**Cutting Red Tape**

# Why Is Administrative Simplification So Complicated?

## LOOKING BEYOND 2010

**OECD**

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# ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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# *Foreword*

$A$*dministrative simplification is a tool used to review and simplify the stock of administrative regulations. It has stayed on the top of priority list in most OECD countries in the last ten years. The main goal of activities focusing on administrative simplification has been to remove unnecessary costs imposed on regulated subjects by government regulations that can hamper the economic competition and innovation.*

*There has been much progress in this area in recent years, especially in connection with the ever-growing adoption of the original Dutch Standard Cost Model (SCM) that has become the core tool to simplify administration. However, the perception of SCM-based programmes still varies. Critiques among stakeholders and academics are not fully satisfied with the value-added and cost-efficiency of such programmes.*

*Many countries will finish their current projects over the next few years and now must decide how to continue their efforts. How can they be made more efficient? This report looks beyond 2010 and presents policy options in line with trends and developments and provides policy makers with guidance on possibilities and common mistakes to be avoided when designing, undertaking and evaluating administrative simplification programmes.*

*The OECD has been focusing for many years on the issue of reducing unnecessary administrative costs as one of the most important tools of regulatory reform. This report follows up on a series of reports on* Cutting Red Tape *as well as national reviews of administrative simplification in the Netherlands and Portugal. Administrative simplification is also a substantial part of work with the non-member countries.*

*The interest of OECD countries in practical ways to remove unnecessary administrative burdens will probably carry on in the near future. After the boom of the use of the Standard Cost Model, especially among European countries, the range of instruments for administrative simplification has increased and the focus of administrative simplification projects widened.*

*This report uses information from the project* Better Regulation in Europe: An Assessment of Regulatory Capacity in 15 Member States of the European Union, *as well as information from recent work of the OECD Secretariat such as the* Reviews of Regulatory Reform in Australia and Italy *and current co-operation*

*with Greece and Mexico. Sixteen member countries, Slovenia and the European Commission responded to a questionnaire in 2009.*

*The report was carried out as part of the programme of work of the OECD's Regulatory Policy Committee. It builds on previous work on administrative simplification and regulatory burdens undertaken under the auspices of the Working Party on Regulatory Management and Reform of the Public Governance Committee.*

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# Acronyms

| | |
|---|---|
| **AB** | Administrative Burdens |
| **ABN** | Australian Business Number |
| **AMB** | Administrative Management Bureau |
| **ASA** | Agency for Simplification of the Administration |
| **BPTC** | Business Process Transformation Committee |
| **BRE** | Better Regulation Executive |
| **BPTC** | Business Process Transformation Committee |
| **CCDs** | Common Commencement Dates |
| **DCCA** | Danish Commerce and Companies Agency |
| **EU** | European Union |
| **EUPAN** | European Public Administration Network |
| **ICTs** | Information and Communication Technologies |
| **IO** | Information Obligations |
| **LBRO** | Local Better Regulation Office |
| **MOA** | Misurazione degli oneri administrativi (Measurement of administrative costs) |
| **NAO** | National Audit Office |
| **NAOD** | National Audit Office of Denmark |
| **NRCC** | National Regulatory Control Council |
| **OMB** | Office of Management and Budget |
| **PBRI** | Paperwork Burden Reduction Initiative |
| **PRA** | Paper Work Reduction Act |
| **SBR** | Standard Business Reporting |
| **SCM** | Standard Cost Model |
| **SEMA** | Secretary of State for Administrative Modernisation |
| **VNG** | Association of Netherlands Municipalities |

# Executive Summary

Administrative simplification is a regulatory quality tool to review and simplify administrative regulation. It has remained high on the agenda in most OECD countries over the last decade. Efforts to reduce administrative burdens have primarily been driven by ambitions to improve the cost-efficiency of administrative regulations, as these impose direct and indirect costs on regulated subjects.

Administrative simplification responds to a structural problem *i.e.* a growing volume of regulations in response to:

- Changing relations between the state and the economy as governments withdraw from "command and control" modes while still needing to create an effective regulatory environment.
- Evidence of market failures.
- Pressures to manage risks, either in reaction to events or pro-actively.
- Technological innovations for social change.

Administrative simplification requires to link up *ex ante* assessment of regulations and their *ex post* review, but this is difficult to make operational. Burdens therefore increase, more by accident than design. This is why the issue of burden reduction cannot be isolated from overall considerations of regulatory quality management.

As presented in the introduction, major progress has taken place in the area of administrative burden reduction. The original Dutch Standard Cost Model (SCM) has been adopted by a growing number of countries in recent years. The SCM or its modified version remains the core tool to simplify administration. Other administrative simplification tools and processes (*e.g.* codification and consolidation, creation of one-stop shops) stand in the shadow of these efforts and sometime present only *ad hoc* endeavours that are not, or poorly co-ordinated with mainstream efforts.

Chapter 1 summarises the latest developments in the area of administrative simplification, including the numerous programmes to reduce administrative costs, trends in dealing with regulatory stock, use of Information and Communication Technologies (ICTs) for administrative simplification, developments in the area of inspections and enforcement, regulatory reviews,

etc. The perception of SCM-based programmes by those who should mainly benefit from them, *i.e.* businesses and/or citizens, varies. Some critique has emerged on the cost-efficiency of administrative burden reduction programmes using the SCM. This section also discusses possible reasons why stakeholders are often unimpressed by governments' simplification efforts, adding to the challenge of communications.

Many countries will complete their current administrative burden reduction projects over the next few years and are standing at the crossroads on deciding how to move on with their efforts, making them more efficient. This report looks beyond 2010. Chapter 2 presents policy options in line with trends and developments and provides policy makers with guidance on possibilities and common mistakes to be avoided when designing, undertaking and evaluating administrative simplification programmes. The policy options are separately listed in Annex A.

Chapter 3 suggests a four-step test for an effective evaluation of projects on administrative burden reduction. It examines aspects such as proportionality, effectiveness, efficiency, macroeconomic impacts and perceived actual impacts of the reduction exercise.

Drawing on the experience of OECD countries, the report finds that:

- The focus of administrative simplification projects should be broadened to citizens and the public sector, and to costs other than administrative.
- Governments should quantify administrative burdens and set quantitative targets for their reduction programmes, however quantification should be used cautiously complemented by qualitative methods.
- Administrative simplification should be integrated and co-ordinated with other activities in the area of regulatory reform.
- Efficient institutional structures for co-ordination and monitoring of administrative simplification projects should be created.
- Communication with stakeholders must be strengthened.
- Administrative simplification efforts should be evaluated for their "value for money". An evaluation strategy should be developed before launching a project.

# *Introduction*

## What is administrative simplification?

Regulations and formalities are important tools used by governments to provide services and to carry out public policies in many areas. Administrative burdens have tended to grow in number and complexity, as governments need more information to implement their policies and target their regulations and instruments on more specific issues and populations. The growing use of formalities has become a major problem, known as "red tape" or administrative burdens. Formalities increase costs and multiply barriers for businesses through the time and money needed for compliance. This can, in addition, reduce regulatory certainty, a key parameter for businesses.

Administrative simplification is a regulatory quality tool to review and simplify administrative regulations: paperwork and formalities through which governments collect information and intervene in individual economic decisions.

Administrative simplification has remained high on the agenda of most OECD countries over the last decade. With the complexity and dynamism of societies and economies creating a demand for new and revised regulations, the intricacy of the regulatory framework and the burden it presents for citizens, businesses and the public sector has become excessive.

## OECD work on administrative simplification 2003-08

The OECD has been focusing for many years on the issue of reducing unnecessary administrative costs as one of the most important tools of regulatory reform. 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 when the topic was new, and had a strong focus on the tools used to simplify administrative regulations.

*Cutting Red Tape: National Strategies for Administrative Simplification* (2006) followed with data gathered from a majority (22) of OECD countries. Between the two reports, administrative simplification gained momentum very quickly. *Ad hoc* simplification initiatives had in some cases been replaced by comprehensive government programmes to reduce red tape. Some instruments,

such as one-stop shops, had become widely adopted. New programmes and initiatives were being implemented, notably with a focus on quantitative instruments such as the Standard Cost Model, at the time a still relatively new method for measuring administrative costs, but gaining popularity and growing use.

With respect to the fast growing methods to measure and quantify administrative costs, the OECD launched a pilot project across eleven member countries on measuring and comparing administrative burdens in the transport sector. The project resulted in the 2007 publication *Cutting Red Tape: Comparing Administrative Burdens across Countries*. The aim of the exercise was twofold: it identified good practices and provided input for national simplification strategies, and second, it developed and tested a method for cross-country comparison. It demonstrated that measuring and comparing administrative burdens across countries is possible but not easy nor straightforward.

The OECD has also conducted peer reviews of national administrative simplification programmes. Two national reports were published with a strong focus on administrative simplification: *Cutting Red Tape: Administrative Simplification in the Netherlands* (2007) and *Making Life Easy for Citizens and Businesses in Portugal* (2008). The first reviewed the national programme for administrative simplification in the Netherlands, one of the frontrunners in the field. The report explored options for future work on administrative simplification relevant to OECD countries, highlighting the need to communicate better with stakeholders, cover compliance costs for business more broadly, and look at burdens on citizens and administrations.

The second report examined a unique and ambitious initiative in Portugal to make the public sector more efficient and effective: the Simplex initiative. This initiative focuses on how e-government can be used as a lever for broader administrative simplification, making service delivery more coherent and efficient. This was the first integrated study undertaken by the OECD to analyse administrative simplification and e-government in a national context. In bringing those two areas together in the context of public management reform, this review helped countries identify how reform activities can best support overall government performance and economic growth.

Administrative simplification is also an important part of work with non-member countries. In the framework of the Governance for Development in the Arab Countries Initiative, this topic, closely related to the focus areas of e-government and regulatory reform, has been identified from the outset of initiatives as a top priority for Arab countries. The handbook *Overcoming Barriers to Administrative Simplification Strategies* reviews common barriers to

designing and implementing the strategy for administrative simplification and offers a checklist of 22 approaches to overcome them, providing a synthesis of good practices among policy makers and practitioners.

Substantial work has been done also in the area of regulation inside government. The proceedings of the 2006 International Forum in Mexico City and the 2008 OECD report *Regulation Inside Government* provide a comprehensive theoretical and conceptual framework, and on its basis and analyses, internal regulation in four selected cases.

*Chapter 1*

# New Developments in Administrative Simplification

*This chapter summarises the latest developments in the area of administrative simplification, including the numerous programmes to reduce administrative costs, trends in dealing with regulatory stock, use of Information and Communication Technologies (ICTs) for administrative simplification, developments in the area of inspections and enforcement, regulatory reviews, etc. It also deals with the issue of perception of SCM-based programmes by businesses and/or citizens and discusses possible reasons why stakeholders are often unimpressed by governments' simplification efforts.*

Administrative simplification has remained high on the agenda in most of OECD member countries over the last decade. With the complexity and dynamism of societies and economies creating a demand for new and revisions to existing regulations, the intricacy of the regulatory framework and the burden it presents to citizens and businesses as well as the public sector became excessive. As Figure 1.1 shows, in 2008, 30 out of 31 jurisdictions had programmes to reduce administrative burdens compared with 25 in 2005 and 18 in 1998.

Figure 1.1. **Explicit programme for reducing administrative burdens**
1998-2005-2008
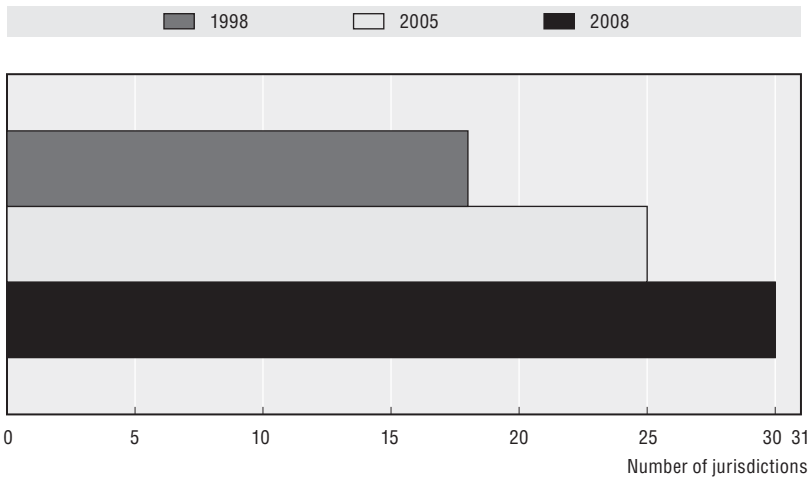


*Source:* OECD Regulatory Management Systems' Indicators Survey 1998, 2005 and 2008, *www.oecd.org/regreform/indicators.*

Efforts to reduce administrative burdens in OECD member 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 to comply with regulations. Indirect or dynamic costs arise when regulations reduce the productivity and competitiveness of enterprises.

The recent economic crisis has contributed to further underscore the importance of administrative simplification. It helps to free resources that are

being spent on compliance and enables them to be invested in jobs and support economic recovery and growth. Therefore, administrative simplification becomes one of the important tools on how to overcome the crisis and re-boost growth.

The focus on administrative burdens has been attractive to OECD governments probably because they represent a part of regulatory costs that can be relatively easily identified and measured. Furthermore, reductions in this type of burden do not require an evaluation of the regulations' policy objectives. The "paperwork" is also usually identified by regulated subjects as the most annoying and as a negative symbol of bureaucracy.

Burden reduction provides a mechanism that can be used to create an incentive for compliance by agencies without determining in advance where the reductions in regulatory burdens are going to come from. Finally, the success of the programmes can be measured and communicated to businesses to build support for reform.

## Rapid spread of the use of the Standard Cost Model

With the development of the Standard Cost Model (SCM) by the Dutch Ministry of Finance, the characteristics described above became even more obvious. The main success factors in the Netherlands and other countries using this model were a sound methodology for mapping and measuring administrative burdens and the possibility to set up a quantitative target for reduction. The latter factor enabled to create a benchmark against which progress could be measured.

The original Dutch Standard Cost Model has been adopted by a growing number of countries in recent years. The countries using the Standard Cost Model include Austria, Belgium, Czech Republic, Denmark, Estonia, France, Germany, Italy, Latvia, Netherlands, Norway, Poland, Slovenia, Spain, Sweden, United Kingdom, Romania, Ireland, Portugal, Turkey, Cyprus,[1] Greece, Lithuania, Finland and the State of Victoria, Australia.[2]

The programmes on administrative simplification, and again especially administrative burden reduction, are often perceived as politically neutral. Removal of unnecessary burdens by definition should not go against the policy objectives of regulations. These goals should be only fulfilled more efficiently by improving the way regulation is enforced and complied with. Removing obligations that are not necessary does not mean changing policy goals. This is why administrative simplification is usually popular across the political spectrum. There is no need to mention that the idea of "debureaucratisation" is also attractive for the electorate. Setting the quantitative target may also be useful to attract media attention since it is easily presentable and controllable.

Figure 1.2. **Methodology used for measuring administrative costs**
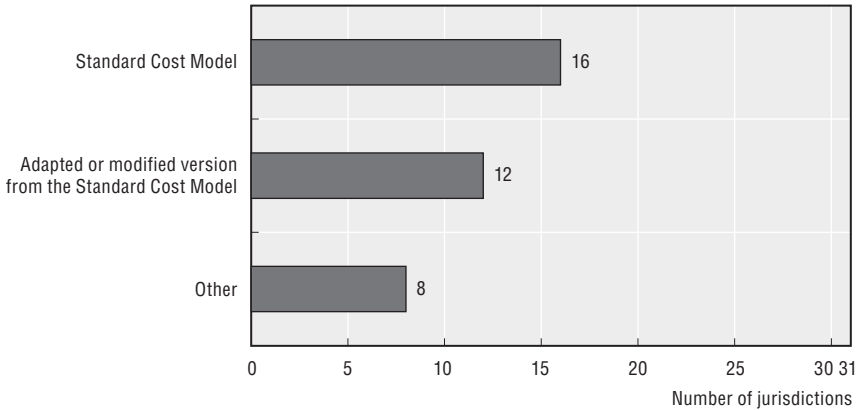
Last but not least, setting up a target for burden reduction enabled to increase pressure on involved administrative authorities. Before, targets were usually expressed qualitatively and rather vaguely, such as removing all unnecessary burdens. Definition of what is necessary was usually missing as this was extremely difficult to define and also politically sensitive. The response of those who were obliged to remove unnecessary regulations was in many cases that all regulations in their competence were absolutely necessary and inevitable, if not for anything else than to avoid the extra work connected with examining and reviewing all the individual pieces of legislation.

One of the major factors that contributed to the rapid spread in use of this approach was the initiative of the European Commission. In January 2007, the Commission launched the *Action Programme* on reducing administrative burden in the European Union (EU) to measure administrative costs arising from legislation in the EU and reduce administrative burdens by 25% by 2012. A key part of the *Action Programme* consists of a large-scale measurement of administrative burdens in 2007-08 using a modified version of the Standard Cost Model that should be followed by major simplification proposals aiming to reduce administrative burdens on businesses (see Box 1.1).

The *Action Programme* was endorsed by the European Council in March 2007. The Council specifically agreed to the joint reduction target and invited member states to "set national targets of comparable ambition". Even though many of the European countries already had national programmes of administrative burden reduction, the European Council decision represented an additional impetus for those countries that were still hesitating to adopt such programmes. All 27 member states of the EU have also adopted quantitative targets of administrative burden reduction.

Box 1.1. **EU Action Plan on the reduction of administrative burdens on businesses**

In November 2006, the European Commission proposed to reinforce the Better Regulation initiative with a set of actions, including the launch of a strategy, together with member states, to reduce administrative burdens on companies by 25% by 2012. It is estimated that reducing administrative burdens by a quarter could lead to an increase of 1.4 % of EU GDP. The resulting *Action Programme* was launched in January 2007.

The Action Plan was endorsed by the European Council in March 2007. The Council specifically agreed to the joint reduction target and invited member states to "set national targets of comparable ambition".

A key part of the *Action Programme* consisted in a large-scale measurement of administrative burdens in 2007-08, to be followed by major simplification proposals. However, in order to produce concrete results in the short term, the *Action Programme* also included immediate measures that were likely to generate significant benefits through technical changes in existing rules. Because of the nature of the changes required, these measures can be adopted fairly quickly. They are therefore called "Fast Track Actions".

A first package of ten fast track actions was announced by the Commission in January 2007 with estimated savings of EUR 1.3 billion for EU businesses. The measures already adopted were, for example, removing the requirement of costly expert reports, simplifying reporting obligations for farmers regarding energy crops, easing the paper work for receiving export refunds for agricultural products, simplifying statistic obligations on the information society and removing unnecessary requirements for small fishing vessels.

In March 2008, the Commission presented a list of 11 new fast track actions. Unnecessary administrative burdens were identified on the basis of internal reviews and suggestions received from stakeholders and member states experts.

In the *Action Programme*, priority is given to 41 legal acts grouped in 13 areas and estimated to account for over 80% of administrative burdens of EU origin. The priority areas were selected based on a 2006 pilot study and include, among other, agriculture, company law, cohesion policy, financial services, statistics, food safety, tax law, and transport.

All information obligations in the 41 legal acts and their national transposition acts have been identified. The resulting costs imposed on businesses were measured in 2008. The methodology used for the measurement is based on the so-called "EU Standard Cost Model". The aim then is to identify obsolete or repetitive information obligations which should be clearly distinguished from legislative design features consistent or necessary for achieving the benefits of legislation. Abolishing such information obligations will improve the effectiveness of legislation without jeopardising the purpose of the legislation in case.

An operational manual for applying the EU model has been integrated in the Commission's Impact Assessment Guidelines.

*Source:* Website of DG Enterprise.

Following are examples of new developments in some OECD countries using quantitative methods, usually SCM-based, to measure and reduce administrative burdens.

The Netherlands pioneered the development of a measurement system for administrative burdens. The approach to administrative simplification changed after meeting the 25% reduction target in 2007. An updated Action Plan has been adopted, based on the recommendations of the joint review conducted by the OECD and the World Bank. Specific targets have been set, to be achieved by the end of the current Cabinet term:[3]

● A new target for the reduction of administrative burdens on business. Administrative burdens will be reduced by a further 25% by 2011, based on a largely new baseline measurement.

● Compliance costs and supervisory costs will be reduced as well. The SCM methodology is being developed to broaden the definition of compliance costs. Supervision and enforcement should be streamlined.

● The costs for companies in relation to subsidies will be lowered.

● Provision of services to businesses should be more professional, client-oriented and faster through addressing inconsistencies in the interpretation of rules, lack of expertise, time delays, a Digital Counter for business, and agreements with local/regional authorities for service improvement.

● Information provision to business will be improved. This includes the introduction of Common Commencement Dates (CCDs), and readable, comprehensible forms.

● Development of a "clearing house for the evaluation of legislation" should consolidate previous disaggregated efforts at evaluation to achieve a more systematic approach.

● The procedure for granting permits will be accelerated by combining licences and, where possible, by a broader application of the "Lex Silencio Positivo" principle.

● The programme has been extended to cover burdens generated at local level, and there will be enhanced emphasis on dialogue with the EU (and other member states) to promote burden reduction at the EU level. Central and local level governments have agreed on a local contribution to the 25% reduction target. A "zero" baseline measurement is currently being prepared for local burdens, based on a sample of 25 municipalities.

The United Kingdom has set up a simplification programme to reduce burdens on business, based on the SCM. A baseline of GBP 13.4 billion of annual administrative burdens on the private and third sectors was established in May 2005. In the autumn of 2006, the government announced

an overall net reduction target of 25% by 2010, to be achieved across most central government departments and some agencies.

Denmark also figures among the front runners in the area of administrative burden reduction for business. It has used the SCM to measure administrative burdens, and committed to a reduction of 25% between 2001 and 2010. The government has recently developed two new projects (the "Burden Hunters" project to address irritants (see Box 2.3), and the "Ten Business Flows" project to match its administrative burden reduction policy more closely to real business needs.

In 2005, the federal government in Germany set the reduction of the administrative burdens on business, citizens and public administrations as one of the cornerstones of its *Bureaucracy Reduction and Better Regulation* programme. The SCM was chosen to measure administrative costs resulting from information obligations included in federal legislation. The target is to reduce administrative costs by 25% between 30 September 2006 and end 2011.

The Swedish government announced a national net reduction target of 25% by 2010 of business administrative costs stemming from compliance with information obligations in legislation, as defined by application of the SCM for measuring administrative burdens. This was implemented in November 2006.

The Portuguese government has continued making progress with the *Simplex Programme*.[4] In November 2008, the Council of Ministers adopted a resolution integrating a quantitative commitment to the *Simplex Programme* and the *Legislar Melhor Programme*. The objective is to reduce administrative burdens on businesses by 25% by 2012. The commitment applies to all laws, decree laws and decrees of national origin which have an impact on the lifecycle of businesses (creation, management, expansion, closure). It is based on an adapted version of the SCM methodology, and its selective application to key legislative and administrative simplification measures. The adjusted SCM includes full compliance costs and covers burdens for citizens. It focuses on information obligations and integrates delays and waiting times to capture the effects of e-government initiatives.

Belgium has been measuring red tape for both businesses and citizens since 1999. As of 2007, the measurement effort applying the SCM model was formalised in the Kafka Measurement Office. Both *ex ante* and *ex post* impact of new or adapted federal legislation as well as selected e-government initiatives are being measured. As such, Belgium has a clear view on the burden impact of all new and/or adapted legislation as it is published. Regions have also introduced quantification (baseline measurement for selected sectors in Flanders, pilot projects in Wallonia).

A modified version of the SCM is also being used for the measurement of direct compliance costs in Canada. The Statistics Canada survey measured

direct costs to a subset of Canadian businesses of complying with 12 information obligations as part of the Government of Canada's Paperwork Burden Reduction Initiative (PBRI). Under the PBRI, the Government committed to reduce administrative and paper burdens on small business resulting from government rules and regulations by 20%. On 20 March 2009, the Government of Canada announced that it had reached its goal.

Italy adapted the SCM to its specific business structure characterised by great heterogeneity and a very high number of SMEs. The process of *Misurazione degli oneri adminsitrativi* (MOA) relies on continuous consultations of stakeholders and public administration. The estimated savings for the first two sectors (labour and interior) are above EUR 5.3 billion. Two additional reduction plans (environment, landscape and cultural heritage) are soon to be finalised.

In August 2009, the Government of New Zealand launched an ambitious programme on cutting red tape by "reviewing existing regulation in order to identify and remove requirements that are unnecessary, ineffective or excessively costly".

France launched its MRCA[5] programme in 2006. It consists of four stages: i) census of information obligations (IO), ii) selection of IOs to be measured based on extensive consultations with ministries and stakeholders, iii) measurement of administrative burdens in five priority areas: taxation, social security formalities, exports, public procurement and company law, and v) launching action plans to reduce administrative burdens in waves of 200 IOs. The goal is to reduce administrative burdens by 25%. Since 2008 this approach has moved towards a qualitative approach focusing on life events (see Chapter 2).

