charge of regulatory oversight, RIA and consultation <sup>1</sup>
<b>Greece</b>	Division of simplification of administrative procedures (Ministry of the Interior)	Simplification of procedures carried out by one-stop shops with the help of corresponding units in the ministries; responsible for producing laws related to general simplification rules	Yes
<b>Hungary</b>	Department of Impact Analysis, Deregulation and Registration of Law (Ministry of Justice)		Yes
<b>Italy</b>	Office for Normative and Administrative Simplification, Commission for Simplification, Department of Public Administration (Presidency of the Council of Ministers), and Inter-ministerial Task Force for Simplification and Quality of Regulation	Co-ordination of administrative simplification, codification and recasting processes; strategic guidelines for simplification policies in State administration	Yes
<b>Korea</b>	Regulatory Reform Committee (RRC) and Regulatory Reform Bureau (RRB) Ministry of Government Administration and Home Affairs (MOGAHA).	RRC pursues the Government's regulatory policies and reviews regulation; the RRB performs the simplifying administrative burdens and enhancing the quality of regulation. MOGAHA focuses on reducing citizen's application processes and enhancing the public service delivery	Yes
<b>Luxembourg</b>	Comité National pour la Simplification Administrative en faveur des entreprises (CNSAE) (created in 2004)	Analysing the stock of burdensome regulation with identification of the 10 most burdensome ones; developing an action plan to reduce administrative burdens on business	Yes
<b>Mexico</b>	The Federal Regulatory Improvement Commission (COFEMER)	COFEMER is in charge of improving the quality of the regulatory framework by the means of a Biennial Programme. This programme comprehends activities related to amending regulations in force, proposing new ones, creating or eliminating formalities.	Yes
<b>Netherlands</b>	Interministerial Project Unit for Administrative Burdens (IPAL) Ministry of Finance	IPAL co-ordinates the programme for administrative burdens reduction	No

1. Responses to the 2005 OECD Survey on Burden measurement.

	Body in charge for administrative simplification	Tasks of the body	The body co-ordinating administrative simplification is also in charge of regulatory oversight, RIA and consultation <sup>1</sup>
<b>New Zealand</b>	Regulatory and Compliance Cost Unit (Ministry of Economic Development)	Reviews Regulatory Impact Statements (RIS) and Business compliance cost statements (BCCSs) and provides advice to departments on RIS and BCCSs principles and processes	Yes
<b>Poland</b>	Interministerial Task Force for Modern Economic Regulations (Minister for the Economy is the Chairman of the team)	Body is responsible for the co-ordination of Regulatory Policy and the new Regulatory Reform Programme and other Regulatory Reform initiatives	Yes
<b>Sweden</b>	Better Regulation Team, within the Business Division (Ministry of Industry, Employment and Communications)		Yes
<b>Switzerland</b>	State Secretariat for Economic Affairs (SECO)		Yes
<b>Turkey</b>	Department of Administrative Development (Office of the Prime Minister)	Carries out projects on administrative simplification	Yes
<b>United Kingdom</b>	Better Regulation Executive (BRE), in the Cabinet Office	Responsible for the Better Regulation Agenda: scrutinising of regulatory proposals, setting targets for reducing the cost of administering regulation	Yes
<b>United States</b>	Office of Information and Regulatory Affairs (OIRA) within the Office of Management and Budget (OMB)	OIRA is the lead office in reviewing both regulatory assessments and the paperwork/reporting reduction requirements	Yes

1. Responses to the 2005 OECD Survey on Burden measurement.

## ANNEX 2

## The Standard Cost Model in European Countries

	Body responsible for the measurement	Methodology	Methodology applied		Burden reduction targets	Focus on specific groups/areas
			<i>Ex post</i>	<i>Ex ante</i>		
<b>Belgium</b>	Administrative Simplification Agency	Adoption of the SCM to complement "Tableau de bord" (score board) methodology	Yes	To be integrated in the enlarged Kafka test	25% reduction by the end of the parliamentary term	Business and citizens
<b>Czech Republic</b>	Department of Regulatory Reform and Central State Administration Reform	SCM Full baseline measurement	Yes		At minimum 20% reduction target by 2010 on business (target will be confirmed in March 2006)	Business
<b>Denmark</b>	Division for Better Business Regulation (Ministry for Business and Economic Affairs)	SCM Full baseline measurement	Yes	Yes	Reduce administrative burdens for business with up to 25% by 2010. The target is applied to all business legislation	Business; targeting of burdens on citizens and the public sector is currently under consideration
<b>France</b>	Ministry of Finance	"Complexity indicator", adaptation of the SCM	Yes	To be introduced		Administrative procedures affecting business. Measurement will be extended to procedures applying to citizens in 2006

	Body responsible for the measurement	Methodology	Methodology applied		Burden reduction targets	Focus on specific groups/areas
			<i>Ex post</i>	<i>Ex ante</i>		
<b>Hungary</b>			Yes	No		
<b>Italy</b>	Department of Public Administration	SCM Pilot project	Yes	No	No	Administrative Procedures affecting Business; VAT, Road Sector, Permits
<b>Netherlands</b>	Actal and an interministerial structure (IPAL) at the Dutch Ministry of Finance	SCM Full baseline measurement	Yes	Yes	Overall target of 25% reduction of administrative burdens in 2007. Targets per ministry differ	There is a specific focus on reducing burdens on business. Since 2005, efforts have been extended to citizens and the public sector
<b>Norway</b>	Ministry of Trade and Industry	SCM	Yes		The burden reduction target will be set according to the results obtained after the baseline measurement	Business
<b>Poland</b>	Interministerial Task Force for Modern Economic Regulations	SCM 2006-07: pilot project with measurement and reduction in chosen sectors; 2008: start of baseline measurement	Yes	To be included in RIA in 2006	No	Business; VAT and Transport regulations – pilot project, Initial sectoral phase – four sectors (to be indicated), 2008 business baseline measurement

	Body responsible for the measurement	Methodology	Methodology applied		Burden reduction targets	Focus on specific groups/areas
			<i>Ex post</i>	<i>Ex ante</i>		
<b>Sweden</b>	Swedish Business Development Agency (NUTEK)	SCM Area specific measurement	Yes	No	Targets are formulated area by area for certain sets of regulations. Different areas and measurements can have different targets depending on possibilities to make simplification within each area. An objective of reduction of total costs for sets of regulations will be set and is to be reached by 2010	Business; Tax, Annual reports, Environment and Labour Law
<b>United Kingdom</b>	Better Regulation Executive (BRE) co-ordinates the administrative burden reduction initiatives	SCM Full baseline measurement	Yes		The burden reduction target will be set according to the results obtained after the baseline measurement	Business, charities, voluntary organisations. The UK is also considering measuring burdens on the public sector

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# Cutting Red Tape

## NATIONAL STRATEGIES FOR ADMINISTRATIVE SIMPLIFICATION

Most OECD countries have made policies to reduce administrative burdens – cutting red tape – a political priority. Red tape is particularly burdensome to smaller companies and may inhibit entrepreneurship. These effects are more costly in global markets, where competitiveness can be affected by the efficiency of the domestic regulatory and administrative environment. But citizens and large firms also complain about unnecessary reporting requirements. Results are wanted.

What can governments do? Strategies include setting quantitative targets to reduce administrative burdens when new regulations are drafted and by reviewing older regulations; codification; better multi-level co-ordination; and rapid introduction of e-government services. Supported by taskforces and advisory committees, governments increasingly locate responsibility in a central administrative unit. This “whole-of-government” approach represents a major step in recent years, embedding administrative simplification in the overall regulatory quality system at the national level.

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