One of the most recent programmes aiming at reducing administrative burdens on business by 25% by 2012 was launched in Finland in 2009, among other measures, following a pilot SCM measurement of VAT legislation. The action plan focuses on eight priorities: taxation; statistics; agricultural subsidisation procedures; food safety and quality; employers' reporting obligations; financial reporting legislation; public procurement; and environmental permit procedures. The development of e-government services for businesses is a horizontal priority of the action plan.

A national administrative burden initiative was implemented in Austria in 2006, initially to address burdens on businesses exclusively. In 2009, the programme was complemented by a strategy covering burdens on citizens (see below). Both initiatives are designed in close synergy with the government's e-government strategy.

Spain has established a comprehensive Action Plan aimed at revitalising business and boosting competitiveness. The objective is to reduce

administrative burdens on business by 30% by 2012 in six priority areas (statistics, environment, labour, finance, hiring and companies), from a baseline of May 2007. Good use is made of e-government in support of simplification measures. Most of the fast track measures use ICT or the introduction of online services.

The Irish government announced an administrative burden reduction as part of the 25% target reduction in June 2008. This is an "add-on" to the previously existing simplification activities.

Despite the described popularity of such programmes among civil servants and politicians, the perception by those who should mainly benefit from such programmes, *i.e.* businesses and/or citizens sometimes varies. Even in countries where programmes of administrative burden reduction brought significant results, businesses expressed little enthusiasm about results.

In connection with this issue, critiques emerged on the cost-efficiency of administrative burden reduction using the SCM. While the costs of the measurement process are relatively high, especially in the case of a full baseline measurement, the real outcomes of the impact on society have not been fully examined yet and are sometimes put into doubt.

## Other trends in administrative simplification

### Increasing the use of ICTs, process re-engineering and streamlining

Additional approaches to simplify administration exist other than the administrative burden measurement and reduction programmes using the SCM. Many of these exploit modern information and communication technologies for making life of regulated subjects as well as administration authorities and civil servants easier. Re-engineering administrative processes and their streamlining are based on reviewing and optimising information transactions required by government formalities, including reducing their numbers and burdens through redesign, elimination of steps and application of technology, as appropriate.

In the United Kingdom, ICT will be used to streamline data collection and share it through a new reporting mechanism – the Data Interchange Hub – which was developed by the Department for Communities and Local Government in partnership with other departments and the Audit Commission (the audit body for local authorities). The aim is to provide secure and centralised data collection, storage and interchange for the local authority national indicator set, making it easier for local authorities to report against indicators, and ensuring that data only needs to be collected once for multiple use by interested parties. The Hub has two main aims: reduce the data collection burden for local authorities, and ensure that local authorities have

the right information to gauge their own performance against national indicators.

In Portugal, a high proportion of initiatives, and especially of initiatives with a broad reach, relied on e-government tools. In the first two years of the *Simplex Programme*, 30 of the 50 "emblematic initiatives" relied on the use or increased use of ICT and can be described as e-government initiatives. Many initiatives have focused on front-office-oriented processes with direct impact on citizens or businesses. The implementation of these initiatives has largely depended on the establishment of an integrated and coherent e-government back office. The Knowledge Society Agency (UMIC) has developed an interoperability platform for the public sector. When fully developed, the platform will allow the public sector to interconnect independent systems, and make multi-channel electronic services available.

Belgium has established a single data collection system applied between administrations at all levels of governance – a public authority collects the information only once for multiple users who needs it for their public mission. Data collected by a public service has to be managed in a single database, accessible to other public services requiring the same data. It is offered via a service-to-service electronic transmission system, based on protected transactions. Registers featuring data on people, companies, objects (cars) and property have gradually become "authentic sources that are alone in being able to gather, process, manage and provide". This is the case with the National Register of Natural Persons, the Cross-reference Database for Companies, the Cross-reference Social Security Database, files concerning social contributions and taxes, police records, etc.

The main task of the Norwegian Register of Reporting Obligations for Enterprises is to maintain a constantly updated overview of the reporting obligations of businesses and industries, and to find ways to co-ordinate and simplify these obligations. The aim is to prevent the unnecessary compilation and registration of information, particularly for small and medium-sized companies. The Register of Reporting Obligations for Enterprises maintains an overview of the information the various registers and agencies require from business and industry.

In Australia, the government established a Business Process Transformation Committee (BPTC) in 2006 to lead the reform of agency business processes. The BPTC is a group of senior executive officers from service delivery and central agencies, responsible for transforming the way agencies do business through ICT. The aim of the BPTC is to reform the use of business processes across agencies, to improve the quality, consistency and efficiency of service delivery to citizens.

Also in Australia, Standard Business Reporting (SBR), progressively implemented as of July 2010, is an initiative which aims to reduce the reporting burden by making it faster, cheaper and easier for business to report their financial information to Australian state and territory governments. SBR will remove unnecessary and duplicated information from government forms; utilise business software to automatically pre-fill government forms; adopt a common reporting language based on international standards and best practice; make financial reporting to government a by-product of natural business processes; provide an electronic interface to enable business to report to government agencies directly from their accounting software, which will provide validation and confirm receipt of reports; and provide business with a single secure online sign-on to the agencies involved. It is expected to save Australian business AUD 795 million per year when fully operational in 2014.

Ten Business Flows is a cross governmental project of the Danish government initiated by the Steering Group for Cross Governmental Initiatives. The project has identified ten flows and mapped the process and challenges that businesses and government authorities face when carrying out specific tasks. The purpose of the project is to:

- Identify ten flows/processes where businesses interact with government in a way that is ineffective and where this contact/interaction/process can be simplified/optimised to the benefit of business as well as authorities.

- Develop new concepts with a focus on service, digitalisation, simplification, re-use of data *etc*., and strengthening communication channels between the public sector and businesses in order to promote digital solutions.

Mapping of the workflow in detail has proven very useful to identify new and better solutions with less administrative costs for businesses as well as government agencies. The ten flows have been mapped and conceptual solutions/visions have been prepared. These solutions need to be further developed by the relevant institutions in order to be implemented.

### One-stop shops

Streamlining procedures often results in the creation of a one-stop shop, whether physical or electronic. One-stop shops usually supply a high variety of services ranging from the provision of information about the business environment and its requirements, to licensing, issuing permits to enter specific business activities. One-stop shops can also provide other services on behalf of entrepreneurs from other public authorities. In a perfect situation, there is only a "single window" to contact in order to access all services entrepreneurs might apply for.

As an example of common standardised business processes resulting in a move towards an electronic one-stop shop, the *Australian Government Online Service Point Program* has been set up to improve access to information, messages and services on government websites through the online portal. The website allows users to personalise their view and browsing options through an optional online account. A single sign-on function is being piloted to allow people to simplify the process of accessing agency services and undertaking online transactions and not have to remember multiple websites, usernames and passwords.

The website *www.business.gov.au* is an online tool and information resource that encompasses information from all three levels of government and reduces business compliance costs. It includes delivery of a range of free products and services for business, including syndication of content to third party websites and the use of Smart Forms to make it easier for business to transact online.

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### Box 1.2. **One-stop shop in Mexico**

The Mexican government, with the support of the OECD, and under the framework of the *Programme for Strengthening of Economic Competition* and *Regulatory Improvement for Competitiveness in Mexico*, has instrumented a one-stop shop for business start-ups. The portal *tuempresa.gob.mx* was launched by President of Mexico Felipe Calderon on the 4 August 2009.

This portal is an online site that allows entrepreneurs to comply with the five federal formalities needed to legally constitute a commercial entity in a simplified and streamlined manner. Prior to the instrumentation of the portal, entrepreneurs needed to visit different government offices, fill several forms and questionnaires providing the same information several times, wait in line to submit information, and wait several hours or days to receive an official response. With the portal *tuempresa.gob.mx*, entrepreneurs just fill one single form online, and after visiting a notary or an authorised commercial broker, they receive and can download official responses from the website.

The portal makes intensive use of e-government tools. By interconnecting several government databases, making possible the sharing of information between different ministries, and by eliminating the need to submit several times the same information, the portal benefits entrepreneur by lowering opportunity costs. OECD estimates show that administrative burdens for the entrepreneur are reduced by 65% with the instrumentation of the portal, decreasing from an equivalent of 16% of the GDP per capita of Mexico of 2007 to just 6% (OECD and Secretaria de Economía, 2009).

It is expected that the portal will decrease the barriers that promote the informal economy, and will help to boost the number of new start-ups.

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*Business.gov.au* hosts a consultative forum for business and government representatives twice a year to provide an update on its activities, and to encourage the use of information technology to reduce business compliance costs.

Many one-stop shops have been created in EU countries as the Services Directive 2006/123 EC on services in the internal market obliges them to simplify all procedures involved in starting and carrying out a service activity. By the end of 2009, it had to be possible for companies providing services to complete all necessary formalities, such as authorisation, notification, environmental licences, through points of single contact, from a distance and by electronic means.

In Finland, one-stop shops are being developed for citizens. The aim is to offer public administration services centrally from a single location (one-stop shop). This is considered especially important for Finland as a means of ensuring a variety of high-quality services across the country, both in sparsely populated areas and in population centres. A main goal is to expand and standardise the range of services offered. The development of a physical citizens' services network will be complemented by the provision of services electronically and via call centres. An electronic, interactive personal account for citizens will be introduced in 2011, and the aim is also to introduce a similar solution for businesses.

Austria has committed to establish a central e-government one-stop shop for communicating with the public sector.[6] The portal Help for Businesses provides information and electronic procedures. In future, the Business Services Portal will integrate information and transactional services from all levels of the administration. It is intended as a Single-Sign-On solution as well as a personalised one-stop shop. The government estimates that the potential benefit amounts to EUR 100 million per year on a short term basis, raising up to more than EUR 300 million per year, depending on the number of integrated services.

One-stop shops for businesses have been established in Spain, called *Ventanillas Únicas Empresarial* (VUE). These bodies support entrepreneurs in setting up new activities through the provision of integrated services. In particular, the VUE system seeks to inform and orientate businesses and to facilitate the processing of individual cases. The aim is to reduce all procedures related to all relevant administrations into a single step. A virtual one-stop shop portal[7] has also been established, which provides general information, as well as personalised advice on procedures related to starting and promoting an economic activity. From June 1999 to December 2005, the VUEs contributed to the creation of more than 36 500 companies and offered advice to more than 162 000 persons.[8] From December 2005 to end of 2009, a further 34 500 new businesses were created and 110 000 people given advice.[9]

In Germany, the *Länder* are contributing to administrative simplification by developing a nationwide network of start-up agencies (so-called "Starter Centres"), which offer start-up entrepreneurs with advice and practical services. Enterprises in Germany can meanwhile register within a few hours or one day at the most. Entrepreneurs setting up a limited liability company should expect the registration process to take six days on average.

The *Australian Business Number* (ABN) and *Business Names Registration Project* will enable businesses to apply for a national business name and ABN online at the same time leading to significant savings in time and registration fees for businesses operating in more than one state. The system will also provide an interface for improved interactions between business and government, placing information needed by business operators in one place.

In the Netherlands, several projects employ ICTs in administrative simplification:

● Portal Mijnoverheid.nl (*mygovernment.nl*) personalised a two-way exchange of information and services with the government via Internet.

● Electronic authentication code for access to government electronic services such as tax declaration. Six million people already use DigiD.

● Citizens Service Number: the government aims to use a single number in its contacts with citizens, businesses and other government organisations.

The aim is to have one key register on citizens, so that they only have to provide information once.

### Inspection and enforcement

The issue of enforcing regulation and inspections has received more attention over the past years, especially in connection with the use of risk-based approaches to enforcement. Examples of initiatives aiming at improving the situation in this area were found.

The interest of some countries on the issue of inspections and enforcement grew after the 2005 publication of the *Hampton review*[10] in the United Kingdom. The *Hampton review* sought to embed a new policy approach to enforcement, based on proportionality and risk-based assessments to help target resources on "high-risk" businesses that are unlikely to comply with regulations, and reduce the administrative burdens on those that do comply.

The *Regulators' Compliance Code*, a statutory code of practice which came into force in April 2008, gives the seven *Hampton Principles*[11] listed below a statutory basis:

● Regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection.

- Regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources in the areas that need them most.

- Regulators should provide authoritative, accessible advice easily and cheaply.

- No inspection should take place without reason.

- Businesses should not have to give unnecessary information or give the same piece of information twice.

- The few businesses that persistently break regulations should be identified quickly and face proportionate and meaningful sanctions.

- Regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take.

The Danish government also initiated a cross-governmental project to develop an enforcement strategy to be applied by all ministries with business regulation, which would use a risk-based approach. The proposed strategy combines risk-based controls, reinforced sanctioning and increased guidance to business to promote higher compliance. It will include the elements like overall prioritising of enforcement efforts, a differentiated control based on businesses level of compliance, improved guidance of businesses, co-ordinated control across ministries/authorities, effective sanctioning (including different types of sanctions) and systematic learning and effect-evaluations of enforcement efforts.

Inspectorates and other enforcement agencies in the Netherlands now commonly use a risk-based approach to enforcement, carrying out risk analysis based on estimations or measurement of non-compliance and the maximum credible effect of non-compliance, tailored to the sector in question. Risks are prioritised in discussion with parent ministries. The *Vision for 2010* expressed in the Letter from the Dutch Minister of the Interior and Kingdom Relations to Parliament in January 2008 rests on four pillars: Modernisation and quality (streamlining structures, collaboration and modern risk based approaches), Transferred tasks and clustered expertise (more efficient reorganisation of tasks), Regulations and policy (more flexible regulatory approach) and Government accountability (promoting a new understanding of the limits of Government responsibility in risk management). To give effect to the *Framework Visions*, an *Inspection Simplification Programme* has been set up by each Ministry across its area of responsibility that include burden measurements, a maximum of two standard government inspections each year for SMEs in some domains, setting up of front offices, co-operation between inspectorates and with other regulators, transfer of task and ICT.

### *Dealing with the stock, accessibility, reviews of regulation*

While some countries and the EU have a policy on how to manage the stock of legislation, it appears as a derivative of administrative simplification in many countries. By management of the stock of legislation we mean making the legislation more easily accessible. This includes electronic publication, consolidation and codification of legislative texts as well as the review of existing regulation to eliminate inconsistencies and duplications. These projects remain usually in the shadow of more attractive projects aiming at measuring administrative burdens.

As part of its action plan for simplification, the Walloon (Belgium) government has charged the Legislative Committee with identifying obsolete texts (either fallen into disuse or replaced by others). This has led the government to repeal a first batch of 156 obsolete texts in April 2008 and a second batch of 42 texts in June 2008 in a wide range of areas (economy and employment, welfare, agriculture, hunting, fisheries, territorial planning).

In Ireland, regulatory simplification has been carried out through abrogation (statute law revision), restatement, and consolidation. The process of statute law revision is concerned with repealing legislation on the statute book which is obsolete, spent or which has no continuing relevance. The main objective is to provide certainty to citizens and businesses as to what legislation from the period prior to the foundation of the Irish state in 1922 continue to apply. Statute Law Restatement is an administrative form of consolidation, which incorporates all subsequent amendments to an act and makes the consolidated text available in a single text without voting in the Parliament. Another major tool for reforming law is consolidation, a process whereby the Oireachtas (Irish Parliament) passes one overall act into which all previous primary regulations relating to a topic are collected.

A number of legislative acts have been consolidated in Portugal since 2006. One of the headlines of Simplex 2006 was the harmonisation and consolidation of sets of legal rules to improve access to legislation and to make it easier to understand. The programme included 14 initiatives focusing on the consolidation of specific areas of law within the competence of several ministries.

In France, codification has been an important element and a firm part of its legislative culture for the last 20 years. Up until now, some 70 codes covering more than 40% of the legislation in force have been created. The main principle is rewriting and regrouping the existing legislation governing a selected area into a single code, retaining its substance with the exception of obsolete texts. Parliament is closely co-operating with the government in this exercise.

Current policies to reduce administrative burdens in Denmark can result in the consolidation of regulations in specific areas, but only as a secondary effect. Codification of amendments to specific laws happens in a number of cases (such as the yearly consolidation of the Administration of Justice Act). In 2008, 92 consolidated acts were issued. In the first quarter of 2009, 32 consolidated acts were issued.

Some OECD countries launched projects going beyond consolidation of legislative texts and removing obsolete and duplicate regulations. These substantial reviews of existing regulations represent a combination of managing the regulatory stock and reduction of administrative and other regulatory burdens.

In Italy, the process of a regulatory review has been ongoing since 2005. It is now in its third stage of codification preceded by identification of existing laws (including creation of a catalogue of all existing laws) and assessment of existing laws based on impact analysis.

In spring 2009, the federal government of Germany prepared a Simplification Act repealing some 85 acts and ordinances concerning environmental policy. Although partly offset by newly adopted legislation, the federal legislative stock was reduced from 2 039 laws and 3 175 ordinances to 1 728 laws and 2 659 ordinances during the 16th legislature.[12] In the same period, the number of individual regulations in force fell from 86 334 to 83 044. The simplification efforts include the removal of approximately 950 legal terms and concepts dating back to imperial Germany as well as regulations predating the Basic Law which are obsolete in terms of language or substance.

In Mexico, a new substantial initiative to reduce regulatory stock was launched by President Calderon in January 2010. Ministries were ordered to submit lists of regulations that they considered "indispensable" by the end of March. All regulations excluded from these lists were to be abolished. The review will continue throughout 2010 with a more detailed assessment of existing regulations and further cuts and simplification. OECD is assisting the Mexican government in accomplishing this very ambitious exercise.

Regular periodic reviews of existing regulations represent another approach to reduce regulatory stock. In 2007, the Productivity Commission in Australia was given the task of conducting systematic annual reviews of the regulatory burden in certain sectors. This programme operates on an ongoing five year cycle. The process is designed to ensure that all government regulations affecting the sectors are efficient and effective, and to recommend improvements that lead to net benefits to business and the community, without compromising underlying policy goals. Following each review, the government responds to the recommendations of the reports and reforms regulatory arrangements as appropriate.

According to OECD regulatory management indicators, the number of countries adopting mechanisms for regulatory review and evaluation has evolved significantly over the last decade (Figure 1.3). Most OECD countries now report to having mandatory periodic evaluation of existing regulation, automatic review requirements for specific primary laws, and mechanisms by which the public can make recommendations to modify existing regulation. Sunsetting clauses are less popular, though still growing. Nevertheless, in the information gathered by the OECD, it has been difficult to find concrete examples of such policies.

Figure 1.3. **Tools used to review existing regulations**
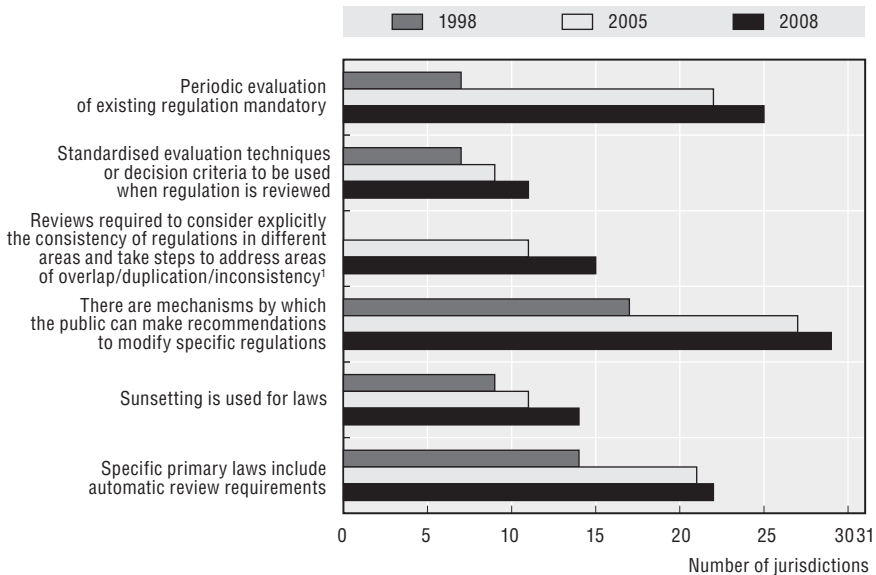


Data for 1998 are not available for the European Union, Luxembourg, Poland and the Slovak Republic. This means that this figure is based on data for 27 countries in 1998 and for 30 countries and the EU in 2005-08.
1.   No data are available prior to 2005.

*Source:* OECD Regulatory Management Systems' Indicators Survey 1998, 2005 and 2008, *www.oecd.org/regreform/indicators*.

Portugal has recently started using revision or sunset clauses in new regulations. For example, the industrial facilities licensing regime and the licensing regime relating to livestock-related activities (both established in 2008) include revision clauses.

Legislative instruments are automatically scheduled to sunset in Australia ten years after being made, and 2013 will be the first year that Commonwealth legislative instruments will cease under the sunsetting provisions.

The new sunset clause mechanism called "Sunset for Review" was introduced in Korea in 2009. Under this new system, regulations are to be reviewed on a regular basis (usually every five years) and become invalid once they are found to lack feasibility. It is applied not only to new or reinforced regulations but also to existing ones. It is expected that about 20% of existing regulations will be reviewed regularly under this sunset clause, which will contribute eliminating unnecessary administrative burdens imposed by regulations.

The Parliamentary Committee for Legislative Monitoring in Belgium is charged with evaluating laws that have been enacted for at least three years. It has to identify possible implementation difficulties (due to complexity, loops, incoherence, vagueness, contradictions) and assess how the law has effectively responded to its initial objective. Requests can be sent by a large number of stakeholders (any administration in charge of implementing law; any authority in charge of law enforcement; any natural or legal person; and deputies and senators). The work of the committee is also to be fed by reports from the Court of Cassation and tribunals on difficulties encountered with laws and from the decisions of the Constitutional Court.

In Austria, sunset clauses are applied in some secondary regulations of the Ministry of Economy, Family and Youth, such as those related to price marking law.

### Other methods

In addition to simply adding the obligation to measure potential administrative burdens when creating regulation, other examples show how to minimise paperwork caused by government regulations already in the regulation-making process.

The United States developed a comprehensive and centrally enforced programme to analyse and clear individual government information collection requirements. The Paper Work Reduction Act (PRA) is intended to minimise the amount of paperwork the public is required to complete for federal agencies. The Act requires federal agencies to request approval from the Office of Management and Budget (OMB) before collecting information from the public. The OMB has the responsibility to evaluate the agency's information collection request by weighing the practical utility of the information to the agency against the burden it imposes on the public. Agencies must publish their proposed information collection request in the Federal Register for a 60-day public comment period, and then submit the request to OMB for review.

Rules on law making introduced in Portugal in 2006, include requirements to consider consolidation. The *Simplex Test*, which also needs to be carried out

when preparing a regulation, requires assessing the level of diversity of legal texts relating to the material in the draft regulation. If there are more than four laws, and the ministry does not consolidate, it must justify this decision.

A new approach for increasing predictability and legislative certainty for business is called Common Commencement Dates (CCDs). This innovative solution, whereby all regulations that apply to business come into effect on known "common dates", comes from the United Kingdom. Common Commencement Dates in the United Kingdom fall on just two days a year (6 April and 1 October), and are preceded by the publication of guidance material at least 12 weeks before new regulations with impacts on business enter into force. During the 12-week period, businesses have time to better prepare and adapt to the legislative changes. The objective of this approach is to assist businesses to adapt more effectively to new regulation. Similar approaches have been experimented with in the Netherlands.

## Does public perception reflect results?

Despite the popularity of administrative burden reduction programmes among civil servants and politicians, the perception by those who should mainly benefit from such programmes, businesses and/or citizens, sometimes varies. Even in those countries, where administrative burden reduction programmes brought significant results, businesses did not express much enthusiasm about the results.

In the Netherlands for example, the government met its goal to reduce administrative burdens on businesses by 25% in 2007. Despite this achievement (OECD, 2007) business is frustrated at what it considers to be slow progress and the failure to tackle issues that really matter from its perspective.

Reasons for this negative perception by regulated subjects may be the following:

● The absolute and relative numbers representing the burden reduction may seem impressive when related to the whole society or the business sector in a given country. However, when expressed in terms of individual company/citizen, they may not represent such significant savings. Thus, billions of euros saved by a 25% reduction of administrative burdens may be perceived by an individual entrepreneur as cents or euros saved yearly.

● There may be a delay in the visibility of results of removing administrative burdens to the stakeholders. The legislation process takes time and even when changes in regulation resulting in simplification and/or removal of unnecessary regulatory burden are applied, the impacts may appear later

and stakeholders may not connect them with administrative simplification projects.

● Some countries or agencies may focus on easily removable red tape, for example regulations that are obsolete and/or not actually complied with, regulations that affect the biggest part of the regulated sector (which means that removal of the costs they impose multiplied by the number of affected subjects will be significantly higher). This is done just to meet the adopted quantitative target.

● Governments do not take into account the perception of regulations by regulated subjects. Sometimes those regulations perceived by regulated subjects as most irritating may not be those that are the most burdensome concerning the result of a quantitative measurement. And *vice versa*, regulations identified by quantitative measurement as the most burdensome may be perceived by regulatees as non-important or necessary and therefore not so irritating. Regulations dealing with obligations to provide data for statistical purposes are a good example. Very often, regulated subjects are not familiar with the purpose and benefits of such surveys and the obligation to provide data is irritating to them. On the other hand, when measured, total administrative burdens of such regulation may not be that high, since it usually concerns only a limited number of subjects (a statistical sample). Removal or reduction of some of these obligations may be nonetheless welcomed by the regulated subjects.

● Communication with stakeholders may have been neglected in the past. The results of simplification projects, especially those with quantifiable outcomes, such as the reduction of administrative burdens by 25%, may be attractive for the media. On the other hand, the numbers expressing the overall reduction in total numbers may be too abstract for individual citizens or entrepreneurs in terms of their own benefits.

Some countries have tried to strengthen communication with stakeholders both in the process of administrative simplification itself but also when it comes to results of such efforts. Perception of regulatory burden by regulated subjects is taken into account often, and qualitative criteria for identification of potential "candidates" for reduction among regulations are being used as a complement to the quantitative ones. These new developments are addressed below.

The summary of current trends and experiences show that administrative burden measurement and reductions based on the SCM or its modified version remains the core tool to simplify administration. Other tools and processes stand in the shadow of these efforts and sometimes present only *ad hoc* activities that are not, or poorly co-ordinated with the mainstream efforts. As the perception of beneficiaries is sometimes not sufficiently positive,

countries try to find ways on how to make administrative burden reduction efforts more efficient and better accepted by stakeholders, including better and more efficient communication. Since many countries are sharing similar experiences, it is the right time to analyse this experience, trying to find some common principles and policy options governments may wish to follow in the near future.

The ongoing OECD project, "Measuring progress in regulatory reform: the use of perception surveys in OECD countries", aims to improve the design and use of perception surveys so that they are useful for regulatory reform design, implementation and communication. Among other issues, it focuses on the challenges discussed in this chapter of understanding stakeholder perceptions, integrating them into programme evaluation and communicating the implications and results of regulatory reform to those affected. The project draws on country experiences and expert views (see OECD, 2010k).

### Notes

1. Footnote by Turkey:
   The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

   Footnote by all the European Union Member States of the OECD and the European Commission:
   "The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus."

2. The SCM Network website, *www.administrative-burdens.com*.

3. Shortened, however, by early elections which took place in June 2010.

4. For more information see OECD (2009), *Better Regulation in Europe: Portugal*, OECD, Paris.

5. Measurement and reduction of administrative costs.

6. *Unternehmensserviceportal: www.usp.gv.at/Portal.Node/usp/public*.

7. The portal is a part of the "060.es" website: *www.060.es/empresa-ides-idweb.jsp*.

8. See *www.ventanillaempresarial.org/docum_vues/datos_VUEs_31dic05.pdf*.

9. The figures are provided by the Spanish government.

10. *www.berr.gov.uk/files/file22988.pdf*.

11. *www.berr.gov.uk/files/file45019.pdf*.

12. As of 6 March 2009.

# Chapter 2

# Future Policy Directions for Administrative Burden Reduction

*Chapter 2 presents policy options in line with trends and developments and provides policy makers with guidance on possibilities and common mistakes to be avoided when designing, undertaking and evaluating administrative simplification programmes. The report finds that the focus of administrative simplification projects should be broadened. Governments should quantify administrative burdens and set quantitative targets for their reduction, however quantification should be used cautiously and complemented by qualitative methods. Administrative simplification should be integrated and co-ordinated with other activities in the area of regulatory reform. Efficient institutional structures for co-ordination and monitoring of administrative simplification projects should be created, and communication with stakeholders must be strengthened. Last but not least, administrative simplification efforts should be evaluated for their "value for money". An evaluation strategy should be developed before launching the project.*

Based on the experience of OECD member countries, lessons and policy recommendations can be drawn. The following policy options represent best practices in the area of cutting red tape and should be considered when designing, undertaking and evaluating any administrative simplification programmes.

## Policy Option 1. Broaden and widen administrative simplification projects

*The focus of administrative simplification projects should be broadened. Countries should consider concentrating not solely on businesses but include also the costs of regulation on citizens and the public sector, and other costs than the administrative ones, e.g. other substantive costs, irritants, etc.*

### Taking into account subjects other than businesses

In many countries, especially those applying the Standard Cost Model (*e.g.* Netherlands, Denmark, Germany, EU, Czech Republic) businesses were originally the first choice for administrative burden reduction. In some other economies, citizens and/or public authorities were taken into account from the beginning.

According to the 2008 OECD Regulatory Quality Indicators Survey, out of the 30 OECD member countries plus the EU, only nine were measuring administrative burdens on citizens, and only four on the public sector. Apparently, measurement of administrative burdens on subjects other than businesses is firmly connected with the measurement on businesses, as none of the OECD member countries focus on them without focusing on businesses at the same time.

Administrative simplification is undertaken to improve the business environment and therefore also the competitiveness of the economy. Freeing some of the resources that are spent by businesses on complying with information obligations contribute directly to the economic growth, probably more than in the case of saved resources of citizens. This explains why businesses have been the primary focus of administrative simplification efforts.

The perception of citizens on how successful governments are in their fight against bureaucracy is nevertheless heavily influenced by their personal experience. Thus, citizens' perception of administrative simplification

programmes may be influenced by the fact that those who benefit from the most significant savings (in absolute amounts of money) will be large companies.

One of the reasons why the programmes aimed at citizens and public sector are not as successful and widely dispersed compared with the ones aimed at businesses may be the lesser suitability of the quantitative techniques used for measuring regulatory burdens on citizens and/or the public sector. It is more difficult to measure the costs of time for an "ordinary citizen". Methodologies are being developed to tackle with this issue.

Following are some examples of administrative simplification programmes that focus on other subjects than businesses. In Portugal, the *Simplex Programme* has been aiming to reduce administrative burdens for both citizens and businesses from the beginning. In addition, it also includes some initiatives to reduce administrative burdens within the administration.

In the Netherlands, in 2003, the government had already added citizens as a target group for administrative burden reduction. It made a commitment to reduce administrative burden for citizens by a net 25% by 2007. An early decision was to adapt the SCM methodology used for the business administrative burden reduction programme. After the 2006 elections, the new cabinet decided to continue the programme but in a different way, placing more emphasis on a qualitative approach via the identification of the "top ten" most irritating burdens for citizens, and the development of "life analysis". There is no new baseline measurement and a quantified reduction target is no longer promoted. Experience in the first phase of the programme led to the conclusion that it was important for reduction measures to be noticed by citizens and that this was a major challenge. The research came up with a roadmap concept, as well as a redefinition of was meant by administrative burden, and five steps for a noticeable reduction. The five steps were to describe the purpose (of the service); determine the position within the relation model (how do/will citizens perceive the service from their perception of freedom); read out of protocol and character (how does the service fit within the relationship between the government and citizens); compare or design (assess the extent to which the current service design fits the relationship between government and citizen); take measures (to align the service to the desired approach).

The "cutting bureaucracy for public services initiative" in the United Kingdom is part of public sector reforms aimed at improving public services. There are some synergies with business programmes. For example, more efficient management of paperwork for immigrants helps businesses which may want to recruit them. Inspections, targets and performance management systems aimed at better public services have been in place for several years.

The initiative is aimed specifically at removing unnecessary bureaucracy and empowering frontline public sector workers (such as teachers, police and health professionals who are in direct contact with citizens for the provision of public services) to respond better to the public. The strategy was published in June 2007 by the Better Regulation Executive (BRE). The centrepiece is a commitment to reduce the data and information that central departments and agencies request from frontline workers by a net 30% by 2010. There has been no single, systematic attempt to establish a quantified baseline. According to the BRE, there are methodological difficulties in making a precise calculation, and it is best to leave some leeway for a tailored approach, so that departments can judge what is necessary or unnecessary bureaucracy (justice and accountability, for example, require that the police keep some forms). Instead, the BRE has agreed approaches with each relevant department for reducing the data burdens. Some departments are calculating their burden reduction in numeric terms, whereas others are assessing their reductions on the basis of burdens (*i.e.* cost or time saved rather than numbers of data-streams).

Part of the citizen programme in the Netherlands addresses regulation inside the administration, notably for professionals working in public services such as hospitals and schools. Specific objectives include reducing the amount of information that must be recorded, developing a single audit, standardising definitions, and streamlining the benefit system. "Registration requirements" for teachers and police will be cut back. Profiles of professionals (akin to the citizen profiles already created) have been developed. In co-operation with the professionals themselves, a top five of administrative burdens per profile will be selected.

A programme was started on the reduction of administrative burdens for citizens in April 2009 in Austria. Instead of a full baseline measurement, a focused baseline approach targeting the 100 most burdensome information obligations was adopted. These were selected on the basis of international experiences, and with the help of legal officers within the relevant ministries. The SCM methodology was adapted to the needs of citizens. Accordingly, administrative burdens are measured in time and direct costs. The model was enriched with qualitative elements. The completion of an information obligation is structured in several phases (orientation, completion, etc.) and the measured minutes are converted into "quality minutes", while the overall amount remains the same. This approach indicates which phases are most annoying for citizens and thereupon aspects of service quality can be considered in the measurement finding process. On the basis of that study, fast-track-actions were launched in the areas of child birth; primary school registration; marriage; single parents; people with disabilities and people requiring care; pension; and death.

The Agency for Simplification of the Administration (ASA) was created in Belgium for the purpose of promoting independent businesses and its key target was the business community but it was instructed in 2004 to undertake streamlining initiatives for the benefit of all citizens. The current streamlining projects are carried out regardless of the target group. Moreover, citizens may be considered from the point of view of their specific profiles: employees, people receiving benefits, individuals, members of a family, etc. Projects on various themes such as people qualifying for benefits (the disabled, people taking early retirement), civil status formalities, registering foreigners, qualifying for tax preferences and other financial grants have been undertaken.

The *Bureaucracy Reduction and Better Regulation* programme of the German government also seeks to significantly reduce administrative costs bearing upon the Federal administration. A number of ministries have started pilot projects with a view to tailoring and refining the analytical and methodological approach as the SCM cannot be applied directly.

The issue of adapting the SCM to measuring costs for other subjects was also addressed on the international level. A Learning Team on administrative burden reduction on citizens has been set up within the framework of the EUPAN[1] in 2008. One of the results of its work is a manual on the Standard Cost Model for Citizens that can be used to quantify administrative burden of citizens (see Box 2.1).

Some countries experienced problems to adopt the purely quantitative techniques, such as the SCM, to the assessment of administrative burdens on citizens, as it is difficult to estimate the costs of the time of citizens spent on compliance with government regulations. They are therefore also testing qualitative techniques that are less precise but more focused on the user of regulation (see also Policy Option 2).

### Taking into account other costs than the administrative ones

Another issue is related to the relatively narrow definition of administrative burdens. Naturally, the administrative simplification projects focus mostly on one part of regulatory costs – administrative costs. These are usually defined as the costs imposed on regulated subjects (*e.g.* businesses), when complying with information obligations stemming from regulation. These costs are usually not as visible as direct financial costs (*e.g.* taxes) or substantive compliance costs (*e.g.* costs of purchasing machinery). It is also mostly difficult to find these kinds of costs in companies' books.

On the other hand, these costs, especially those connected with filling in questionnaires, are usually seen as the most irritating, connected with the "bureaucracy" in the negative sense of the word. Fighting against these costs

Box 2.1. **Standard Cost Model for citizens**

The manual SCM for citizens is one of the results of the work of the Learning Team set up within the framework of the European Public Administration Network (EUPAN).

The SCM for Citizens was originally developed in the Netherlands by the Ministry of the Interior and Kingdom Relations. The method can be used to quantify the administrative burdens of citizens and to monitor administrative burden reduction programmes.

AB are calculated in the following manner:

● The total administrative burden of a law is equal to the sum of the Time (T) and the Costs (C) per information obligation.

● The Time (T) and Cost (C) per information obligation is equal to the sum of the Time (T) and Costs (C) per administrative activity.

● The time per administrative activity is equal to T × Q expressed in (hours) and the costs per activity are equal to C × Q expressed in (€).

**Time (T)**

The variable time should be taken to mean the time (in hours) that it takes a citizen to perform a certain administrative activity.

**Costs (C)**

The variable costs should be taken to mean the Out-of-Pocket (OOP) costs which are costs a citizen incurs after contracting services required to satisfy information obligations. Examples are postal or travel fees. Please note that direct financial costs such as taxes or fees are excluded from the definition of OOP costs.

Variable Q is calculated on the basis of two variables:

● Number of citizens (refers to the number of citizens to which the information obligation applies.

● Frequency (the number of times that a citizen has to carry out an administrative activity per year.)

*Source:* J. Hurk (2008), "Standard Cost Model for Citizens – User's guide for measuring administrative burdens for Citizens", Ministry of the Interior and Kingdom Relations, The Hague.

may be appealing for politicians. It is sometimes not easy to see the purpose of expenditures on compliance with information obligations. While the substantive compliance costs are usually justified by the protection of basic values such as environmental protection or consumers' rights, justifying information obligations is more difficult.

Aiming at reducing administrative costs may be supposed to be a "safe bet". Surprisingly enough, it has not always been the case. For example, the Swedish Board of Industry and Commerce for Better Regulation estimated, based on the survey "The Total Costs of Regulations to Businesses in Sweden",[2] that "for all companies, administrative costs were below 30% (9-27%, depending on the sector)" of all regulatory costs. NNR complains that "compared with financial and material regulatory costs, administrative costs of regulations are only a small portion of companies' regulatory costs and therefore the reduction of such costs is of minor importance for businesses". In Ireland, red tape ranked fourth in a business survey among the biggest problems for businesses, so it seems to be an important but not the most important issue for companies.

One category of regulatory costs is different: irritation costs. These costs are not objective and therefore difficult, if not impossible, to quantify. Irritation costs can be defined as the costs that are subjectively felt by the regulated subject as annoyance caused to him by not being able to see and understand the *raison d'être* of the obligation or not being able to conform to the objectives of a given regulation. The subjective perception of how burdensome a given regulation is may differ from the results of quantitative measurements. In fact, the findings of the EU baseline measurement of administrative costs imply that "[t]he degree to which an information obligation is perceived by business as irritating (irritation factor) is very often uncorrelated to the administrative burdens imposed".[3] These costs are usually captured by perception surveys (see Policy Option 2).

Many countries have realised this situation and are trying to focus in addition on costs other than administrative ones. The UK Government decided in 2007 to go further. The focus is now on the reduction of the policy costs of existing regulations, defined as "the costs inherent in meeting the aims of a regulation, for example the direct cash cost of installing a filter on a factory chimney as prescribed by the regulation, or indirect cost such as necessary changes in working practices". They also address regulatory irritants.

The Bertelsmann Stiftung, based on the experience with the project of the German Government on "Reduction of Bureaucracy and Better Regulation", decided to develop a model for measuring all regulatory costs including administrative, financial, material costs and "business as usual" and opportunity costs. The model also takes into account the irritation costs, however it does not quantify them. Box 2.2 provides further information.

As the examples show, there are synergies that can be explored by adapting the techniques that exist to measure other costs as well as to focus

Box 2.2. **The Handbook on the Regulatory Cost Model**

The regulatory cost model (RCM) developed by the Bertelsmann Stiftung is based on the principles of the Standard Cost Model (SCM) and develops it further. It provides a systematic methodology for an integrated measurement of the costs arising from duties requiring action.

Overall, the RCM differentiates between six types of duties requiring action: Information, payment, co-operative, supervisory, training duties as well as target fulfillment and other requirement fulfillment duties.

The costs incurred by duties requiring action can first be classified, in terms of resource-orientation, as personnel, material and financial costs. Personnel costs are determined by multiplying the time taken by the associated hourly wage rate, whereby specific standard processes for each type of duty requiring action are used for ascertaining the time required. Material costs include costs for materials, incoming goods, third party services, financing and infrastructure costs as well as depreciation and amortisation. Financial costs include taxes and other levies such as fees.

Personnel and material costs represent business-as-usual costs, either partly or in their entirety, if applicable. Business-as-usual costs are costs which would be incurred by the regulation addressee even if there were no statutory duty. Additional costs, in contrast, are costs incurred solely by the statutory duty. Financial costs in principle only represent additional costs as the norm addressee would typically not pay taxes to the State without the statutory duty to do so. If business-as-usual costs are subtracted from the sum of the personnel, material and financial costs (= Regulatory Costs I), this results in the additional costs (= Regulatory Costs II).

Finally, opportunity costs are calculated on the basis of these additional costs. Opportunity costs are defined as profits foregone by the norm addressee due to the fact that statutory duties had to be fulfilled and resources could therefore not be optimally implemented. For the sake of simplicity, the RCM determines opportunity costs by calculating interest gains foregone in one year. If the additional costs are added to the opportunity costs, the result is the total regulatory cost caused solely by law (= Regulatory Costs III).

Besides the individual types of costs, the RCM also offers the possibility of recording the subjective burdening of the norm addressee. The subjective burden can be seen as an "irritation" in the sense of annoyance with the statutory duty. Overall, the RCM differentiates between three causes for irritations: Lack of understanding, lack of fulfillment (feasibility) and lack of acceptance of the statutory duty.

The handbook is intended to be used as a set of instruments (toolkit), *i.e.* according to the epistemic interest, complexity of the measurement object, temporal and financial resources as well as the requirements of the validity and reliability of results. The toolkit can be used as a suitable instrument in the required intensity for determining regulatory costs.

*Source:* Bertelsmann Stiftung (2009), *Handbook for Measuring Regulatory Costs*, Version 1.0, April.

on other subjects than businesses. This adaptation is possible, though with certain limitations.

When trying to reduce regulatory costs on citizens and the public sector, countries should target their efforts and not try to make a full baseline measurement. Quantitative methods should be complemented by qualitative ones taking into account also the irritation factor. See the next policy option for further elaboration on this issue.

## Policy Option 2. Quantify, but cautiously

*Governments should quantify administrative burdens and set quantitative targets for their reduction, whether this is done before launching or during the project. However, quantification should be used cautiously with the efficiency in mind. Qualitative methods, especially those assessing the irritation costs, should complement the quantitative ones, to better target the efforts.*

### Quantification and targets

The issue of measuring administrative burdens is one of the important questions for countries deciding on how to deal with administrative burdens. The SCM represents the methodology that is relatively understandable and easy to implement. The undisputable advantage of the SCM measurement is that it helps to monetise the value of administrative burdens. The numbers are easier to present to the media and wider public. They are also easier to deal with in further phases of the project when opportunities for reduction are being sought: "what gets measured gets done". Furthermore, it also helps to identify the most burdensome regulations that are suitable targets for simplification. Expressing the value of the administrative burden in monetary terms also helps to adopt quantitative targets for reduction, both general ones as well as divided according to individual ministries, areas of regulation *etc*.

Experience of countries that have already measured their administrative burdens shows that the process of measurement may be costly, especially when the full baseline measurement is conducted (all existing regulation is measured) and when external private companies are contracted for the measurement phase. For example, in the United Kingdom the full baseline measurement costs approximately GBP 10 million; the European Commission paid for the measurement of administrative burdens in priority areas approximately EUR 20 million. The Czech Republic represents another approach: the measurement of administrative costs was conducted solely by the ministries and other administrative authorities with no extra resources being invested. There is, however, an issue of the reliability of the results of such measurement. In Germany, the Statistical Office was involved in the

measurement; however, additional resources were invested to finance the measurement.

Whether the resources invested in the measurement are justified by the quality of the data produced is a matter of discussion. Some countries argued that the full baseline measurement is too timely and costly and focused only on priority areas that they identified usually in co-operation with regulated subjects, mostly businesses. The results in the countries that conducted the measurement also prompt that the Pareto principle can be applied on administrative burdens – 20% of regulations usually cause 80% of the administrative burden. It may be therefore more efficient to focus solely on these 20%, however, there is a problem of correct identification of the most burdensome 20% of regulation. The European Commission decided that at the EU level the full baseline measurement would be extremely costly and it will be focusing only on the 13 priority areas that were identified in close co-operation with stakeholders (see Box 1.1).

In Flanders (Belgium) burden measurement is done on the basis of the 20/80 rule. Departments draw up an inventory of the 20% of regulations that cause 80% of the total administrative burden, and map information obligations relating to these regulations. Another option is to consider the 20% of regulations that cause burdens on 80% of the relevant target group (such as schools). The 20/80 option is validated by the ministerial department and Regulatory Management Unit (DWM). The work (interviews, report) is done by DWM, with some support from consultants, and the report is discussed by the regulatory unit of the department.

The Australian State of Victoria decided to skip the measurement phase completely and the value of existing administrative burdens is estimated based on Australia's administrative burden as a percentage of GDP; and the share of Commonwealth and State regulation in the national burden. This approach however has been criticised as "there is no known basis for believing" that "the level of the 'baseline' burdens in Australia is equal, as a proportion of GDP, to that in the Netherlands" (see Deighton-Smith).

A simplified version of the SCM is used in Spain. The simplification has two objectives. The first is to address simplification initiatives, results of which cannot be measured using SCM, for example, reducing the administration's maximum response time. The second objective is to avoid wearying businesses by repeatedly asking for their opinion on the processes with the highest administrative costs, so that the burden reduction study itself does not become an additional burden.

Even the OECD data show that the number of licences and permits may differ substantially among OECD countries. For example, the survey on Regulatory Quality Indicators shows that while the United Kingdom had only

339 existing legal requirements for business licences and permits in force, in Poland there were 35, while in Korea there were 1 767 different permits and licences and in Austria around 31 000.[4]

Although it may not be advisable to fully disregard measurement, it is, for the above reasons, highly recommended to target reduction efforts for the sake of efficiency, *i.e.* to try to set priorities by identifying those areas of regulations or those individual regulations that have the potential to be the most burdensome and focus on them. This must be done in co-operation with stakeholders (see Policy Option 4). Qualitative methods of assessing administrative burdens may be also helpful (see below).

Guidelines on measurement on administrative costs should be prepared with the fact in mind that the measurement, when too detailed, may be too costly, especially in case of more complex regulations. Thus, preparation of safety management systems, when disaggregated into individual information obligations, may be impossible to measure also because non-availability of data (see Deighton-Smith).

Related to the issue of measurement is whether to set targets for burden reductions. A discussion on this issue was imminent in Europe when the European Council invited the EU member states to adopt their own quantitative targets of reduction of administrative burden on businesses.

The survey on indicators of regulatory quality shows that all but four OECD member countries (Finland,[5] Japan, New Zealand and Switzerland) adopted targets for administrative burden reduction. Fifteen countries adopted both quantitative and qualitative targets while six countries adopted purely quantitative targets and six countries adopted only qualitative targets.

Targets are used so widely because they help create momentum at the beginning and make the monitoring of progress easier. When individual targets for participating ministries are set in addition to a general reduction target, this creates a pressure on participating institutions to deliver results in time. Setting of a net target is important, in order to capture burdens arising in new regulations and to make the link with *ex ante* impact assessment, another cornerstone of effective regulatory management.

While the issue of whether targets are useful seems to be answered by the number of countries that have adopted one, there are two remaining questions: whether the targets should be set before or after the measurement, and on what basis they should be set. Insufficient hard data are available on the number of countries that set their targets before or after the measurement but according to OECD experience, most of the countries set the targets before the measurement had been finished. Most of the countries also followed the example of the Netherlands and set the desired reduction at 25% of the overall administrative burden.[6] It is rather a common belief that one quarter of

Figure 2.1. **Use of targets in OECD countries**
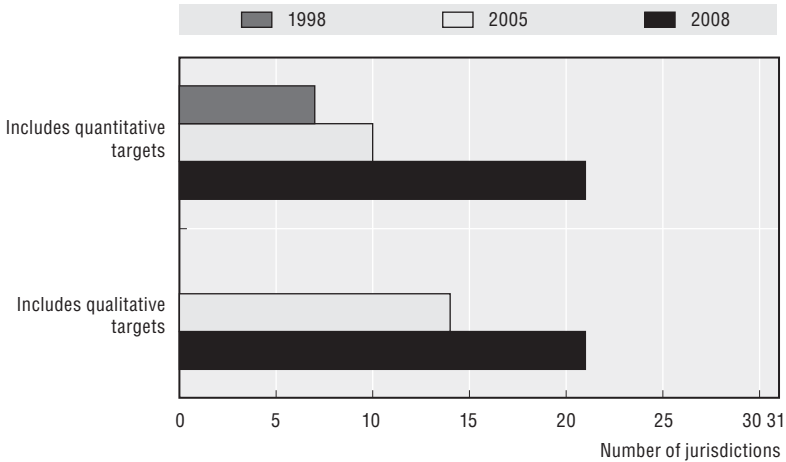


*Source:* OECD Regulatory Management Systems' Indicators Survey 1998, 2005 and 2008,
*www.oecd.org/regreform/indicators.*

administrative costs can be diminished without hampering the substance of regulation.[7] The pioneer of setting the 25% reduction target – the Netherlands has in the meantime decided to opt for an additional 25%.

There is no reason to believe that the target has to be set before the measurement starts or is finished. However, as there is usually no scientific method on using the measurement results for setting the target, and countries usually follow the common practice, there is no evidence that setting targets after the measurement is a better option.

In some countries, so-called "low-hanging fruit" was at the centre of interest in the initial phase of administrative burden reduction projects. This refers to changes of regulation that are easy to achieve because of they are not politically controversial but nevertheless can result in significant reduction of the administrative burden visible to the regulated subject. This approach is usually used for "political" reasons to show some short-term effect of the project while assessment of existing burdens and preparation and implementation of reduction measures may take significantly more time.

There is, nevertheless, a danger hidden in this approach. First, governments may focus on regulations that are easy to abolish because they are obsolete at the time – either outdated or not properly enforced. If the regulated subjects see this they may think that this is the general approach the government will use throughout the project and it may undermine its credibility.

A danger lies also in the fact that when a target for reduction of administrative burdens is set, due to the focus on low-hanging fruit, a significant part of the target can be fulfilled relatively quickly, making it more difficult to finish the remaining part in time.

### Qualitative methods of assessing administrative burdens

The basic SCM represents a technique that is purely quantitative, expressing administrative burden in monetary terms. Some countries have decided to use more qualitative techniques, either as a complement to the existing quantitative ones or to replace them. Qualitative techniques do not try to express administrative burdens in measurable terms but rather work with information that may be subjective and is not quantifiable, but still may represent useful input for the simplification effort. A sub-set of qualitative techniques are the perception studies.

Some countries are developing techniques that would help to identify and sometimes measure irritation costs. One method used more widely is the perception survey. Perception surveys deliver information about stakeholders', businesses' and citizens' perceptions of the quality of regulations.

In 2007, the Danish government initiated the Burden Hunters Project. This was the first step in the development of a more systematic approach towards the reduction of irritation burdens. DCCA staff and representatives from the line ministries visit businesses to get concrete and specific knowledge about how they experience the interaction with government authorities and the service provided. The Danish government presented an action plan containing 105 measures to reduce administrative burdens on public sector service providers expected to free up some three million working hours annually for service provision (see also Box 2.3).

France has an approach that is also more "user-centric" than the SCM, focusing more on "life events" (*e.g.* birth, business start-ups). The action plans for administrative simplification are not based on the SCM measurement but rather on surveys among users of regulation identifying the most burdensome regulations. For each of life events the "path" of a user of regulation is identified including potential ways of simplification.

The second iteration of the Canada Survey of Regulatory Compliance Costs introduced a section of supplementary perception questions. These covered areas such as awareness of government initiatives to reduce the cost of regulatory compliance for small businesses, whether initiatives helped save businesses time and/or money, the relative level of difficulty of administrative claims/forms compared with three years ago, and where there are areas for reform.

## Box 2.3. **The Burden Hunters Project**

The Burden Hunters Project is a component of the Danish government's efforts to reduce the administrative burden affecting Danish business. It supplements existing red tape reduction efforts by placing particular emphasis on the burdens experienced by enterprises, and on how other factors besides the expenditure of time can cause enterprises to regard business regulation as being a burden.

The Burden Hunters initiative was organised as a cross-ministerial project consisting of a project team of 15 officials plus a steering committee comprising decision makers from the ministries of Economic and Business Affairs, Employment, Taxation, and Finance. The project was implemented in co-operation with Mindlab (a development entity owned by the Ministry of Economic and Business Affairs, Ministry of Taxation and Ministry of Employment, whose purpose is to involve citizens and enterprises in the development projects undertaken by these three ministries) plus external consultants.

The project conducted in 2007-08 consisted of the following phases:

1. Definition of project focus. The target audience was defined as small and medium enterprises. The project also focused on the total quantity of administrative burden that these enterprises experienced. The enterprises' business sector, size and growth ambitions were chosen as the selection criteria. A total of six business sectors were chosen: finance, construction, service, restaurants, hotels and cafes, industry and trade. Enterprises with increasing sales were selected within these six sectors that ranged in size from five to around 100 employees.

2. Learning about the users. One or two officials in the project team plus a consultant with expertise in qualitative ethnographic methodologies visited 24 enterprises and remained there for half a day. Their focus was on understanding the practices of the enterprises, their relationship with the public authorities and the challenges and experiences connected with business regulations that they were experiencing. The visits consisted of a mix of interviews and observations. The first three visits were used as a pilot test. This phase showed that the recruitment of enterprises is a major challenge in terms of the logistics of finding relevant enterprises and in terms of persuading them to participate. One difficulty was also to reconcile the comprehensive perspective with the need to dig deeply into precisely how the enterprises are dealing with various requirements imposed by business regulations. The answer to this challenge was the selection of eight requirements which were then analysed further in a set of flow analysis.

Box 2.3. **The Burden Hunters Project** *(cont.)*

3. Analysis. The analysis of data was based on a model for the user-centric innovation of public services. The analysis focused on giving an overview of the problems faced by the enterprises in the individual areas of regulation, and on understanding which of the enterprises' experience in dealing with the authorities cause the enterprises to regard business regulations as an annoyance. The large quantity of data collected in visits was processed using qualitative analysis software. Metadata was systematically added to all the data collected (*i.e.* pictures, notes and video clips). Results identified 28 burden areas and nine experiences that generate irritation. All the analysis results were compiled in matrix, which brought together all the challenges for the enterprises for each of the major burden areas and indicated which of the nine experiences the particular burden was associated with.

4. Idea and concept development – new initiatives aimed at reducing bureaucracy. Innovation possibilities were identified through a systematic review of all the data in the burden matrix. The burden matrix was used to have an overview of all the challenges in an individual regulatory area and an overview of the actual situations for each of the nine "irritation" experiences. The result was the identification of 100 possibilities for reducing bureaucracy with varying levels of detail. Examples:

❖ Possibility in the area of regulation concerned with statistics: match reporting deadlines to the daily activities of the enterprises (such as summer holidays).

❖ Possibility in the experience area concerned with lack of flexibility: failure to differentiate rules and requirements in accordance with the differing sizes of enterprises.

Further work was done to integrate the 100 possibilities into a smaller number of possibilities and to describe how the possibility could turn into a specific initiative relating to one three groups: 1) solutions relating to individual authorities 2) projects that cut across the authorities, 3) concepts that cut across the public sector.

*Source:* MindLab (2008), The Burden-HunterTechnique – A User-centric Approach to Cutting Red Tape, Beskæftigelses Ministeriet, Skatteministeriet, Økonomi- og Erhvervsministeriet, Copenhagen.

The perception of businesses towards the regulatory burden reduction in the Netherlands is measured yearly by means of the so-called Business Sentiment Monitor. It does not only focus on the reduction of the administrative burdens, it includes as well the costs to comply with regulations, the requirements of supervisory bodies and the constantly

changing rules and legislation. The Netherlands aims to increase the number of businesses that say that they have very little irritation from unnecessary information obligations by 25%.

Belgium has been carrying out biennial surveys among companies since 2000 so as to be able to reflect their assessment of the costs of the administrative burdens they face in the three key regulatory spheres: taxation, employment and the environment. These surveys also seek to provide better quality information to reflect the business community's opinions about how the authorities and public services formulate and apply the regulations. Companies were asked to make an assessment of the new developments, projects and pieces of legislation, and of the projects that authorities should initiate.

In the United Kingdom, 2 000 businesses are surveyed by the National Audit Office to measure perceptions on the government's approach to regulating, the most burdensome areas for businesses and the impacts of the programmes.

The Norwegian version of SCM collects qualitative data as well as quantitative data. The surveys contain information on how burdens are felt by those interviewed in addition to the burdens measured.

For the preparation of Finland's national action plan to reduce administrative burdens on businesses a study was conducted in 2007-08 to identify the most burdensome legislative areas for businesses. As a part of this study, a survey was carried on early 2008 among close to 3 000 SME's on their views and perceptions of the most burdensome legislative areas.

Qualitative techniques should be used as a complement to quantitative ones. Qualitative techniques, while less precise, may help to identify potentially burdensome regulations and thus more efficiently target the resources spent on quantitative measurement. Qualitative methods also help to identify those areas of regulations that are perceived by stakeholders as the most irritating. Quantitative methods, however, help not only to identify the most burdensome information obligations, but also disaggregate regulations into individual information obligations and make it easier to spot opportunities for reduction.

## Policy Option 3. Integrate administrative simplification with other regulatory reforms and e-government

*Administrative simplification should be integrated and co-ordinated with other activities in the area of regulatory reform. It is very important to integrate ex post simplification with ex ante assessment of regulations. Because ICTs are major tools to simplify administration, government policies on e-government and administrative simplification should also be closely integrated.*

Administrative simplification is a general label for a set of tools used to review existing regulation with the aim to simplify and remove existing

administrative burdens. As described above, different approaches are used in the general framework of administrative simplification. There is no clear borderline between what belongs to administrative simplification and what does not. It is therefore difficult to say whether a co-ordinated approach to administrative simplification exists in a given country.

In many OECD countries, administrative simplification could be used only as an umbrella term for a set of *ad hoc* projects that are sometimes not systematically co-ordinated. When simplification efforts are not co-ordinated properly, synergistic effect of various approaches may not be used fully. Resources can also be wasted on parallel projects such as the codification of legislative documents that are at the same time considered to be amended as part of the administrative burden reduction programme. The institutional structure can be one of the main factors supporting or hampering better co-ordination of administrative simplification efforts.

### Integration between ex post and ex ante

A further step of integration is the co-ordination of administrative simplification with other policies and instruments dealing with regulatory quality. The most important example is integrating *ex post* simplification with *ex ante* assessment of regulation. Significant tension can arise from contradictory trends. On the one hand there is a demand for the reduction of unnecessary administrative burdens. On the other hand, new regulations are being adopted for different reasons: as a requirement from inter- and supranational institutions; as a request at the national level for high security and safety standards; at a political level where new regulation is sometimes used as a benchmark to show that "something is being done". Part of the answer to this challenge lies in ensuring that the *ex ante* impact assessment of new regulation is further strengthened with a focus on *ex ante* assessment of administrative burden.

In Australia the administrative burden imposed by the Commonwealth regulation is assessed *ex ante* in the Regulatory Impact Statement process and in the analytical steps that are required which guides the analyst to consider total compliance costs for all business for any significant regulatory proposal.

The *ex ante* measurement has been done in Austria since September 2007. Overall, 561 legal provisions with 5 687 information obligations have been analysed and measured. The approach of strengthening of *ex ante* assessment of administrative costs is also used in the Netherlands, Denmark and Portugal. This approach is also usually reflected in the institutional set-up (see Policy Option 4).

At the federal level (and also in Wallonia and the Brussels region), Belgium requires each new law to be accompanied by the so-called KAFKA

test, which evaluates the administrative burden impact on businesses and citizens. The council of ministers will not pass a new law unless it is accompanied by this test.

Some countries have been recently experimenting with the implementation of regulatory budgets or the "one in, one out" approach. These generally meant that any additional administrative burdens connected with new or amended regulations would have to be compensated with reduction of administrative burdens elsewhere.

In addition to simplification measures, the Flemish government introduced a compensation rule to control the flow of new burdens generated by new regulations, which became mandatory in January 2005. Any increase in administrative burdens generated by a new regulation (decree, order) must be counterbalanced by an equal reduction of existing administrative burdens. An evaluation was conducted in 2008 which showed serious implementation problems, with no significant impact in practice. A key difficulty has been the use of unrealistic figures.

These approaches have proven to be generally inapplicable in most of the countries especially due to their rigor. While controlling the flow of new regulatory burdens is necessary, there may be cases where additional administrative burdens may be acceptable without any compensation. In general, these are the cases where overall benefits for the society are exceeding overall costs, including the additional administrative burdens. This implies that it is more rational to apply full benefit-cost analyses (with enough emphasis on quantification of administrative costs) rather than to prioritise just one aspect of the costs overlooking potential benefits.

### Integration with e-government

Process re-engineering, using ICT as well as the creation of electronic one-stop shops show that there is more integration among administrative simplification and e-government: ICT are increasingly used to ease the administrative burden on citizens, businesses and public authorities. The Dutch Interior Ministry estimates that 40% of burden reductions for citizens are ICT related.

On the other hand, there is less evidence of closer integration of these areas at an institutional level and at a policy development level. Often, policies in these two areas are developed separately and therefore cannot fully exploit the potential synergic effect.

In Japan, the department promoting e-government is the Administrative Management Bureau (AMB) in the Ministry of Internal Affairs and Communications. It also holds jurisdiction over streamlining administrative organisation and method of administrative affairs.

A number of simplification measures recently launched in Germany are the result of synergies between the ICT and the administrative burden reduction strategies of the federal government. Initiatives enhancing public administration communication and simplification are presented in a structured and transparent manner.

ICT is a key support tool for the Action Plan on Administrative Burden Reduction in Sweden, linked to the government's policy on ICT for the public sector. The Action Plan assumes an extensive deployment of ICT, for example electronic filing of documents, one-stop shops, and forms for downloading from agency homepages.

In Slovenia, mixed project teams consisting of lawyers and information technicians are created for the main e-government projects. The aim is that the content is prepared as much as possible and in co-operation with implementing institutions.

The on-line administrative service system, *Government for Citizen* (G4C) in Korea offers various Internet-based administrative services such as receiving 1 200 types of paper applications, issuing 188 kinds of certificates – such as the certificate of residence – and providing information on 71 types of registration, for example property registration. In its upgraded version, the service items will be significantly increased to 4 000, 2 000 and 300 types respectively. Through these and other measures, Korea expects to save up to KRW 600 billion in costs and public benefit effects as less time and money will be spent by citizens' agency visits, civil service fees, paper work and management and public servant labour costs.

In Finland, e-government is seen as a key way to reduce administrative burdens and, consequently, the development of e-government has been explicitly included in the national action plan to reduce administrative burdens on businesses, as a horizontal priority area. On the other hand, the reduction of administrative burdens, both on businesses and citizens, is one of the objectives of the government's recent e-government development measures.

It is advisable to further integrate administrative simplification and e-government in those countries where this integration is not strong. If a single body does not co-ordinate both agendas, there should be a systematic co-operation between the co-ordinating bodies at least on an institutional basis (*e.g.* a steering committee).

### Using administrative simplification as an engine of regulatory reform

Concerns have been raised that in some countries administrative simplification is actually displacing overall regulatory reform policies by putting emphasis on one part only of the regulatory cycle and on a narrow part

of all regulatory costs. During the peer review of the information submitted by the member countries to a questionnaire on regulatory quality indicators, a question to clarify the regulatory policy in a given country was sometimes answered by presenting an action plan on reducing administrative burdens.

If the above presumption is correct, this could present a significant danger to the success and credibility of regulatory reform in the given country. Governments have to make sure that they take into account the whole regulatory cycle. Focusing only on existing regulation, and not paying enough attention to the flow of new regulation may become ineffective. The new, poorly designed regulations may add more regulatory burdens to the pile rather than reduced it.

When discussing this issue, some countries argued that even though the long-term goal may be to have an overall regulatory policy and the necessary regulatory quality tools, policies and institutions in place, it is more suitable to follow the process step-by-step. J. Nijland, director of the Dutch Regulatory Reform Group called this principle "think big, act small". The projects on administrative burden reduction and their success may help to put regulatory quality in the spotlight of both decision makers as well as the stakeholders and thus open the door for further implementation of better regulatory policy and other regulatory quality tools.

The OECD Secretariat has tried to examine this issue by comparing the growth in the use of administrative burden reduction among OECD countries, the number of countries that have adopted an overall better regulation policy and those that have adopted RIA as one of the most important tools for regulatory quality.

The growth in administrative burden reduction, RIAs and in better regulation policy is very similar (Figure 2.2.). As regulatory quality indicators are based mostly on countries' self-assessment, the value of the data may be biased by different understandings of the term "regulatory reform policy". Some countries may think that having a programme on administrative simplification is sufficient to consider adopting the overall policy. The indicators also do not reflect the quality of the policies and tools, nor the level of attention that is paid to some of the tools relatively to the others. Nevertheless, this situation may lead to a conclusion that the focus of OECD countries on various tools of regulatory quality management is relatively balanced.

Administrative simplification should not displace other regulatory reform tools and policies. It can be used, though, as a "foot in the door" to create momentum and help to gain support from stakeholders for wider reforms.

Figure 2.2. **Number of countries having a programme on administrative burden reduction, countries requiring RIA and having explicit policy on regulatory reform**
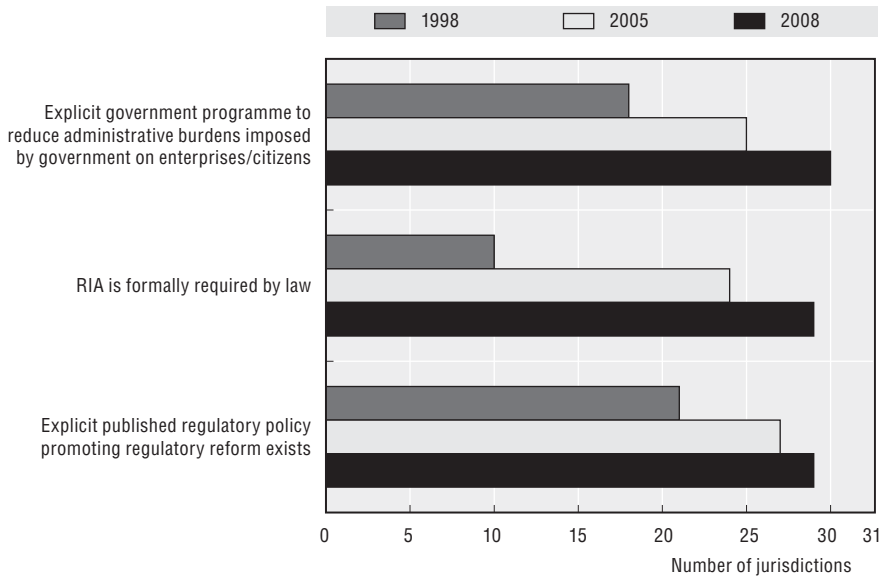


*Source:* OECD Regulatory Management Systems' Indicators Survey 1998, 2005 and 2008.

## Policy Option 4. Create efficient institutional structures, involve sub-national governments

*Efficient institutional structures for co-ordination and monitoring of administrative simplification projects should be created. It is also essential to involve sub-national levels of government.*

### Institutional set up for co-ordination

Different approaches to the institutional set up for administrative simplification were sufficiently described in the previous OECD reports on cutting red tape. In most of the countries, co-ordination is usually in the hands of one of the ministries or a specialised agency.

In Denmark, the responsibility for the programme on administrative burden reduction is given to the Danish Commerce and Companies Agency (DCCA) which is *inter alia* responsible for companies' registration and administering business regulation. The Ministry of Finance and the Ministry of Economic and Business Affairs co-operate closely in the development, implementation and monitoring of the programme. The Ministry of Economic and Business Affairs plays the lead role, overseeing the work of the DCCA (which is one of nine agencies attached to the ministry, the other most

important ones cover competition and innovation, and SMEs), and providing progress reports to the Prime Minister. A small unit within the Ministry supports the work, and meets at least once a week with the DCCA.

The ASA started operation in Belgium in June 1999 with the mission to drive the policy for administrative complexity imposed on businesses. ASA's role is to encourage and co-ordinate simplification initiatives across administrations. ASA is an agency in the Chancellery of the Prime Minister with a substantial autonomy. ASA has no powers to direct or constrain other administrations. It essentially relies on consultation and co-operation with administrations. ASA's tasks are formally defined as:

● making proposals for simplification, stimulating and co-ordinating initiatives, carrying out studies;

● elaborating and implementing a methodology for measuring administrative costs imposed by regulations on businesses and SMEs;

● organising co-operation between the different federal administrations;

● elaborating an administrative impact note; and

● organising dialogue on administrative simplification with all levels of authority, representative partners among self-employed and SMEs as well as with European institutions and international organisations.

ASA has also taken on the following tasks:

● providing legal guidance and co-ordination for several e-government projects;

● managing the Kafka contact point (which collects suggestions for administrative simplification);

● establishing a dialogue with administrations over simplification projects for citizens.

In Portugal, the *Simplex Programme* is under the direct political responsibility of the Prime Minister. The Cabinet of the Secretary of State for Administrative Modernisation (SEMA) is responsible for the programme policy and development, with the operational support of the Agency for Administrative Modernisation (AMA). SEMA monitors and co-ordinates the contributions of the 15 ministries involved in the programme, as well as providing them with guidance (for example guidance on defining priorities for each area, identifying simplification opportunities, promoting support for the implementation of more complex and transversal measures such as the new industrial facilities licensing regime). SEMA sends quarterly reports to the Prime Minister on the implementation of the *Simplex programme*.

Since the last report, the role of the central co-ordinating body for administrative simplification in the Netherlands – the Regulatory Reform Group (RRG, previously IPAL) has been strengthened. The RRG reports to the

ministers for Finance and Economic Affairs and through them, to the Cabinet via the Ministerial Steering Group for Better Regulation. Parliament is also directly engaged in the programme, at least at a strategic level, through the quarterly progress reports submitted to it by the RRG. The establishment of *The Business Regulatory Burden Commission* is another significant development. This has been set up as a channel for businesses to communicate with the government on the issues that matter to them, so as to focus the programme on the problems important to business itself.

In France, the Direction General for State Modernisation, which is part of the Ministry of Public Budgets, Public Functions and State Modernisation, is in charge of co-ordinating the administrative simplification programme.

Since administrative simplification is a cross-cutting issue that needs the co-operation of all, or most central government bodies, the co-ordinator should have the necessary "teeth" to put pressure on other actors to keep in line with the targets *i.e.* to be placed close to or report directly to the centre of government.

### Advisory bodies

The new trend to create or to strengthen the role of advisory bodies in the area of administrative simplification is also visible in other countries. These advisory bodies usually have a significant level of independence and represent external stakeholders.

In the Netherlands, part of the current Cabinet's new strategy has been to boost external institutional structures. There is a renewed emphasis on the role of ACTAL as a watchdog and adviser. ACTAL will continue to monitor the quality of assessments, and it will boost its strategic advice to the government.

In Germany, the National Regulatory Control Council (*Normenkontrollrat*, NRCC) was set up to be an independent, external advisory and control body external to the executive in 2006. The NRCC's mandate is to support the federal government in reducing administrative burdens found in federal legislation. It requires it to focus exclusively on administrative costs. Its scrutiny therefore does not cover substantive compliance costs, direct financial costs or so-called "irritating" burdens. The NRCC is, in particular, involved in the preparatory phase of law drafting, before proposals are presented to the Federal Cabinet for decision. If requested, the NRCC also intervenes during the decision-making process, and may advise the committees of the *Bundestag*. The members are representatives of business, politics, science, the public administration and the judicial branch. The NRCC is assisted by a Secretariat located in the Chancellery, which currently consists of seven officials.

After considerable discussion, Sweden decided to establish an independent watchdog, the Better Regulation Council (Regelrådet) to reinforce Better Regulation policy. The Council started work in January 2009. It is modelled on the Dutch ACTAL and the German NRCC, with a mandate until December 2010. It was set up to advise and issue statements on draft laws and other regulations affecting businesses, and on the quality of impact assessments, submitted by ministries and agencies.

At the EU level, the European Commission established the High Level Group of Independent Stakeholders on Administrative Burdens. Its role is to advise the Commission with regard to the *Action Programme for Reducing Administrative Burdens*, and, in particular, to provide advice on administrative burden reduction measures and suggest which additional pieces of existing legislation could be included in the EU-wide measurement exercise.

In Mexico, The Federal Council for Regulatory Improvement (FCRI) plays the role of an advisory body. The FCRI was created by law in 2000 with the aim to foster communication between the public, private and social sectors on regulatory reform matters. Since its creation, the FCRI, which is composed by high-level public servants, entrepreneurs, scholars and labour representatives, helped to develop general lines of action for "administrative simplification".

The government of Canada will establish a new federal Red Tape Reduction Commission involving both Parliamentarians and private sector representatives to review federal regulations in areas where reform is most needed to reduce the compliance burden, especially on small businesses, while safeguarding the health and safety of Canadians. The Commission will be asked to provide specific recommendations on how to reduce unnecessary regulations and make the regulatory system more effective, so that small businesses can focus on investing and creating jobs. This approach will provide the strong leadership necessary to produce comprehensive and effective results.

Creation of advisory bodies has the advantage of strengthening the role of independent watchdogs in the process of *ex ante* assessment of prepared regulations as well as *ex post* simplification. Since they usually gather representatives of administration together with representatives of stakeholders, a user-centric approach is also strengthened. Too much emphasis on administrative costs may, again, weaken the focus on other important costs as well as the benefits of regulations. The advisory bodies should therefore preferably oversee the quality of new or existing regulations as such and not only from the point of view of administrative costs, and the representativeness of various stakeholders should be well balanced.

### Interministerial co-ordination

Another interesting issue is the question of co-ordination between the co-ordinating ministry/agency and other ministries and agencies since administrative simplification is a horizontal topic and needs close co-operation across administration. The power of the co-ordinating body is usually limited and there may not be a possibility of direct action on the bodies that do not follow the policy. Approaches differ.

In the Netherlands for example, the budget instructions contain specific obligations to report on administrative burden reductions.[8] Ministries are threatened with budget cuts if they fail to achieve their targets. Beyond the obvious disciplinary effect, this clear link to the budget cycle has the advantage of encouraging decisions over how to finance burden reduction projects such as ICT investments.

In Denmark they set up working groups to help prepare action plans ("burden committees"). The 25% target is divided across ministries (they each have their own target). The DCCA has no capacity of direct action on ministries, but the Prime Minister's commitment to simplification appears to have put pressure on ministries. Incentives also come from the performance appraisal of permanent secretaries, which takes account of their ministries' progress on Better Regulation, with a bonus for good performance.

In Spain, the function of inter-ministerial co-ordination of administrative burden reduction is handled by the Ministry of the Presidency, which has appointed spokespersons in each Ministerial Department in order to promote and co-ordinate reduction initiatives. The spokespersons are usually civil servants from the Service Inspection division, which is a horizontal body. This makes it easier for them to work with all entities within the Ministry. A High Level Group chaired by the First Vice-President of the government leads the process.

It is important that the co-ordinating body has enough political support and sufficient tools to put pressure on the participating departments and agencies. Setting individual targets is one possibility. Naming and shaming, for example through regular reports to the government and/or parliament is another one.

### Involvement of sub-national levels

Multi-level regulatory governance is becoming important in many OECD countries. High-quality regulation at a certain level of government can be compromised by poor regulatory policies and practices at other levels, negatively impacting the performance of economies and business and citizens' activities.

This also applies to administrative simplification. Successful projects on a national/federal level and the resulting reduction of regulatory burden can by hampered by poor quality regulation or poor enforcement at the sub-national level. Authorities at the sub-national levels of government are usually the ones in regular contact with regulated subjects. If regulatees do not see any improvement there, they will hardly recognise any improvement whatsoever. Therefore, the involvement of and co-operation with sub-national authorities should be strengthened, depending on specific conditions of a given country.[9]

Even though most administrative simplification projects have originally been designed, conducted and managed at a national level, the increasing tendency is to take sub-national levels of government on board. Regions and municipalities are recognised as playing an important role in reducing regulatory burdens and improving the level of service to the business community. There are different ways to do so, taking into account the fact that sub-national levels of government very often have a high degree of autonomy, and therefore central governments cannot directly impose any measures on them. In this case, it can only create incentives to encourage those levels to adopt their own policies or to take part in the national ones.

The simplest way is to include sub-national levels of governments into national-level projects as partners and stakeholders. As they are often in direct contact with the regulated subjects, they have a frontline expertise and their contribution to identify burdensome regulation, regulation that is difficult to understand, or irritating regulatees, *etc.* can be very valuable. In addition, having sub-national levels of government involved in administrative simplification projects can help them understand the purpose of these projects and motivate them to be more active in implementing simplification measures when necessary.

In Germany, there is a growing awareness of the need to look beyond federal legislation if the overall programme is to capture all of the burdens affecting the business community. While most legislation (up to 95% of legislation affecting business) is adopted at the federal level, implementation mainly takes place at regional or local levels. The federal nature of the German state nevertheless means that any shared initiatives with the *Länder* are developed on an optional, voluntary basis, respecting the competences conferred on each authority by the law. The National Regulatory Control Council plays an important role in co-ordinating and supporting initiatives between the different levels of the German government to reduce administrative burden overall. It is an integral part of joint pilot projects carried out by the federal government and the *Länder* on child credit, housing benefits and student loan legislation.

The Danish government has established a new right for municipal and regional public institutions to "challenge" existing rules. The right will include both state and regional/municipal rules and requirements. A working party with participation from the relevant ministries and regions' and municipalities' associations will discuss the applications for challenging rules, award exemptions and monitor the results. At the local level, municipalities and regions will consider challenges to local level regulation. Examples of applications from the institutions include experiments on the day-care area with local solutions to existing documentation and reporting tasks which come from the day-care law or experiments on the elderly area with local solutions concerning the Danish councils of users and relatives.

When the Belgian "Kafka contact point" receives a message in which the municipalities are cited, the ASA forwards the message to the relevant municipality, which is required to answer the complainants and to resolve the issue. When a problem has a bearing on administrative streamlining and is of a general nature, the ASA is required to make a review and may propose one or more solutions, to be covered in a more general project. In the case of administrative streamlining projects in which the municipalities are involved, the ASA tries out the solutions proposed in respect of the selected municipalities.

A higher level of involvement by sub-national levels of government lies in making them a part of the project, meaning that some simplification measures are directly aimed at regulations adopted at the sub-national level. The states/regions (or in some cases also municipalities) can be given their own reduction targets. The power of the centre to require sub-national levels of government to reduce regulatory burden and to fulfil these targets is again, of course, dependant on the degree of autonomy.

The centrepiece of Better Regulation at the local level in the Netherlands is an agreement ("Bestuursakkoord"), which is made by the central government at the start of its term of office with the Association of Netherlands Municipalities VNG (of which all Dutch municipalities are members) to follow up on relevant aspects of the Coalition Agreement. The current central-local agreement requires a 25% reduction in administrative burden from municipalities for citizens and companies. It also requires that administrative burden between government levels should be reduced by 25%. The VNG and central government have developed an Action Plan to give effect to this agreement (Box 2.4).

Pioneering local authorities developed a "business effects assessment model". An administrative agreement was set up in June 2007 between the central government and the local authorities. The Association of Netherlands Municipalities (VNG) is monitoring progress in achieving the local contribution to

Box 2.4. **Action Plan for the reduction of administrative burdens at local level in the Netherlands**

*Review of model regulations.* Model regulations are produced by VNG when new policies must be implemented by municipalities. Because municipalities do not always have the judicial knowledge or capacity, VNG produces model regulations which can easily be implemented by municipalities. Following consultation with stakeholders, and using a form of the Standard Cost Model, the VNG has reduced the number of model regulations from 147 to 117, including a review to make them more "administrative burden friendly". A number of e-forms for online use have also been developed to promote uniform implementation by municipalities.

*Central-local task force for addressing burdens generated by central government.* This brings together central Government representatives and the VNG, and is chaired by a high profile mayor. Problems identified by the Task Force may be relayed directly to the responsible central Government State Secretary. The VNG has produced a list of national regulations which are seen as an obstacle to the administrative burden reduction at a local level. The 2006 State of Local Government report calculates that on average, municipalities receive a ministerial circular every second working day. The baseline measurement of administrative burdens on business showed that around 90% of the administrative burdens of municipalities originate from tasks delegated to municipalities from the national government based on national regulations. Only 10% of administrative burdens thus originate from the autonomous competences of municipalities.

*Simplification of central government payments to municipalities.* Replacing specific payments by central government for the execution of tasks delegated to the municipal level by payment to a common municipal fund. Municipalities will no longer have to report on expenditure linked to specific payments.

*Website.* Funded by the Interior, Finance and Economic Affairs ministries, and run by the VNG, the website describes how municipalities can reduce the administrative burdens for citizens and companies ("less rules, more service").[*]

*Consultancy funds.* The possibility for municipalities to apply for a facility to receive a small payment for hiring a consultant (it will compensate 75% of the total costs), who can measure the administrative burdens caused by this specific municipality and give advice on measures which can be taken to reduce these burdens. In this way, municipalities become aware of the administrative burdens they cause in their own municipality. This facility is financed by the ministries of Finance, Economic Affairs and the Interior.

*Top ten bottlenecks for citizens.* Municipalities are involved in the top ten bottlenecks for citizens. Pilot projects are being started in the field of volunteers and mediation. Others will follow.

Box 2.4. **Action Plan for the reduction of administrative burdens at local level in the Netherlands** *(cont.)*

*New baseline survey by central government on burdens for citizens and businesses caused by local government- Interior Ministry letter to Parliament 2007.*

*Pioneer municipalities.* A group of pioneer municipalities has been created, which is very active in the field of reducing administrative burdens. Best practices are disseminated on the website hosted by the VNG.

*Trailblazers.* There are also some 80 trailblazer municipalities involved in pilot schemes to test whether "Lex Silencio" can be applied.

\* *www.minderregelsmeerservice.nl/smartsite.*

the target of a 25% burden reduction. The baseline consists of two parts: burdens arising from municipalities' own regulations and burdens linked to the implementation and enforcement of national regulations. The baseline measurement based on a sample of 25 municipalities was completed in June 2008 and the burdens at this level have been calculated to be EUR 125 million 100 million for the business community, 23 million for citizens and 10.5 million "hours").

Two joint projects, involving respectively four and five *Länder* and their local authorities (counties and municipalities), were launched in spring 2009 in Germany with the participation of the Better Regulation Unit of the Federal Chancellery, the National Regulatory Control Council. They have the aim of examining the potential to simplify and optimise enforcement of administrative regulations in three areas of the Federal Education Assistance Act. The legal areas addressed are those of parental allowances and child benefits, as well as housing benefits.

The Spanish central administration signed several agreements with sub-national governments and formed various working groups to carry out joint actions for administrative burden reduction and regulation improvement. These agreements have resulted in the approval of an administrative cost measurement system to be applied by all levels of administration, as well as a software tool that permits to measure the economic costs generated by the administrative burden of each regulation project up for approval. The central government is responsible for measuring and reducing administrative costs related to legislation with direct State origin, while the regions are expected to take action in relation to their legislation.

Also in Belgium, co-operation between the central authorities (federal government), the three regions and the three communities is governed by co-operation agreements. Theme-specific inter-ministerial conferences are

organised so as to ensure contacts are maintained. The conference members are ministers, from all the political entities, who are in charge of the policy being addressed by a particular conference. Collaboration agreements have also been concluded with ministers and civil servants from all the entities to cover specific work programmes and projects relating to administrative streamlining and e-government. The relationship between the municipalities and federal and regional administrations are also covered by these agreements.

Another possibility for regulation simplification at sub-national levels is a specific project that is managed/financed at the central level but is focusing specifically on the sub-national level. In July 2008, the Portuguese government launched the *Simplex Autárquico Programme* (Simplex for Municipalities) to involve municipalities in the Simplex policy in areas where both the central government and municipalities are involved (licences, certificates, and inspections). In keeping with their autonomous status, the *Simplex Autárquico Programme* is based on the voluntary participation of municipalities. The objective is that 50% of the municipalities participate in this initiative by 2012. At the launch of the programme, nine municipalities had already engaged in it, including Lisbon and Porto, the two largest cities in Portugal.

The Australian government asked the Productivity Commission (PC) to report on the quality and the quantity of Australian business regulations and the administrative compliance costs of business registrations. These reports completed in 2008 cover all Australian jurisdictions and local governments. The quality and quantity measures are intended to help compare the performance of the regulatory regimes in the different jurisdictions and assist governments in identifying areas for improvement. The former report provides a "snap shot" of the current regulatory environment across the Australian jurisdictions. To assess quality it focuses on the broad measures of the stock and flow of regulation and regulatory activities. Measures of good regulatory processes are used as a proxy for the quality of regulation, rather than measures of specific regulations. The government is continuing with the benchmarking exercises and has subsequently requested the PC to conduct a benchmarking study into Planning, Zoning and Development Assessments, and it is expected that subsequent reviews of other areas of regulation will follow. In this way a wide database of regulatory costs for various sectors will be constructed over time. It is notable that these benchmarking exercises provide data for the comparison of jurisdictions and do not include any specific recommendations for reform. They are intended to inform other reviews of regulation. They also place considerable emphasis on the processes and activities of regulators, such as provision of online

information services for the comparison of the performance of regulators across jurisdictions and not just the monetary costs imposed.

Other examples are the standalone project that may have been inspired by the national level projects but were developed and managed solely at sub-national levels. Success of the national-level programmes is creating a momentum for these kinds of projects.

A number of municipalities in Portugal – especially the larger cities – have taken some initiatives for Better Regulation. Lisbon and Oporto, for example, have their own simplification programme aimed at improving service delivery. The *Simplis Programme* launched by the municipality of Lisbon in 2008, shows this impact. Its structure and content draw on the experience of the national-level *Simplex Programme*.

Odivelas in the suburbs of Lisbon is another good example of a municipality which actively participates in the simplification and e-government initiatives of central government. Azores and Madeira have launched their own policy programme in the area of better regulation and administrative simplification in particular. Their programmes for administrative simplification are along the lines of the *Simplex Programme*, and have been closely associated with the development of e-government. The initiatives taken by these two regional governments have aimed at:

● promoting and developing portals with an integrated platform of services;

● eliminating duplicated procedures;

● improving human resource qualifications, especially in the field of ICT.

Sub-national levels play also an important role in communicating with stakeholders. The Dutch VNG draws attention to a number of mechanisms aimed at ensuring that stakeholders (including administrators within local government) are aware of, and can comment on, Better Regulation developments. A Better Regulation website hosted by the VNG has been established (less regulation, more service), dedicated to the dissemination of information on Better Regulation projects at the local level.[10] Efforts are made to ensure that communication approaches are tailored to the audience: brochures, instruction manuals, newsletters, articles in national and local newspapers, seminars, workshops, meetings, conferences. Specific initiatives such as the reform of model regulations and the local level's engagement in regulatory burden reduction programmes are discussed with local stakeholders and feedback is given to them.

A different category of projects that result in administrative simplification in a wider sense are projects focusing on better provision of services by the sub-national authorities. These projects do not have to include changes in

regulation and may only focus on the way the regulation is being enforced or how regulated subjects are informed about the regulation.

Multi-level regulatory governance plays an important role in the initiative on co-operation between the OECD and Mexico. The project will extend to examine multi-level regulatory governance and administrative simplification more thoroughly using the outcomes of the OECD/Mexico initiative (see OECD, 2009c).

The institutional aspect is important for co-operation between central and sub-national levels of government. Countries use various approaches with differing degrees of formality. In some countries, dedicated bodies were created either to promote co-operation and involvement of sub-national governments or to specifically deal with regulatory quality at regional and local levels.

The Local Better Regulation Office (LBRO) was set up by the UK Government as a lever of change for Better Regulation at the local level (based on the five principles of proportionality, accountability, consistency, transparency, and targeting). Its core objective is to support the improvement of local authority regulatory services, with particular emphasis on the quality and consistency of local enforcement. The LBRO was established on a statutory basis under the Regulatory Enforcement and Sanctions Act 2008, which gave it a number of powers, including the statutory power to make a local authority a lead (primary) authority (see Box 2.5).

A Committee of State Secretaries on Bureaucracy Reduction is in place in Germany, chaired by a Chancellery State Minister who is also the federal government co-ordinator for the programme on Bureaucracy Reduction and Better Regulation. The tasks of the co-ordinator and of the Committee of State Secretaries include in particular:

- the implementation and co-ordination of the *Programme for Bureaucracy Reduction and Better Regulation*;
- setting resolutions on uniform and binding methods for surveys according to the SCM;
- managing, monitoring and refining the method; and
- mediating in case of dispute between the federal ministries and the National Regulatory Control Council.

The closer the co-operation with sub-national levels of government is, the more synergies can be found. Choosing the right model of involvement of sub-national levels of government depends on the specific administrative arrangements in a given country.

## Box 2.5. **The Local Better Regulation Office (LBRO)**

**Mission and powers**

The Local Better Regulation Office was set up by the government in May 2007, and given its definitive statutory footing in the July 2008 Regulatory Enforcement and Sanctions Act (the final Impact Assessment on the Act put potential cost savings at up to GBP 80 million per year, much of the benefit through improved consistency, but also through more effective compliance). The Act gives the LBRO six key functions:

● *"Primary authority" power*. The LBRO has the power to nominate and register "primary authorities", that is to say, lead local authorities. These nominated local authorities provide advice to, and agree inspection plans for businesses that operate across council boundaries. They advise other local authorities in their interaction with the business, with a view to securing consistency of the approach. The LBRO arbitrates any disputes.

● *Advice*. The LBRO provides advice to central government on enforcement and regulatory issues associated with local government.

● *Statutory guidance*. The LBRO issues statutory guidance to local authorities in respect of regulatory services.

● *National enforcement priorities*. It reviews and revises the list of national enforcement priorities for the local level.

● *Investment budget*. It uses this budget to achieve strategic outcomes, notably the dissemination of innovation and good practice.

● *Partnerships*. It develops formal partnerships (via memoranda of understanding) with national regulators.

The LBRO defines its objectives as:

● Supporting service improvement and changes in local authority regulatory services.

● Delivering consistency, principally through the primary authority mechanism.

● Acting to improve the local authority regulatory services system.

**Structure and budget**

The LBRO was established as a non departmental public body (NDPB in the United Kingdom institutional system which is operationally independent but ultimately reports to and is funded by a sponsor department). The parent in this case is the BERR. It must seek approval for its budget via the presentation of a corporate plan to the BERR. It has 26 staff and a Board of eight with backgrounds in regulation, business and government. The Chair is Clive Grace – a former local authority chief executive and chairman of a stock-exchange listed services company. The Board sets the LBRO's strategic direction and acts as its ambassador. The senior management team is led by Chief Executive Graham Russell, former head of Trading Standards and Community Safety at Staffordshire County Council. The LBRO has a GBP 4.4 million operating budget for its first year.

## Policy Option 5. Strengthen communication with stakeholders

*Communication with stakeholders must be strengthened. They should be actively involved throughout the process of administrative simplification. Communication of results is crucial for their perception of how successful the project has been.*

### Communication with internal and external stakeholders during the process of simplification

When assessing administrative burdens, it is necessary to gather information on the costs connected with complying with information obligations. It is difficult, if not impossible, to get this data without consulting the regulated subjects. They have the real-life experience with compliance and are able to provide data that are closer to reality than expert assessments by civil servants. Therefore, regulated subjects and communication with them play an important part in the process of measuring administrative burdens.

This is, nevertheless, not the only phase in which regulatees should be involved in administrative simplification. When identifying the "candidates" for simplification among regulations or areas of regulation, it is always useful to take the regulated subjects on board. The regulation that is the most burdensome is not necessarily the one that is perceived by regulated subjects as the most irritating, and the basic version of the SCM does not provide a tool to deal with this issue. Focusing on the most irritating regulations may contribute to a more positive reaction by regulated subjects on the results of the project.

For example, in 2004 the Danish government established ten working groups in relevant ministries (the "burden committees"), which included representatives from business organisations. The purpose of these committees was to identify the business community suggestions for simplification.

Interviews by the Dutch RRG are being used to collect information on burdens as they are experienced by business in practice, including irritants. The perception monitor is a policy instrument that measures noticeable changes in regulatory burdens experienced by all entrepreneurs (macro-level) and by individual entrepreneurs (micro-level). Both levels will be monitored over a period and the changes in experience will be analysed and explained in progress reports.

Also in the Netherlands, the "Kafkabrigade" initiative is based around a group of experts who seek to solve problems in the public sector from the perspective of citizens. There is a brief investigation into a specific problem, and how it is handled by the government. Civil servants are involved in this process. An appraisal review is then conducted with the authorities involved,

after which the Kafkabrigade formulates recommendations for improving the way the system works.

The French DGME co-ordinates a network of representative bodies for each segment of clients (*e.g.* associations of consumers). These networks are provided with the results of the surveys and can discuss and give suggestions on the areas of simplifications. Workshops are organised several times in a year, in order to discuss the simplification projects. In addition, there is a website dedicated to the whole simplification process,[11] using web 2.0 technologies, in which users can consult the programme, vote on proposed measures and make suggestions. This helps define quick win projects. To improve the efficiency of the listening process, the DGME has established a panel, composed of 5 000 individuals and 2 800 businesses. This panel allows the DGME to conduct the surveys in a more responsive, more reliable and less expensive way.

In Canada, approximately 30 000 SMEs plus 5 000 external service providers[12] were contacted for information on the time and salaries spent internally complying with information obligations. The Advisory Committee on Paperwork Burden Reduction was also established to find practical and achievable ideas for reducing burdens on small businesses and to measure and benchmark paperwork burdens.

In Germany, the programme on administrative burden reduction is based on the active and continuous participation of stakeholders (business associations, social partners and economic research institutes), both in the identification and costing of information obligations in current legislation and in the development of options for simplification.

Since 2008, the Spanish government signs annual co-operation covenants with the Spanish Confederation of Business Organisations, the Spanish Confederation of Small and Medium-sized Enterprises and the Spanish High Council of Chambers of Commerce. These covenants enable these organisations to inform the government of their needs and concerns and pass on proposals for simplifying paperwork and reducing burdens in order to facilitate their activities. Through this activity, a large number of administrative burden reduction proposals elaborated by businesses themselves has been collected.

In the United Kingdom, the government has established a website which encourages stakeholders and their representatives to submit ideas for simplifying regulation or reducing administrative burdens. Departments must respond to these ideas within 90 days. Those ideas that are adopted feed into departmental simplification plans. The Better Regulation Executive (BRE) also has a business visits programme which involves BRE staff regularly visiting a diverse range of stakeholders and audiences, in every region of the United

Kingdom, to understand their regulatory concerns. This intelligence is used to inform BRE policy making and, where appropriate, is communicated to the relevant officials.

The ongoing participation of business representatives is considered an essential element in both the elaboration and implementation of the measures in Austria. The Austrian Federal Economic Chamber defines itself as an active partner in applying the SCM in the impact assessment process. According to the regulation on the application of the SCM, an expert commission has to assess the estimated administrative burdens if they are likely to exceed EUR 1 million. The expert commission consists of the main stakeholders, *i.e.* experts of the Chamber. Often, the Chamber is asked on an informal basis to provide its expertise in estimating administrative burdens for enterprises.

### Communication of results

Communication with stakeholders may be crucial not only for achieving the goals of administrative simplification projects since regulated subjects are the only ones who can provide reliable data on complying with information obligations. It is also very important after achieving those goals, as perception of importance and usefulness of these projects by regulated subjects play an important role in the overall evaluation of their success.

Some countries such as the Netherlands realised this after achieving their objectives set in administrative burden reduction projects. The reaction of those who should have benefited the most – the businesses – was less than enthusiastic. Later, the government identified insufficient communication as one of the reasons. The Dutch RRG Communication Plan explains that "the success of the programme will depend in part on the manner in which results are communicated to the business community. Only those companies and individual entrepreneurs who are aware of a positive change will be able to adapt their business processes accordingly and appreciate the differences in the longer term. The visibility of the changes can be enhanced by effective communication".

The Dutch Government is addressing business concerns with its expanded definition of compliance costs, and a new communication strategy. As well as the ongoing work to expand the scope of the programme with a methodology that includes irritants and broader compliance costs, and the quality of services, its new highly proactive communications strategy targets needs as identified by business rather than civil servants. This includes the establishment of the Wientjes Commission to be the voice of business, and a wide range of tailored mechanisms to capture business interests as well as to communicate meaningful achievements (what the recipient wants to know,

rather than what the civil servant thinks is interesting). The Regulatory Reform Group's (RRG) communication handbook underlines that concrete results must have been achieved before they are communicated.

Different strategies have been elaborated to take account of the different sectors of the business community. The aim is to answer the question for businesses "what is in it for me?" by presenting case studies. The challenge is to translate general results from the programme into concrete cases for the individual entrepreneur. The plan provides for a range of communication channels to capture business views directly and to communicate results:

●  A single central website has been set up by the RRG to be the hub of all communications for the business community.[13] All of the results of the programme are published here (including for example the regular RRG reports to Parliament). A contact point has been established on the site, where businesses can submit their complaints regarding regulation (including nuisance factors). This information is picked up by the RRG account managers who pass on the issue to the relevant Ministry, who must report back within four weeks on what has been done. To satisfy the Common Commencement Date principle of timely and clear provision of information, relevant websites provide companies and institutions with timely information about prospective relevant regulations.

●  Regular discussions are held with representative organisations.

●  The compliance costs monitor and the perception monitor carried out by the RRG provide the programme with new concrete issues.

●  The Minister and State Secretary of the Ministry of Economic Affairs have both "adopted" companies with the goal of better understanding the day-to-day problems of companies. Contact is made twice a year.

●  There are campaigns with radio spots on business news radio, advertisements in business magazines, and online advertisement (banners) on other websites.

●  Brochures, fact sheets on specific subjects have been produced for intermediaries such as accountants.

●  Newsletters, news feeds are uploaded on the website.[14]

●  "Regulatory Navigators" provide business with information on all of the regulatory obligations for their sector.

●  In 2008 an advertising campaign was held, with magazine ads, brochures and radio spots, drawing attention to noticeable burden reductions.

Interviews in Denmark as part of the EU15 project show that while businesses support the burden reduction policy, they do not have a positive perception of its actual impact on their activity. Denmark has developed new initiatives on communication, in particular with the release of a

De-bureaucratisation Plan for Business Regulation, which explains how the government intends to meet the 25% reduction target. The government provides detailed information on the administrative environment, in particular through its business portal *virk.dk*. The DCCA publishes general information on the programme on its website. It has also set up a dedicated website on burden measurement,[15] which displays a barometer of burdens, showing progress both at an aggregate level and ministry by ministry.

The "Kafka" brand has been a useful instrument for communication both within the administration and to the general public in Belgium. This is a well-known initiative, which has also gained visibility outside the country. The Kafka Measurement Office publishes the so-called *cahiers*, specific analyses based on executed measurements, where a specific subject matter is analysed more in detail. In 2009, the *cahier* on Mobility and Transportation was developed, in which five years of burden reduction initiatives in the area of Mobility and Transportation at the federal level were quantified and commented upon.

The government has given a lot of attention to communication on Better Regulation policies in Wallonia. One of its nine key principles for administrative simplification is: "You have simplified something: let it be known!" It has accordingly put in place different tools to communicate its Better Regulation policies to both the administration and external stakeholders.

In the United Kingdom, the National Audit Office (NAO) suggests that efforts to engage more directly with businesses rather than taking a civil servants' view of what matters has borne some fruit, even if there is further progress to be made. According to the United Kingdom response to the OECD questionnaire, "the importance of 'real-life' case studies to bring the programme to life, with quotes from businesses and business organisations has proven very helpful". The overall savings figure delivered by the programme is used as a key fact in most of the media communication materials and activities and used as a central piece of evidence of the government's commitment to, and progress with, regulatory reform. This includes, for example, the individual case studies, profiling how specific businesses have benefitted from the programme; the specialised website, which showcases the impact of the programme; and a longer term drip feed of positive stories and case studies throughout the year, generated by other specific/related activities, for example business visits.

In Austria, examples of individual entrepreneurs and how administrative simplification has helped them in particular are used to promote administrative simplification among small businesses and individuals.

It is advisable to develop a communication strategy as part of the planning phase of the project. The consultation process must be as transparent as

possible and regulatees' suggestions must be assessed carefully (including a clear expression of why they could not be taken on board). If not, their confidence in the administrative simplification process will be undermined. When communicating results, individual examples and case studies should be used rather than total numbers and overall savings.

## Policy Option 6. Assess programmes' "value-for-money"

*Administrative simplification efforts should be evaluated for their "value-for-money". An evaluation strategy should be developed before launching the project. It should not only focus on the quantification of administrative burdens reduced as a result of the project but also on other outcomes and effects for society.*

Many countries have acquired several years of experience with launching and implementing their administrative burden measurement and reduction programmes, but the same cannot be said for the *ex post* evaluation of those programmes. Inevitably, pressure on them increases to justify the rationale, illustrate the results and assess the effectiveness of their strategies.

Despite their popularity and political attractiveness, and the considerable resources invested in them, programmes have not been perceived as bringing sufficient concrete relief. There is broad dissatisfaction with the effectiveness of the programmes, and the "value-for-money" of the overall agenda is put into question. In addition, some of the evaluations that have been published to date (by the Dutch Court of Audit and the UK NAO) have cast some doubt on the real relief achieved by the national reduction programmes (see Radaelli, 2007).

The *ex post* evaluation exercise needs to look beyond the achievement of the target set by policymakers and analyse the real outcome of the programme in terms of social welfare and industry competitiveness. In addition to the soundness of the methodological choices adopted during the measurement, an *ex post* evaluation should ensure that the reduction measures adopted: do not create additional sources of cost for businesses, while reducing administrative burdens; do not increase costs for other agents, such as consumers or public authorities and do not eliminate even greater benefits generated by the information obligation that has been eliminated/simplified.

One of the rare examples of such evaluations comes from the Netherlands. The Dutch National Court of Audit carried out two evaluations of the administrative burden reduction programme, in 2006 and again in 2008. The 2006 report noted that there is an effective steering mechanism, with the Cabinet behind the programme, a uniform and well-designed policy to measure burdens within a clear timeframe, but that the effects on companies have not been as anticipated. Its 2008 report noted that it was too early to make complete comments on the then new Action Plan, but that the

programme had been redirected to take greater account of company views, and that there should be an expanded definition of compliance costs.

The UK National Audit Office has published a report on the administrative burden reduction programme. Results show that burdens are perceived to have increased and departments find it hard to deliver. However, the government should also focus on outcomes, and the programme should not only address administrative burden. The programme bears a cost, even though it is difficult to quantify what resources were spent to bring the programme forward within departments. The preliminary conclusion of the NAO is that the benefit of the 25% reduction target to business is uncertain and departments should not be driven exclusively by the need to meet this target. In the second year of operation, the NAO found that business perceptions of the government's approach to regulation had improved. The NAO has emphasised the need to develop and maintain a consistent method for calculating the monetary value of burden savings, to record the costs of the programme to the government to ensure value for money and to measure the costs of new regulation to achieve a net target.

The Danish programme for administrative simplification has been evaluated on several occasions. In 2007 there was the evaluation by the National Audit Office of Denmark (NAOD) of the impact of Better Regulation and simplification. The NAOD found that the measurable effect of efforts has been relatively low and that a considerable percentage of companies do not perceive administrative reductions.

In Italy three sets of indicators are used to evaluate administrative simplification:

- Implementation indicators which aim at monitoring the progress made in the administrative burdens reduction activities and indicates the percentage realisation of each measure.
- Results indicators which aim at giving account for the effective realisation of the specific targets of each measure.
- Impact indicators which aim at assessing the benefits for users of regulation.

*The evaluation exercise should be timely and continuous.* The best way to organise an evaluation process is not to focus on a specific point in time, but to establish a continuous mechanism of monitoring and evaluation. After the measurement exercise has been completed, there should be an initial progress report which contains: *i)* an evaluation of the way in which the measurement has been designed and implemented; and *ii)* suggestions for translating the measurement results into concrete reduction proposals, based on an evaluation of the likely accuracy of the measurement. During the "reduction period", there should be annual *interim* evaluation reports based on

clear indicators, aimed at assessing the effectiveness and efficiency of the reduction proposals. One year after the end of the reduction period, there should be an *ex post* evaluation of the effectiveness, efficiency, proportionality, actual perceived impact and macroeconomic impact of the reduction programme, based on clearly identified indicators.

Figure 2.3. **Monitoring and evaluating simplification programmes**
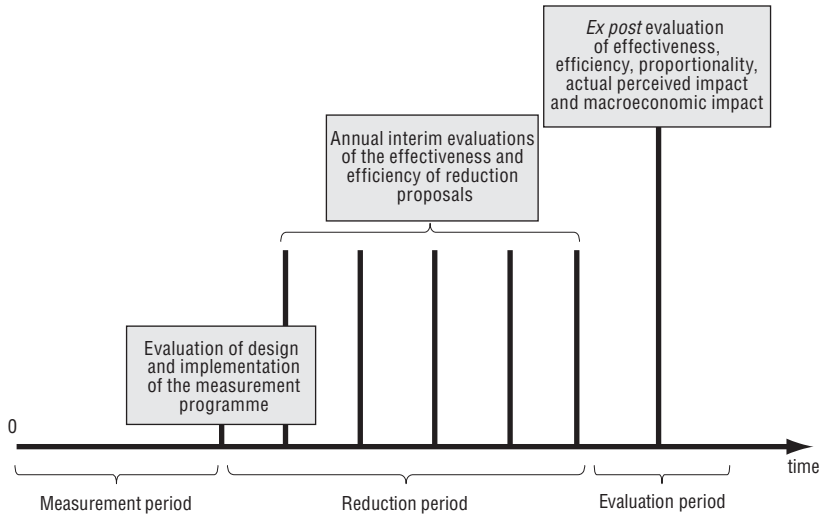


*Source:* Allio/Renda, Evaluation of Administrative Burden Reduction Programmes.

Another key issue in setting up the context for evaluation of simplification programmes is deciding who should be in charge of the evaluation. When it comes to assessing the proportionality of the measurement programme, which includes the assessment of what resources have been spent and how, audit offices and courts appear to be the most appropriate bodies. As concerns the effectiveness and efficiency of the reduction proposals, the most appropriate bodies may be regulatory reform units in charge of quality assurance and oversight of the impact assessment process. Alternatively, *ad hoc* advisory bodies may be entrusted with the scrutiny of the government's activity. As regards the final evaluation, the body in charge of adopting the final evaluation report should ideally be an *ad hoc* body in charge of scrutinizing the government's activity. At this final stage of the evaluation process, an external expert study could be considered, especially in order to validate the assumptions concerning the macroeconomic impact of the reduction proposals.

An *ex post* evaluation exercise should aim at assessing whether the reduction programme has brought benefit to the regulatory addressees and to

society as a whole. Embracing a comprehensive approach to evaluation, in this respect, means that evaluation should go beyond the mere scrutiny of strictly cost-reduction measures. More precisely:

● All possible organisational impacts should be an integral part of the analysis, including *i)* faster and more transparent decision-making; *ii)* better implemented, enforced and durable legislation; and *iii)* a new administrative culture based on a client-oriented approach.

● Economic impacts should be a core component of the evaluation exercise. Accordingly, evaluators should consider designing and carrying out a holistic, comprehensive evaluation, which integrates a series of equally important tests. Such tests should cover: *i)* the proportionality criterion (Step 1); *ii)* the effectiveness and efficiency criterion (Step 2); *iii)* an assessment of the "perceived outcome" (Step 3); and *iv)* an assessment of the macroeconomic impacts (Step 4).

Allio/Renda in their paper developed a 4-step evaluation of a simplification programme (see Annex B.2). This could be used as a template for evaluating country efforts on cutting red tape.

The overall impact analysis of simplification projects should be systematically conducted, preferably before they are adopted and implemented. This will prevent adoption of such proposals where reduction of costs does not justify elimination of benefits by these proposals.

## *Notes*

1. European Public Administration Network.

2. NNR Regulation Indicator 2008, NNR, Stockholm.

3. Communication from the European Commission to the Council and the European Parliament – Action programme for Reducing Administrative Burdens in the EU, COM(2009) 544 final, Brussels 2009.

4. These data were not used in the final report and therefore not peer-reviewed nor checked with the countries. They are used here only as an illustration on how numbers can differ substantially across OECD.

5. The 25% target was adopted in 2009 in Finland.

6. Exemptions do exist, *e.g.* The Czech Republic with 20% or Spain with 30%.

7. It is questionable, though, whether the same targets are rational for economies with different characteristic. As shown above, the level of administrative burdens may differ across counties and therefore the level of "feasible" reduction may be different.

8. They must report twice a year, linked to their budget reporting cycle, including a statement of expected increases and reductions respectively over the four year Cabinet period, and explain deviations from previous reports.

9. In some countries, regulatory powers of sub-national governments are relatively insignificant. Efforts should then rather be focused on the improvement of services provided by these levels of the administration.

10. *www.minderregelsmeerservice.nl/smartsite.*

11. *www.ensemble-simplifions.fr.*

12. External providers include accountants, payroll firms and bookkeepers.

13. *www.antwoordvoorbedrijven.nl* (answer for businesses).

14. *www.minez.nl.*

15. *www.amvab.dk.*

# Conclusions

Administrative simplification is likely to remain among the most important government agendas in the following years. Many countries and the European Commission will finish projects on measurement and reduction of administrative burdens. This will be the right time to deeply evaluate these projects and, based on these evaluations, decide where to go next.

It is highly probable that these initiatives will not appear to be as successful as was envisaged few years ago. The perception of the beneficiaries – businesses and citizens – will probably not be so positive and the public will keep complaining about the high level of government bureaucracy and too much red tape. This does not mean however, that the efforts to simplify administration should be condemned and abandoned.

According to a pessimistic scenario, negative opinions will prevail and governments may significantly limit future efforts to cut red tape through systematic methods.* Depending on how fast sustainable growth of the economy will be re-established, pressures for strengthening of the role of the state in regulating the economy may intensify. It will be difficult for reform-oriented politicians and officials to defend relatively costly projects on measuring administrative burdens which are perceived by some as weakening the ability of government to regulate society in order to defend core values and to effectively protect its citizens. Abandoning systematic efforts to simplify regulatory environment governments would, however, contribute to losing competitiveness. Those that cut programmes instead of burdens could fall behind countries which continue to invest in regulatory reforms.

In the optimistic scenario, countries will focus on re-boosting economic growth and strengthening their competitiveness using improvement of regulatory environment and reduction of unnecessary administrative costs as an important instrument in this effort. Administrative burden reduction projects, their popularity and momentum that they are creating could be used as a "foot in the door", creating space for more comprehensive regulatory reform strategies.

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* For example, the *Financial Mail* from 21 March 2010 quotes sources close to the UK Administrative Burdens Advisory Board: "Cutting red tape has not been dismissed completely by the Government but, inevitably, there are other priorities."

Administrative simplification projects must be thoroughly evaluated, first to prove that they are really beneficial not only for some of the regulated subjects (especially the big companies) but for society as such. Their effects on economic growth, creating jobs, enabling innovations, *etc.* must be clearly shown to persuade the decision makers and the stakeholders on their usefulness. Second, the evaluation should serve the purpose of adjusting the methodologies on simplifying administration to bring the best "value for money". The OECD represents a suitable platform with expertise and experience for detailed and impartial assessment of projects on cutting red tape.

As shown above, to make administrative simplification more successful and better-received by the stakeholders, administrations must not only concentrate on hard data coming out of the measurement process but must also take into account the subjective perception of regulated subjects towards regulations and also focus their efforts on those areas of regulations that are perceived as the most irritating. Governments should also, through perception surveys, regularly assess the perception of regulations among business and citizens and set improving this perception as one of the goals of regulatory reform.

One way to reach this goal is to strengthen communication and co-operation with the stakeholders. They should be actively involved in the design of administrative simplification projects and contribute to the identification of the areas of focus for these projects. The wider public must also be continuously informed about the benefits these projects have. The methods adjusted to the purpose of communication and the constituency must be used.

Furthermore, administrative simplification and *ex post* reviews of existing regulations must be integrated with *ex ante* assessment of newly developed regulations. Creation of independent advisory bodies bringing together representatives of governments and outside stakeholders, one of the results of administrative simplification, can contribute to further strengthening of independent scrutiny of new regulations. The mandate of such bodies must, nevertheless, be sufficiently wide, relating not exclusively to administrative burdens.

Countries should also develop projects that will concentrate not only on businesses but also citizens. With pressure to improve the performance of administrations and "doing more for less", projects focusing on reducing administrative costs and regulations inside government can contribute to meeting these demands.

The countries that have not yet started with the systematic simplification of their regulatory framework should use the experience of countries that can

be considered as pioneers in the administrative simplification area while designing their own programmes on administrative burden reduction, better targeting their efforts to the most burdensome and irritating regulations, designing comprehensive communication strategies before launching the projects and creating permanent monitoring and evaluation mechanisms.

In the future, the OECD should continue in its effort to analyse new trends and developments in the area of administrative simplification. The OECD will also continue, subject to interest of the member countries, to review administrative simplification in both member and non-member countries. An evaluation framework presented in this paper will be tested and adjusted as part of these evaluations. A more comprehensive, analytical report shall be launched in a horizon of five years to map the new developments and present further policy options. In the following years, several short papers on specific tools and narrowly defined areas (*e.g.* Common Commencement Dates, enforcement and inspections, etc.) could be prepared based on case studies in several carefully selected countries.

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# ANNEX A

# *Policy Options*

## Policy Option 1. Broaden and widen administrative simplification projects

> *The focus of administrative simplification projects should be broadened. Countries should consider concentrating not solely on businesses but include also the costs of regulation on citizens and the public sector, and other costs than the administrative ones,* **e.g. other substantive costs, irritants, etc.**

There are synergies that can be explored by adapting the techniques that exist for administrative burden measurement to measure other costs as well as to focus on other subjects than businesses. When trying to reduce regulatory costs on citizens and public sector, countries should target their efforts and not try to make a full baseline measurement. Quantitative methods should be complemented by the qualitative ones taking into account also the irritation factor.

## Policy Option 2. Quantify, but cautiously

> *Governments should quantify administrative burdens and set quantitative targets for their reduction, whether this is done before launching or during the project. However, quantification should be used cautiously with the efficiency in mind. Qualitative methods, especially those assessing the irritation costs, should complement the quantitative ones, to better target the efforts.*

Although it may not be advisable to fully disregard measurement, it is highly recommended to target the reduction efforts for the sake of efficiency, *i.e.*, to try to set priorities by identifying those areas of regulations or those individual regulations that have the potential to be the most burdensome and focus on them. This must be done in co-operation with stakeholders (see Policy Option 4). Guidelines on measurement on administrative costs should be prepared with the fact in mind that the measurement, when too detailed, may be too costly, especially in case of more complex regulations.

Qualitative techniques, while less precise, may help to identify potentially burdensome regulations and thus more efficiently target the resources spent on quantitative measurement. Qualitative methods also help to identify those areas of regulations that are perceived by stakeholders as the most irritating. Quantitative methods, however, help not only to identify the most burdensome information obligations, but also to disaggregate regulations into individual information obligations and make it easier to spot opportunities for reduction.

## Policy Option 3. Integrate administrative simplification with other regulatory reforms and e-government

*Administrative simplification should be integrated and co-ordinated with other activities in the area of regulatory reform. It is very important to integrate ex post simplification with ex ante assessment of regulations. Because ICTs are major tools to simplify administration, government policies on e-government and administrative simplification should also be closely integrated.*

It is more rational to apply full benefit-costs analyses (with enough emphasis on quantification of administrative costs) on new regulatory proposals rather than to prioritise just one aspect of the costs overlooking potential benefits.

It is advisable to further integrate administrative simplification and e-government in those countries where this integration is not strong. If a single body does not co-ordinate both agendas, there should be a systematic co-operation between the co-ordinating bodies at least on an institutional basis (*e.g.* a steering committee).

Administrative simplification should not displace other regulatory reform tools and policies. It can be used, though, as a "foot in the door" to create momentum and help to gain support from stakeholders for wider reforms.

## Policy Option 4. Create efficient institutional structures, involve sub-national governments

*Efficient institutional structures for co-ordination and monitoring of administrative simplification projects should be created. It is also essential to involve sub-national levels of government.*

It is important that the co-ordinating body has enough political support and sufficient tools to put pressure on participating departments and agencies. Setting individual targets is one possibility. Naming and shaming, for example through regular reports to the government and/or parliament is another one.

Creation of advisory bodies has the advantage of strengthening the role of independent watchdogs in the process of *ex ante* assessment of prepared regulations as well as *ex post* simplification. Since they usually gather representatives of administration together with representatives of stakeholders, a user-centric approach is also strengthened. Too much emphasis on administrative costs may, again, weaken the focus on other important costs as well as the benefits of regulations. The advisory bodies should therefore preferably oversee the quality of new or existing regulations as such and not only from the point of view of administrative costs, and the representativeness of various stakeholders should be well balanced.

The closer the co-operation with sub-national levels of government is, the more synergies can be found. Choosing the right model of involvement of sub-national levels of government depends on the specific administrative arrangements in a given country.

## Policy Option 5. Strengthen communication with stakeholders

*Communication with stakeholders must be strengthened. They should be actively involved throughout the process of administrative simplification. Communication of results is crucial for their perception of how successful the project has been.*

It is advisable to develop a communication strategy as part of the planning phase of the project. The consultation process must be as transparent as possible and regulatees' suggestions must be assessed carefully (including a clear expression of why they could not be taken on board). If not, their confidence in the administrative simplification process will be undermined. When communicating results, individual examples and case studies should be used rather than total numbers and overall savings.

## Policy Option 6. Assess programmes' "value for money"

*Administrative simplification efforts should be evaluated for their "value for money". An evaluation strategy should be developed before launching the project. It should not only focus on the quantification of administrative burdens reduced as a result of the project but also on other outcomes and effects for society.*

The overall impact analysis of simplification projects should be systematically conducted, preferably before they are adopted and implemented. This will prevent adoption of such proposals where reduction of costs does not justify elimination of benefits by these proposals.

# ANNEX B

# *Evaluating Administrative Burden Reduction Programmes and their Impacts*[1]

## Introduction

### *Administrative simplification, cutting "red tape", and purpose of this paper*

Since a couple of decades, OECD countries have embarked on a series of structural reforms targeting the way public administrations organise themselves and deliver. In this context, administrative simplification strategies seek to rationalise and streamline the bureaucratic machinery, and enhance the efficiency of its procedures. It is therefore one of the most diffused approaches to cope with the costs of regulatory inflation. "Cutting red tape" forms integral part of such strategies. The term red tape is generally used to refer to administrative burdens (ABs), *i.e.* "regulatory costs in the form of asking for permits, filling out forms, and reporting and notification requirements for the government" (OECD, 2006, p. 17). These can be harmful if they unnecessarily limit innovation, trade, investment and economic efficiency in general.

Over the years, the efforts to address, measure and reduce ABs have intensified. After the pioneering experience of the Netherlands with the MISTRAL project and later the Standard Cost Model, to date nearly all OECD countries reported to have an explicit programme for reducing ABs in place (OECD, 2006; 2009a; b).[2] The OECD recently produced an overview of the most significant trends shaping the international experiences with cutting red tape. The analysis suggests, among other findings, that as the strategies and tools implemented reach maturity, it becomes intrinsically necessary to evaluate the progress made and check if the AB reduction programme has actually delivered a better regulatory environment for businesses and citizens (OECD, 2009a, pp. 42ff). These considerations are part and parcel of a wider process of

evaluation of regulatory policies that accompanies the introduction of more evidence-based approaches to the regulatory activity.

Despite the large diffusion of these initiatives, governments have so far not launched comprehensive *ex post* evaluations of their AB reduction programmes. Only in the Netherlands and in the United Kingdom, national audit offices or courts have scrutinised the ABs reduction programme in terms of its "value for money" and perceived economic impacts (OECD, 2009a, p. 42). In all other countries, the only *ex post* initiative has been the publication of summaries of the total estimated monetary saving of burdens that has resulted from the programmes. By contrast, the efficiency and effectiveness of such programmes, the quality of their management, their "value for money" and the actual welfare impacts on the economy and the society remain partial at best, and completely unexplored in most of the cases.

The OECD Secretariat commissioned this paper to investigate the broad benefits from AB reduction programmes and to advise on the development of a possible methodological framework that could be used for evaluating existing and future programmes. Accordingly, the paper seeks to design an evaluation framework that could be used by the OECD Secretariat and national governments to evaluate and improve their domestic programmes.[3]

### Rationale for evaluating administrative burden reduction programmes

Many countries have now acquired several years of experience with launching and implementing their ABs measurement and reduction programmes, but the same cannot be said for the *ex post* evaluation of those programmes.[4] Inevitably, pressure on them increases to justify the rationale, illustrate the result, and assess the effectiveness of their strategies. A number of factors can explain why governments increasingly consider evaluating their AB reduction programmes (OECD, 2009a). They can be summarised as follows:

● Despite their popularity and political attractiveness, and the considerable resources invested in them, the programmes have not been perceived as bringing sufficient concrete relief. There is broad dissatisfaction with the effectiveness of the programmes, and the "value for money" of the overall agenda is put in question – especially in the current period of economic crisis. Also, the only two evaluations that have been published to date (by the Dutch Court of Audit and the UK NAO) have cast some doubt on the real relief achieved by the national reduction programmes (see *inter alia*, Radaelli, 2007). Since most countries initially targeted their programmes on business-related ABs, the private sector is particularly interested in both having concrete results, and improving the programmes wherever necessary. Citizens, on their hand, also have their stakes in an evaluation, for the significant resources (public money) invested by governments in the

programmes require full accountability and political responsibility. Enhanced demands for more involvement and participation, moreover, place the citizens as an important stakeholder for government.

● The landscape has evolved. On the one hand, new advisory and oversight bodies have been established in some countries (*e.g.* Germany, Sweden, United Kingdom), and this inevitably created momentum for evaluation initiatives. On the other hand, the complexity of the programmes has grown, with pleads for extending the methodologies to assess costs other than those resulting from information obligations (*e.g.* to include all compliance costs).[5] The scope of the programmes is also widening to include burdens on citizens and the public sector.[6] More attention is also paid to the communication and visibility of the strategies and results. The published data must be reliable, up-to-date, and close to reality.

● There is a growing awareness that the programmes are not fully integrated with other regulatory tools, so as to form a comprehensive reform agenda. When implemented *ex ante*, the measurement of ABs is only one (narrow) aspect of regulatory impact assessment (RIA); and RIA, in turn, is just one of the many ingredients of a whole-of-government regulatory policy. Even more importantly, the baseline measurement of ABs leads to a mapping of the most burdensome pieces of legislation for businesses, but still does not provide clear indications of which reduction measures would benefit society as a whole – once the measurement has been completed, reduction measures should ideally be subject to impact assessment. When this actually happens, the *ex post* evaluation of the reduction measures is much easier, since it can rely on data contained in the impact assessments related to each of the reduction measures.

● It is widely acknowledged that the administrative burden reduction agenda should cover the entire regulatory domain. At present, most programmes cover only national legislation, while they ideally should systematically include the multi-level dimension. Only this way can the effects of the regulatory cascade be better grasped. However, no serious discussion has taken place to date on how to operationalise the demarcation between the supranational, national, regional and local origins of Abs. Evaluation can help identify ways for co-operation across levels of government, win political support, and address legal barriers.

Against this background, public administrations and policy makers have their own interest in investing in policy evaluation. Broadly speaking, evaluations serve three kinds of purposes: audit, management, and learning. These are processes that bring long-term benefits to the public sector.

Carrying out policy evaluations in a systematic manner presents a number of specific benefits, including:

● Contributing to a more rational, structured and evidence-based policy making.

● Generating relevant information – included on unintended consequences – that is essential for planning, designing, updating and implementing policies ("closing the policy cycle").

● Reducing uncertainty and limiting the risk of policy and regulatory failures.

● Increasing transparency, enhancing accountability on the allocation of resources.

● Allowing benchmarking and sharing of best practices, thereby facilitating policy innovation.

● Highlighting policy trade-offs and synergies (policy integration).

● Contributing to policy communication, public information and awareness, potentially facilitating further implementation.

Overall, therefore, evaluation, and in particular the impact tracing process described below, promotes individual and institutional learning, enhances the legitimacy of and trust in the decision making, and contributes to policy improvement and policy communication. The evaluation community must nonetheless be aware that it may be opportune to change the form of evaluation according to its underlying purpose (see below).

Not only the findings and recommendations contained in the evaluation report are relevant. The very process of evaluation can be used as a platform for dialogue and learning. Sometimes, the launch of the evaluation process signals the priority given by the government to that particular policy, and contributes to its legitimisation. Even before being involved in the evaluation, informed stakeholders may start considering the policy intervention and rectify some misbehaviour or suggest possible corrections. Finally, any given evaluation may trigger a spill-over process and lead to further initiatives in the same policy or in associate areas.

The paper is structured as follows. The section on policy evaluation shortly outlines the theoretical elements that form the concept of policy evaluation. In particular, it considers and critically discusses the main criteria underlying *ex post* appraisal. The paper then addresses the various steps necessary for designing a framework for *ex post* evaluation, distinguishing between a conceptual and a practical approach to it. The next section presents an examination of the methodologies and criteria to assess the possible impact of a reduction of red tape on a number of different economic variables; productivity, market entry and competitiveness, and GDP. The rhetoric behind the first wave of AB measurements in Europe has relied heavily on estimates

that a reduction of ABs would lead to a one-off increase in GDP. The paper investigates the assumptions behind this estimate and goes on to identify a number of potential correlations between the AB reduction and broader societal and organisational considerations. A possible taxonomy of indicators for carrying out *ex post* evaluations is presented in the penultimate section. The paper concludes with some remarks and operational recommendations.

## Policy evaluation: an overview of the concept

### Definition

In general terms, evaluation may be defined as the process of "determining the *merit*, *worth*, or *value* of something, or the product of that process" (Scriven, 1991, p. 139, emphasis in original). An OECD definition refers to evaluation as "a systematic, analytical assessment addressing important aspects of an object (be it policies, regulations, organisations, functions, programmes, laws, projects, etc.) and its value, with the purpose of seeking reliability and usability of its findings" (OECD, 2004a, p. 4).

Evaluation should not be confused with research, audit and control. These activities differ primarily in their purposes. "While evaluation is intended to generate information on impact performance and of specific policies, research lays stress on the production of knowledge, control puts the emphasis on compliance with standards and audit judges how employees and managers complete their mission" (OECD, 2004a, p. 3). The framework developed in this paper combines various aspects that may be closely related to one of the terms rather than another. This is justified by the fact that this framework, by its nature, does not intend to be prescriptive on the purpose that governments should pursue when launching evaluations of their AB reduction programmes.

When applied to public policies and interventions, the evaluation activity may take place before their actual implementation (*ex ante*), during the implementation (*interim*) or after the implementation (*ex post* evaluation). This paper will mainly focus on the retrospective character of policy evaluation.

### Impact tracing

Because policy interventions unfold over time, they may have different impacts on different populations (targeted addressees as well as untargeted groups) at different moments in time. Not all effects are observable and can be evaluated simultaneously when the evaluation occurs. Often it is necessary to limit the scope of the evaluation, either by considering determinate categories of actors, or of effects. To do so, policy evaluators must rely on logical models

that allow structuring their work. To this end, they usually identify the constitutive elements of policy evaluation:

- *actors:* these are decision-making entities, either in the public or the private sector, or individuals, that may initiate, manage, implement the policy programme. Actors are also the addressee of the programme;

- *inputs:* these are the resources (used by the public administration) invested to produce the outputs. They are computed in financial, time and staff resources;

- *outputs:* these are the direct products of the policy intervention, which the target groups are faced with. In the case of public administrations, they are the services and activities delivered directly from using the inputs; and

- *outcomes:* these are the changes and effects that result from the policy intervention. They can be the reaction by the target groups because they face the outputs, as well as the consequences of such reaction (externalities).

We call *impact tracing* the process of constructing a logical pattern that identifies the causal links between the constitutive elements of policy evaluation.[7] Impact tracing does not intend to describe how a policy intervention actually works. It is used rather as a guide to understand the policy cycle – how the various policy phases are interlinked; what actors intervene at what stage, and why; and what are the respective observable effects (see Box B.1).

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Box B.1. **Example of a possible impact tracing of an administrative simplification measure**

In the case of streamlining the procedures for starting up new businesses through the establishment of a one-stop shop, the following phases can be identified through the impact tracing process:

| Input | $\rightarrow$ | Output | $\rightarrow$ | Outcome 1 | $\rightarrow$ | Outcome 2 | $\rightarrow$ | Outcome 3 |
|-------|---|--------|---|-----------|---|-----------|---|-----------|
| e-government programmes | | One-stop shop for permits | | Reduced administrative burdens for SMEs | | More start-ups | | Greater innovation rate and economic growth |

---

There are several advantages in using impact tracing in policy evaluation:

- It helps categorise the types of observable effects resulting from the policy intervention.[8] Constructing a typology of the observable effects may help structure and streamline the evaluation process. Effects are usually first divided into anticipated and un-anticipated effects. Both categories include effects falling either inside or outside the target area. A further level of analysis seeks to qualify the nature of the effects. Sometimes it is not meaningful to determine whether effects are "beneficial" or "detrimental".

Especially in the case of un-anticipated effects, it may be easier or sufficient to ascertain whether they are direct or indirect effects (Figure B.1).

- Impact tracing allows a targeted approach to policy evaluation, making it easier to precisely design the evaluation according to the given rationale; to differentiate and prioritise between the effects that need to be considered; and to organise the collection of relevant data. This is nowadays particularly helpful as policies tend to become increasingly complex and evaluations more and more comprehensive, ranging from assessing efficiency to encompass the quality of governance.

- Once the evaluation is completed, impact tracing assists with the interpretation of the results. Policy interventions often address complex problems and have a wide range of implications. Many external factors may affect the outcomes and are often changing constantly. Impact tracing enables a structured consideration of the actual causal mechanisms at work.

Figure B.1. **A typology for observable effects**
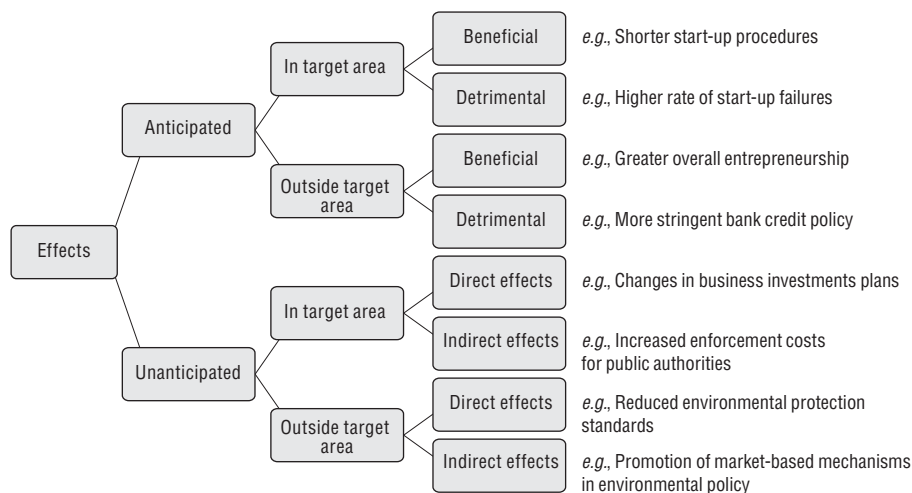


*Source:* Compiled by the authors.

### *Evaluation criteria*

By definition, evaluation is a normative process implying the formulation of value judgements. To reduce biases and subjectivity to a minimum, defined criteria on which to base the normative reasoning and conclusions must be used. The scrutiny process characterising policy evaluation is based on a number of criteria that may be combined with each other in a relatively flexible manner, depending on the rationale of the evaluation and the degree of sophistication desired (see Box B.2).

## Box B.2. **Multiple criteria for policy evaluation**

Policy evaluation can take various shapes. A multi-criteria approach allows evaluators to diversify the analysis and achieve a more comprehensive assessment. Besides some general criteria, which should always be present, a number of additional criteria may be applied. The list provided is by no means inclusive, but it includes the most important criteria.

**General criteria**

- *Relevance.* This dimension measures the extent to which the objectives of public intervention correspond to the needs and problems identified at the outset. It helps answers the question: "Do the policy goals cover the key problems at hand?"[*]

- *Effectiveness.* This dimension refers to the extent to which i) the objectives of a given policy were achieved and ii) whether the effects observed were due to the specific interventions evaluated. This should help answer the questions: "Was the policy appropriate and instrumental to successfully address the needs perceived and the specific problems the intervention was meant to solve?", and "To what degree do the achieved outcomes correspond to the intended goals?"

- *Efficiency.* This dimension is to be interpreted as "cost-effectiveness", *i.e.* how economically have the various inputs been converted into outputs and have produced outcomes; and whether the (expected) effects have been coherent, and obtained at a reasonable cost. This helps answer the questions: "Do the results justify the resources used?", or, alternatively, "Could the results be achieved with fewer resources?", and "How coherent and complementary have individual parts of the intervention been? Is there scope for streamlining?"

**Additional criteria**

- *Transparency.* This dimension assesses the degree to which the outputs and outcomes of the policy intervention as well as the processes linked to implementation are visible to outsiders (stakeholders, the citizens). It helps answers the questions: "Was there adequate publicity? Was the information available in an appropriate format, and at an appropriate level of detail?"

- *Legitimacy.* This dimension addresses the extent to which individuals and organised stakeholders accept the policy instrument and are satisfied with it. It helps answers the question: "Has there been a buy-in effect?"

- *Equity.* This dimension considers the distribution of benefits and costs among the targeted groups, and outsiders more in general. It may also refer to the degree to which various stakeholders participate in the policy process and have equal access to information. This should help answer the questions: "Where the effects fairly distributed across the stakeholders? Was enough effort made to get the appropriate access to information?"

> ### Box B.2. **Multiple criteria for policy evaluation** *(cont.)*
>
> ● **Persistence.** This dimension considers the likelihood that the policy effects will
> have a lasting impact, and whether this depends on the continuation of the)
> policy intervention. It also addresses the effects that the policy intervention
> has had on the functioning of public administration (learning). This should
> help answer the questions: "What are the structural effects of the policy
> intervention? Is there a direct cause-effect link between them and the policy
> intervention?" and "What progress has the administration made from reaching
> the policy objectives?"
>
> \* The literature also proposes the so-called "goal-free evaluation" (*e.g.* Scriven, 1991), in which the
>    evaluator ignores the ultimate purpose of the policy instrument to be evaluated. The
>    methodology is pure inductive, as the evaluator's task is to assess what the policy intervention
>    actually does, what results it achieves, without being distracted by normative assumptions. By so
>    doing, unintended effects should emerge as any other accomplishment, and their evaluation
>    should unfold with less or no biases. This risk should however be minimised by a correct impact
>    tracing process.

The policy evaluation literature tends to recommend the use of evaluation approaches based on several methods rather than only one. Possible ways to do so are combining different methods; using multiple data within a single method; having recourse to various analysts; and apply on different theories. The many methods available include varying the level of aggregation of statistical data; considering diverse statistical samples; combining quantitative with qualitative analyses, not least through questionnaires and interviews (Scriven, 1991; Bartlett, 1994; Patton, 1998).

Not all effects are relevant for all criteria. Some criteria become more useful when applied to a subset of the effects only. For instance, the efficiency criterion is commonly applied on anticipated effects falling in the target area. Similarly, equity usually focuses on output and outcomes, but if it refers to the involvement of stakeholders in the development and implementation of the policy intervention, it may focus rather on the linkage between inputs and outputs. It is up to the evaluator to work intelligently and effectively.

## Creating an "evaluation framework" that underpins the "evaluation function"

This part considers the various steps that help design a framework for comprehensive *ex post* evaluations. Taken together, the steps should convey the message that what ultimately determines the success or failure of any evaluation strategy is not necessarily the establishment of an evaluation unit within the government. Most importantly, the goal is to create a multiple and wide-ranging system that supports the evaluation function of any given policy, or policy programme (Patton, 1998; 2002). In developing such an

evaluation function, the emphasis is put on core principles that may be adjusted according to the institutional, administrative and cultural feature of any given jurisdiction, as well as the political context in which evaluation takes place. Attention is not given to pre-determined organisational arrangements and methodological approaches, which may not fit optimally everywhere and at any time.

The steps building the evaluation framework can be distinguished in conceptual and practical.

Table B.1. **Organisational arrangements and methodological approaches to evaluation: An overview of the conceptual and practical steps**

| Conceptual dimension (design) | Description |
|---|---|
| 1. Setting the context | Understanding the underlying contexts in which both the policy intervention has been implemented, and the subsequent evaluation will take place |
| 2. Structuring the evaluation | Designing the scope and methodology, including: <br> ● Developing the terms of reference. <br> ● Design methods to access and use information. <br> ● Categorising the tests and selecting the appropriate combination of them. <br> ● Setting the quality standards to be expected from the evaluation process. |
| Practical dimension (implementation) | |
| 1. Roles and responsibilities | Depending on who initiates and who carries out the evaluation process, the scope and focus of the latter may change. Three forms of evaluation can be identified: <br> ● Internal (carried out from within the administration). <br> ● External (either commissioned or on external independent initiative). <br> ● Participatory (relying on public-private expertise). |
| 2. Capacity-building | What capacities and what kind of organisation are needed for carrying out evaluation activities are two elements directly related to the question on whether to carry out an evaluation internally, or to outsource it to external entities. Account must be taken on human resources, timing and budgeting, and costs related to the collection of data. |
| 3. Knowledge diffusion and utilisation | For it to have a positive impact (policy learning), the evaluation process must be well and timely communicated, and a clear understanding of the responsibilities (checks and balances) is crucial for minimising biases. |

*Source:* Compiled by the authors.

## *The conceptual dimension (design)*

### *Setting the context*

Policy evaluation can help, but it is not a magic wand. In particular, it does not intervene in a vacuum but is necessarily informed by pre-existing knowledge as well as concomitant factors. Sponsors of policy evaluation are usually better off if they have a clear picture of the underlying contexts in which both the policy intervention has been implemented, and the subsequent evaluation will take place. What was the baseline scenario leading to the decision to intervene? What has changed over the years since

implementation? Here again, integrating the exercise with the RIA process might be instrumental. Such an analysis is critical for it enables a better definition of the policy problem, and to clarify the purpose of the exercise. At the same time, setting the context helps better considering the implications that the evaluation process bears with it. Because any evaluation has constraints (be them linked for instance to limitations of resources, or due to the chose conceptual, methodological approach and scope), it is important to build and manage the expectations accordingly and start an effective, transparent and objective communication campaign.

Setting the context also means identifying the main actors concerned by the policy intervention, and determining their linkage with the evaluation exercise. Actors can be decision makers and policy masters; civil servants and policy executors; stakeholders (direct and indirect), and opinion formers. They may play different roles, from funding the evaluation to carrying out the assessment and communicating the findings. Knowing the constellation of actors, their mutual relationships and their degree of involvement in the policy area helps ascertain their relevance, representativeness, expertise, and agendas.

It is moreover advisable to identify counterparts in other jurisdictions as well as international evaluation networks that bring together civil servants, stakeholders, consultants and academics active in the field. This clearly increases the possibilities for sharing experiences; finding solutions to common problems linked to evaluation; and getting opportunities for further training.

### Structuring the evaluation

After setting the context, evaluators must proceed to the design of the scope and methodology. Structuring the evaluation is arguably one of the most challenging tasks, and it bears direct implications on the overall process downstream. Bearing in mind the evaluation criteria discussed above, this section suggests some best practices to overcome this initial barrier.

- Terms of reference. This initial step is important as the document frames the scope of the evaluation, the terms of references set the specific objectives, tasks, deadlines and resources to the evaluators. At the same time, nonetheless, they should allow a certain room for manoeuvre to the evaluator to pursue its tasks.

- Provision of information. This heading refers to the methods used to access relevant and reliable data. At this stage, evaluation designers usually include the steps leading to the "impact tracing" process mentioned above, as well as the channels through which information is collected. The channels may be direct interviews, surveys, documentation reviews, and

direct observation. One approach does not exclude the other. On the contrary, they usually are mutually supportive and complementary, as each presents advantages and drawbacks. It is usually left to the evaluator to choose among the best ways to collect data, and to filter it to retain as much relevant and reliable information as possible (Brady/Collier, 2004).

● Identification of the evaluation test. By categorising the tests and selecting the appropriate combination of them, evaluators are forced to reflect on how the various evaluation tools and mechanisms they intend to adopt are instrumental in achieving the underlying objectives of the evaluation process (Box B.3).

● Quality standards. It is best practice to set at the outset the quality standards to be expected from the evaluation process. This allows for intermediate monitoring (if interim reports are foreseen) and facilitates an objective assessment of the evaluator's work. A possible basis for developing such standards are the *Programme Evaluation Standards* (Joint Committee, 1994).[9]

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**Box B.3. Classifying evaluation tests for regulatory tools, institutions and programmes**

Conceptually, three types of evaluation tests may be performed, depending on whether attention is put on assessing compliance (process), performance (outputs) or function (outcomes) (Harrington/Morgenstern, 2003):

● *Compliance tests* assess whether the regulatory quality tool, institution or programme are formally applied in compliance with the procedural requirements, as set out in laws, policies or guidelines as appropriate.

● *Performance tests* measure the quality of the analysis undertaken, going beyond the question of formal compliance with procedural requirements.

● *Function tests* evaluate to which extent the regulatory tool, institution or programme actually contributes to improving the decision-making process and its outcomes.

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### The practical dimension (implementation)

#### Roles and responsibilities

"Who evaluates? And on which behalf?" are two key questions that may have fundamental repercussions on the results, and their impact on the evaluated policy and institutions. Evaluations can take three different forms, according to who is in charge of designing and carrying them out. Depending on who initiates and who carries out the evaluation process, the scope and

focus of the latter may change. For examples, the mandate of audit institutions may limit evaluation to consider the efficiency of the programme, while a stakeholder-driven exercise or a multiple peer-review may encompass the economic impacts of the reduction measures. Moreover, each scenario has its own advantages and challenges (Table B.2), and *a priori* it is not possible to prefer a specific form over the other. The choice normally depends on various factors, including the institutional setting; the political context; and the specific policy intervention at stake. Sometimes, decisions on whom to entrust evaluation to must be taken on an *ad hoc* basis. Often, a combination of the approaches is advisable.

Table B.2. **Forms of policy evaluations**

| Form | Brief description | Advantages | Challenges |
|---|---|---|---|
| Internal evaluation | Carried out from within the public administration (self-evaluation) | Relevance maximises learning and buy-in long-term capacities better access to internal information easily adjustable methodologies | Political commitment self-referential, partisan character lack of objectivity legitimacy external communication internal costs |
| External evaluation[1] | *a)* commissioned by the government | Enhanced accountability high credibility, legitimacy flexibility in planning and allocation of resources expertise | Acceptance lack of ownership, reduced learning information asymmetry between evaluators and evaluated |
| | *b)* external own initiative | Enhanced accountability policy as shared responsibility diversification of perspectives expertise speed | Timing within policy cycle, relevance legitimacy (possible partisan, partial character, integrity of funding) lack of ownership, reduced learning dissemination limited acceptance |
| Participatory evaluation[2] | Relies on public-private expertise | Mutual learning legitimacy diffused acceptance | Speed politicisation representativeness |

1. Participatory evaluations imply that the addresses of the policy intervention are directly involved its evaluation. The degree of the involvement may vary but in principle participation should be ensured throughout all the stages of the evaluation process. See for instance Forss (1989) and Fetterman *et al.* (1996).
2. The external body carrying out the evaluation may belong to the state institutional setting (*e.g.* a parliamentary committee or commission; the Court of Auditors or similar audit institutions, or the Ombudsman office), or be other public and private organisations such as universities and research institutes, think tanks, foundations and other stakeholders. The degree of autonomy of these bodies varies.
*Source:* Adapted and complemented by the authors from OECD (2004a, p. 5).

### Capacity building

What capacities and what kind of organisation are needed for carrying out evaluation activities are two elements directly related to the question on whether to carry out an evaluation internally, or to outsource it to external entities.[10] Internal evaluations require building in-house capacities and skills that might be available on the market at a lower cost. So-called sunk costs and initial costs may be particularly high, and because of the dynamic nature of evaluation, investing in evaluation may imply mid- to long-run follow-up

costs. For instance, dedicated staff needs to be (hired and) trained to keep up with policy developments and methodological advances.

Time planning and budgeting of the evaluation are key elements in this regard. The types of costs incurred may be very disparate. Among other things, budgeting should not overlook the costs of:

- winning the necessary political support (if the evaluation is not set exogenously);
- conceiving the evaluation (drafting the terms of reference);
- allocating the internal operational responsibilities;
- providing training (if necessary);
- organising the call for tender and selecting the evaluation team (if necessary);
- carrying out the evaluation (data gathering, preparation, drafting and communication of the report); and
- organising the utilisation of the findings.

Collecting the data is often the main practical challenge for the evaluator. A preliminary enquiry on the availability of reliable data helps determine the scope of the evaluation and the type of approach that it is desirable or feasible. These *ex ante* considerations facilitate the design and budgeting tasks.

### Knowledge diffusion and utilisation

The primary objective of any evaluation activity is to collect information and present it in such a way that it can have practical consequences and the broadest impact possible. As a minimum, evaluation influences the policy agenda. The ultimate goal shall be to prompt policy learning. The design and use of the existing and new policy instruments should be improved further to policy evaluation. To this end, the way information and knowledge are disseminated and used is crucial (Thoening, 2000). More in general, launching a proper communication strategy from the very beginning is very instrumental (Chattaway/Joffe, 1998).

All actors concerned – be it within the administration, the decision makers, or the stakeholders – must have an as direct and neutral access as possible to the results of the evaluation. The latter never constitute the only source of information available. Evaluation findings and recommendations are just one piece of the information puzzle inputting policy making. Preferences, opinions and policy agendas are shaped progressively from multiple and heterogeneous sources. Evaluations are not used alone, but they are synthesised with prior knowledge, concomitant information, and core beliefs (March/Olsen, 1989). Hence, the relevance of evaluations depends as

much in the methodologies and the reliability of the data used as in how the process is embedded in the overall policy framework.

Evaluation has a strong pedagogic value, and in principle it would be opportune that those meant to learn from it (often the sponsors) are involved as closely as possible. This however may end up in tautological, self-referential exercises. Moreover, to avoid biases, evaluators should not be made responsible for communicating the results of their work and controlling the way in which this is utilised. A too close relationship between evaluators and users creates serious risks. On the one hand, people tend to prefer those findings that can be associated more directly to their core beliefs and values. This might distort the evaluation, which would end up merely confirming already established views (Wildavsky, 1984; Sabatier, 1988). On the other hand, problems may arise from the fact that often those commissioning the evaluation are also the primary end-users of it. This might raise the question of which actors are ultimately allowed to be involved in determining the design, scope and method of the evaluation; selecting the evaluators; and assessing the findings – and why others are excluded.

Ideally, the various phases of the evaluation process should be kept distinct from each other. Because reality is more complex, and to allow learning, there must be a permeable interface between sponsors, evaluators and users. The relationships between the various actors throughout the evaluation process must be carefully planned and balanced. In practice it is clear that the evaluation design and presentation will affect its utilisation (Weiss, 1998). It is therefore crucial that logical and control mechanisms are in place to minimise the biases. Being aware of the intrinsic pros and cons of the various evaluation scenarios described in Table B.2 above allows establishing the necessary procedural and methodological checks and balances.

## Methodological considerations and criteria for assessing AB programmes and evaluating their economic impact

In this section, we build on the previous sections and look more specifically at the problems that may be faced by governments wishing to launch an *ex post* evaluation of an ABs reduction programme. At first blush, the success of these types of initiatives seems rather easy to evaluate: as the goal of the reduction programme is expressed in quantitative terms (*e.g.* a 25% reduction of overall ABs), it might be sufficient to check that the target has been reached and then consider that the programme has been successful.

### Testing for common mistakes

The *ex post* evaluation exercise needs to look beyond the achievement of the target set by the policy makers, and analyse the real outcome of the

programme in terms of social welfare and industry competitiveness. Here, several complications may emerge. As regards the methodological features of the ABs measurement, potential challenges include the following:

● *The achieved reduction may not correspond to actual relief due to the types of burdens that have been reduced.* For example, if the burden reduction has fallen on administrative activities such as the keeping of records for a certain number of years, the elimination of these rules would not immediately be perceived by businesses, whereas the elimination of actual information processing and reporting obligations may be perceived as a relief.

● *Some costs may have erroneously been considered as burdens, while they correspond to business practices.* This can happen in particular whenever the observed conduct exhibits a significant "business as usual" or "BAU" factor. If these costs have been classified as ABs during the baseline measurement, their reduction provides a misleading indication of the burdens reduction achieved, as well as of the corresponding relief for businesses.

● *Some administrative burdens may have been overestimated since the Standard Cost Model assumes 100% compliance with the information obligation.* This is perhaps the weakest feature of the Standard Cost Model. Assuming that the whole population of affected businesses complies with the legislation can lead to overestimating the level of ABs generated by that specific obligation, and accordingly overestimating the burdens reduction achieved by eliminating or simplifying that provision.

● *In other cases, referring to a "normally efficient business" can lead to an overestimation of the "learning by doing" economies achieved by firms in complying with certain information obligations.* In the Standard Cost Model, the concept of a normally efficient business is used as a reference – which means that inefficient behaviour by firms is not taken into account when calculating burdens. Especially when direct assessment is used (*i.e.* no telephone or face-to-face interviews or other empirical methods), the concept of normally efficient business may underestimate the businesses' capacity to adapt overtime to existing legal provisions and reduce compliance costs overtime.

### Assessing effectiveness

In addition to the soundness of the methodological choices adopted during the measurement, an *ex post* evaluation should ensure that the reduction measures adopted: *i)* do not create additional sources of cost for businesses, while reducing ABs; *ii)* do not increase costs for other agents, such as consumers or public authorities; *iii)* do not eliminate even greater benefits generated by the information obligation that has been eliminated/simplified.

More in detail:

- A reduction proposal may lead to lower administrative burdens, but at the same time increase other compliance costs for the same targeted businesses. As portrayed in Figure B.2 below, ABs constitute only a subset of costs imposed on businesses by legislative acts. For example, the implementation of an e-government or any other IT-enabled solution can reduce the amount of time related to compliance with the information obligation. At the same time, however, it may require a degree of investment in upgraded IT equipment and training of employees, which would not be considered as ABs, but fall generally in the category of compliance costs. Similarly, a proposal that reduces ABs may increase public expenditure in monitoring and enforcement (see below): these costs may be recovered by the government through higher tax burdens, thus increasing direct financial costs of legislation. Finally, a proposal may reduce burdens by requiring structural changes in the production process, which would guarantee a certain level of product safety without any need for burdensome certifications: in this case too, burdens are reduced, but costs may increase.

- A reduction proposal may reduce administrative burdens, but at the same time increase administrative burdens of a different origin. In the context of multi-level governance, the reduction of ABs achieved by eliminating some information obligations at a certain level of government – say, at the national level – may require the introduction of new information obligations at the lower level – say, at the regional or municipality level. The same can be said for the regional v. national levels: for example, if the obligation to label pharmaceutical products by indicating their basic content and warning on potential consequences of improper use was removed in EU legislation, member states would have to solve the problem themselves by adding a specific information obligation in national legislation. This would mean less "A" burdens, but more "B" or "C" burdens in the jargon of the Standard Cost Model.[11]

- A reduction proposal may reduce administrative burdens, but at the same time increase costs for other private actors (businesses and/or citizens). For example, reducing labelling obligations for products may increase information costs borne by consumers, who would need to collect their information from other sources in order to make an informed choice of what products are most likely to fit their preferences.

- A reduction proposal may lead to lower administrative burdens, but at the same time increase monitoring and enforcement costs for public authorities. This is often the case whenever the information obligations eliminated involve the keeping and reporting of information available to businesses, but not to public authorities. For example, the provision of information on the respect of

hygiene standards or the reporting of large exposure by banks are typical instances of very burdensome activities for businesses that comply with these requirements. These information obligations are vital for public authorities, as they ensure that more informed businesses provide information that would otherwise not be readily available to public authorities. Absent the provision of this information, public authorities would have to deploy more resources to obtain the information, which is likely to lead to more inspections and enforcement costs – in our two examples, more hygiene inspections and more investigations into the riskiness of banks' exposure *vis-à-vis* certain clients.

● A baseline measurement of administrative burdens can enable a more efficient, responsive and risk-based organisation of monitoring and enforcement by public institutions. For example, the baseline measurement may lead to the identification of overlapping information obligations, leading to a more efficient use of reporting and inspections by public authorities. In this case, a reduction in ABs is coupled with a reduction in monitoring and enforcement costs, which leads to a more desirable "win-win" situation for public authorities and businesses. Such situations should be highlighted during the *ex post* evaluation as a potential "multiplier" effect of the administrative simplification sought by the reduction proposal. One case in point is in Finland, where it is reportedly observed that "the measures to reduce AB of businesses (*e.g.* by developing e-government solutions) also increase the productivity of the public sector".[12]

● A reduction proposal may reduce administrative burdens, but at the same time reduce the benefits associated with the legal provision at hand. When redundant and irritating burdens are reduced, normally no undesirable shortcoming follows. However, in most cases legal provisions are in place for a specific purpose – after all, regulation is primarily grounded in expected benefits. Take the example of product labelling for consumer (what is normally defined as a "third-party information obligation" in the jargon of ABs reduction programmes): removing labels that contain product information may well lower ABs, but this information can be essential for consumers in taking an informed decision on which products to purchase, and how to use them.

### Using surveys to assess the perceived impact on businesses

To date, the most common way of assessing the effectiveness of ABs reduction programmes in achieving their targets and goals has been the use of business surveys. This, of course, makes sense since, if the direct beneficiaries are the businesses, one of the most straightforward ways of assessing the extent of the relief they have perceived is to ask them. This method has been used by the Dutch Court of Audit and the UK National Audit Office in the *ex post* evaluation of the ABs reduction programmes.

Figure B.2. **Breakdown of compliance costs**
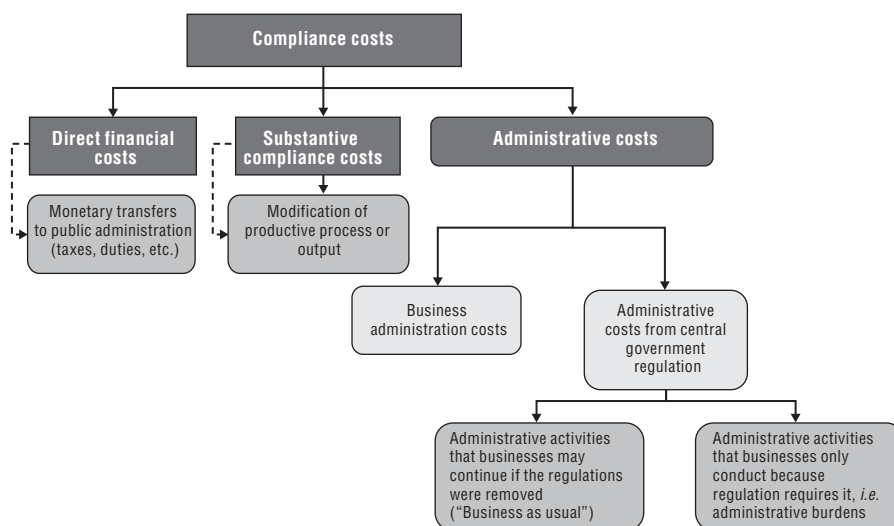
Potential problems that may emerge in carrying out extensive surveys of affected businesses include the following:

● *Businesses may have an incentive to downplay the actual relief* brought about by certain reduction measures, in order to ask for more simplification and further reduction proposals in the future.

● *The time elapsed between reduction proposals and the business survey must not be too short,* as it should allow for adaptation to the new rules by businesses (often, when measuring ABs, businesses still report compliance with old rules as opposed to recently adopted ones).

● *The sample of IOs and businesses chosen and authorities surveyed must be adequately representative:* in the United Kingdom, the NAO has interviewed in February 2008 more than 2 000 businesses to find out about their experience in complying with regulation. In assessing the behaviour of departments involved in the measurement, the NAO chose only the four departments that together account for approximately 75% of overall burdens according to the UK baseline measurement. The Dutch Court of Audit analysed 24 government measures, which included 20 measures that were taken in 2003-04 to reduce the AB and four new regulations that resulted in increased ABs. For the latter, the Cabinet had to take compensating measures. The Court also studied the effects that the reduction policy has had so far on the business community and the methodology applied to measure ABs, and concluded that the Cabinet had

correctly applied the methodology set out in the SCM. Finally, the Court of Audit found that businesses had not fully perceived the announced 25% reduction. The reason for this is that the rules scrutinised were often less onerous in practice than the government presumed, and businesses performed certain administrative tasks also for other purposes, or would still have to provide the information concerned to other parties, apart from central government.[13]

● *The indicators chosen must combine direct measures of success and indirect findings of improvements in the regulator environment*. Given that the measurement of ABs through the SCM does not have the ambition to provide statistically reliable information, it is important to avoid testing only the reliability of the estimated savings. What is more important is to ask businesses and public authorities if they have experienced improvements in certain policy domains, and why.

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### Box B.4. **The Dutch perception monitoring study**

The 2007-11 programme adopted by the Dutch Cabinet after the last election is structured around three principles: *i)* there should be *less* annoyance for businesses from things that irritate them; *ii)* things should be made *simpler* for business – for instance, with faster and better service; and *iii)* the decrease in the regulatory burden and the simplification of business compliance with the obligations imposed by government, there will be less regulatory burden in the *perception* of business.

These principles have been implemented with the June 2007 Regulatory Burden Action Plan. Compared with the previous measurement of ABs undertaken in the Netherlands in 2003, the 2007 Action Plan features an additional tool, aimed at capturing the actual perception of the reduction achieved by the business sector. For this purpose, within the government's communication strategy, a "perception monitor" has been developed and is used by the Regulatory Reform Group (a joint directorate of the Ministry of Economic Affairs and the Ministry of Finance). The "perception monitor" measures the changes in regulatory burdens, experienced by all entrepreneurs (macro level) and by individual entrepreneurs (micro level). Both levels are monitored over a period and the changes in experience are analysed and explained in progress reports.

Within the "perception monitor", a specific study was commissioned by *RVD/Dienst Publiek en Communicatie* (the Netherlands Government Information Service/Public and Communication Department) and for the *Regiegroep Regeldruk* (Regulatory Burden steering group). The representative study focused on business entrepreneurs' perception of the regulatory burden. Entitled the Perception Monitor Regulatory Burden, the study was to provide answers to the following questions:

● To what extent is the regulatory burden considered a problem in doing business? (placing on the agenda).

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Box B.4. **The Dutch perception monitoring study** *(cont.)*

- To what extent do business entrepreneurs feel restricted by legislation and regulations?
- What are the aspects of legislation and regulation that impact on business entrepreneurs?
- How do entrepreneurs perceive the actual amount of laws and rules?
- What do entrepreneurs expect in respect of the regulatory burden and to what extent do they believe the government when it claims it wishes to reduce the regulatory burden?
- How satisfied are entrepreneurs with the quality of service provided by municipalities and other government institutions and with which service aspects are they satisfied or dissatisfied?
- To what extent are regulatory burden perceptions dependent on industrial sector and scope of organisation?
- Do start-up businesses experience the regulatory burden to the same level as other businesses, or less?

The study group comprised some 550 000 businesses and institutions in healthcare, welfare, and education. The Perception Monitor was carried out by means of telephone interviews held in a random sample stratified by size and industry of 1 214 businesses and an additional random sample of 210 start-up businesses. The interviews – carried out between 28 February and 14 March 2008 – were based on a questionnaire drawn up in consultation with the commissioning government authority.

The Perception Monitor Regulatory Burden revealed that the issue of regulatory burden is high on the agenda of many entrepreneurs. Four out of ten companies are affected in their business, spending time and money observing laws and regulations and providing the information demanded by the government. In particular, respondents have been affected by the unnecessary information obligations and high costs of observing regulations. Also, one quarter of all companies was severely affected by the amendments to laws and regulations: they were seriously affected by the continuous amendments to laws and regulations, conflicting legislation and regulation and strict controls by regulators and inspection boards. About six out of ten companies found the number of laws acceptable or were neutral and a comparable amount found that meeting all the rules took little to no time. There is an increasing impression that the regulatory burden has increased rather than decreased. While a large majority is aware of government plans to reduce the regulatory burden, they have little confidence this will actually happen.

*Source:* Dutch response to the OECD Cutting Red Tape II questionnaire.

*Testing for effectiveness: have the stated goals of the measurement exercise been achieved?*

When it comes to effectiveness, the principal virtue of an *ex post* evaluation exercise is its link with the scope and the stated goals of the policy or programme to be evaluated. In the case at hand, it must be recalled that the scope of the ABs reduction exercise has been expanded over time: while the first measurements (in the Netherlands, but also in the Czech Republic, Denmark, the United Kingdom) focused mostly on the mere calculation of red tape based on the collection of data on the time spent in performing administrative activities and its money equivalent, more recently the exercise has been expanded to encompass several categories of regulatory addressees. For example, in the Netherlands the burdens reduction exercise has been extended first to citizens, then to certain public administrations; and the scope has been enlarged to cover substantive compliance costs, which would not fall into the narrower category of ABs.

Accordingly, an *ex post* evaluation should first of all look at the stated goals of the reduction exercise, to measure the effectiveness of the programme in achieving its objectives. In turn, the goals also affect the scope of the measurement and reduction exercise. Originally, as already mentioned, the underlying rationale has been merely business-oriented: the ultimate goal was enhancing the competitiveness of domestic businesses and the key assumption was that reducing AB on businesses would in principle free resources to be re-invested in other, more productive activities. Against this background, the key effectiveness indicators of the first reduction programmes would include the following:

● the number and type of procedures that have been simplified or repealed;

● the estimated amount and type of resources that business has actually freed up further to the reduction of AB;

● the estimated percentage of these resources that was reallocated to more efficient and productive activities;

● the increased entry of new firms due to a more business-friendly environment;

● increased production and/or lower prices due to higher productivity and enhanced market competition.

For example, Gelauff and Lejour (2006) estimated the impact of a 25% reduction of ABs in the EU25 on labour productivity and ultimately on GDP. Using country specific labour income shares, they translate this reduction into a 1.3% increase in labour efficiency by 2025, which raises the volume of GDP in Europe by about 0.8%. In the long run the capital stock adjusts to the higher level of labour productivity, leading to a long-term change in GDP

volume of up to 1.3%. In addition, the two economists assume that the rise in GDP would induce more spending on R&D, and that consequent R&D spill-overs would magnify the outcome of the AB reduction, leading to an additional GDP increase of about 0.2%. Finally, there would be a trade impact induced by a fall in prices sue to excess supply and the need to conquer foreign markets, which ultimately leads to an aggregate increased in GDP of 1.4% in the EU25. Following this approach, useful indicators of the effectiveness of a burdens reduction exercise would be indicators of labour productivity, R&D spending, and terms-of-trade indicators. All these indicators may be useful in testing whether the virtuous cycle described by Gelauff and Lejour (2006).

Although most countries have used the SCM for similar purposes, rooted mostly in the need to cut red tape to increase competitiveness, the burdens reduction exercise has become more complex over time. Especially for those countries that have devised expanded, more sophisticated assessment methodologies, simply testing for the impact on labour productivity and R&D spill-overs would not suffice. More in detail:

- When the stated goal of the programme is to go beyond red tape to encompass *all regulatory costs in the measurement*, including *inter alia* compliance costs, evaluators may wish to use additional indicators together with the ones already mentioned for testing the effectiveness of programmes focused on ABs. In particular, surveys and other empirical methods may be needed to capture the perceived reduction of regulatory costs experienced by the targeted businesses.

- When the simplification programme includes *citizens*, surveys are essential to capture the perceived reduction in ABs: in some cases, other indicators may be used – *e.g.* quality of service (QoS) indicators such as delays, delivery times, reaction time for emergency requests, waiting time in call centres, etc., which have to be identified on a case-by-case basis.

- When the measurement programme includes *public administrations*, specific indicators should be used in *ex post* evaluation. These include indicators on resources allocated for each activity targeted by the reduction programme, but also other indicators such as the number of inspections, or the time needed to monitor specific activities.

Accordingly, the evaluation of ABs reduction programmes must be approached as a flexible exercise, where the choice of appropriate indicators reflects the scope and the stated goals of the programme.

Depending on these variables, evaluation programmes may also consider other dimensions that are broader and might also imply longer time horizons, but which are as relevant and strategically important as the measurement of labour productivity, R&D spill-overs and terms-of-trade.

Such evaluations should for instance look at wider changes brought about by the AB programmes, such as:

- Speedier, simpler decision making.
- Enhanced transparency of regulatory and administrative activity.
- Smoother implementation of legislation.
- More durable legislation.
- More in general, whether legislation has become more client- and/or goal oriented or is still procedure-based.

The indicators should also consider business internal impacts, such as whether simpler administrative requirements have brought about streamlined and more effective internal decisional procedure and human resources management.

An example of the wider dimension of evaluating AB reduction programmes is the initiative to establish Common Commencement Dates (CCD). The CCD is an example of an initiative originated in the framework of AB programme, but not directly targeting cost reduction (see Box B.5).

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Box B.5. **The Common Commencement Date initiative**

To help business improve its planning for new regulation and to increase awareness of the introduction of new or changed requirements, the Dutch government has introduced so-called Common Commencement Dates (CCDs) in 2009. The idea is to limit the number of dates in the year on which new regulation may be started. It is hoped that increased awareness by businesses of new or changed obligations will result in smoother adaptation by the economic operators to the changes imposed by the new regulations, anticipation of possible problems, and better planning of future investments. This should improved overall compliance levels.

In the Netherlands, two CCDs per year will be introduced, with a minimum implementation period of three months for all acts and orders in council directly relevant for businesses and organisations. Information is provided on relevant websites, and with timely and clear information on the development of draft regulations and their immediate effect on companies and institutions.

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Some countries are considering extending the scope of the evaluation in this direction (see Box B.6), but the process still need to be better structured and more systematic.

> Box B.6. **Towards a comprehensive evaluation approach: the UK NAO analysis**
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> While still focusing mainly on the underlying "value for money" rationale, the evaluation by the UK National Audit Office (NAO) includes policy considerations that reveal the necessity and importance to assess, for instance, "wider benefits for business"; the monitoring and guidance functions within government; as well as the extent to which good practices are shared and learning occurs amongst departments (NAO, 2008). The NAO nonetheless notes that still insufficient efforts are made to grasp the contribution of the reduction programme to the overall regulatory reform agenda. It therefore states again its recommendation to the departments to "supplement their estimates on ABs with a broader suite of indicators to evaluate non-quantifiable improvements in the regulatory environment" (NAO, 2008, p. 28).

The challenge in this exercise is to establish the direct causal mechanisms, especially if regulatory reform in the country has not been designed and implemented simultaneously and co-ordinated. A reduction of the length of administrative procedures might for instance be the result of efforts made in the framework of AB reduction programmes, or of independent, perhaps long established e-government initiatives. It may prove difficult to determine which of those policy interventions have been instrumental to achieve the actual reduction.

Similar challenges may arise in relation to assessing the costs of running the programmes. As the UK NAO report indicates, for instance, UK departments have had difficulties in making the distinction between the cost of the resources directly invested in the An reduction programme, and those related to wider, inter-connected better regulation initiatives. This has led to a lack of recording and reporting (NAO, 2008: p. 4).

### Proportionality: assessing the measurement programme's design and implementation

Another important dimension that must be taken into account in assessing the overall outcome of an ABs reduction programme is the *opportunity cost* of running that programme, and the inherent quality of its design and implementation. We refer, in particular, to: *i)* the budget and human resources spent on the programme; *ii)* the use of empirical techniques; *iii)* the availability of data and the expected degree of precision of the

measurements; and *iv)* the consistency of the measurement exercise across IOs and ministries.

● First, the evaluation must look at the budget and human resources that are allocated to the implementation of the measurement and reduction process, especially when these resources could have been allocated to competing uses – for example, to strengthen *ex ante* IA or *ex post* evaluation of existing policies. The cost associated with some national or regional measurements can be significant, and varied substantially across countries (estimated – excluding internal costs – at GBP 11 million in the United Kingdom, EUR 20 million at EU level, EUR 3 million in the Netherlands, EUR 2 million in Denmark, etc.).[14] This difference is explained, more than by the depth of the measurement, by the size of the country, the extent to which external consultants were involved, and also by the latter' terms of reference.[15] As regards the internal human resources used, countries seem to have differed noticeably so far: for example, during the first Dutch programme approximately 3-5 dedicated staff members per ministry have been involved in the measurement, whereas in Denmark only one half-time civil servant per ministry took part, together with the equivalent of 6-7 full-time staff in the co-ordinating unit. Also in the United Kingdom, 3-5 staff members per ministry were involved in the measurement.

● Another way of assessing the value for money of the overall measurement programme is the analysis of the proportionate use of empirical techniques. An oft-quoted feature of ABs is that they tend to distribute themselves along a "Pareto" distribution, *i.e.* the 20% most burdensome information obligations (IOs) account for at least 80% of the total burdens generated by business-relevant legislation on firms. This means that the really burdensome IOs are a small subset of the total: only for these ones the use of sophisticated empirical methods may be advisable. More precisely, some empirical techniques (*e.g.* face-to-face interviews, expert workshops, external studies, business test panels, Delphi methods and stopwatch methods) are often too expensive, whereas cheaper methods include telephone interviews and direct expert assessment. As shown below, in Table B.3, in the United Kingdom the choice has fallen on the use of a direct assessment by the consultants in 55.7% of the cases, which accounted for only 7.4% of total burdens. In all other cases, more expensive (and sometimes not necessarily more precise) techniques have been used. In Denmark, approximately 80% of IOs have been measured through face-to-face interviews (3-5 interviews per business segment).

● In addition to the choices made by the experts that carried out the baseline measurement, it is important to assess the availability of data and the consequent precision of the measurements performed. For example, the Danish Commerce and Companies Agency evaluated the work performed

Table B.3. **Empirical techniques used in the United Kingdom measurement**

| Measurement method | IOs/DRs measured by method (%) | Costs of IOs/DRs measured by method (%) |
|---|---|---|
| Business interview | 16.8 | 69.1 |
| Expert panel (including Virtual Expert Panel) | 26.1 | 13.9 |
| Business interview and Expert Panel | 1.4 | 9.7 |
| Assessment | 55.7 | 7.4 |
| Total | 100 | 100 |

*Source:* PwC (2006), "Administrative Burdens Measurement Exercise: Technical Summary", Table 10, available at *www.dti.gov.uk/files/file35995.pdf*.

by the European Commission in 2007, one year after the official integration of the SCM into the Commission IA guidelines, in March 2006. In that occasion, the Danish body observed that "in those cases where a quantification of ABs was undertaken, the outcome was poor. This was not due to the methodology of the Standard Cost Model itself, rather due to difficulties in the underlying assumptions and data availability".

Table B.4. **Evaluating the Commission's use of the SCM in impact assessment**

| | Completed IAs | Initiatives relevant to admin costs | The admin costs are qualified | The admin costs are substantial | The admin costs are quantified | SMEs mentioned |
|---|---|---|---|---|---|---|
| Regulations | *9* | 5 | 5 | 5 | 2 | 4 |
| Directives | *9* | 6 | 6 | 2 | 2 | 3 |
| Communications | *28* | 9 | 7 | 5 | 0 | 3 |
| Decisions | *4* | 0 | 0 | 0 | 0 | 0 |
| Other | *1* | 0 | 0 | 0 | 0 | 0 |
| Total | 51 | 20 | 18 | 12 | 4 | 10 |

*Source:* Danish Commerce and Companies Agency, 2007.

## *Efficiency: are we cutting also benefits?*

After evaluating the inherent quality of the measurement exercise and the potential effectiveness of the burdens reduction programme, the *ex post* evaluation should move to the consideration of the social impact of reduction proposals. In this respect, it is worth recalling that:

● *Administrative burden reduction projects can affect allocative efficiency and productivity* whenever they free up resources that can be allocated to more productive uses, without imposing costs on other entities (for example, no increase in enforcement costs of public administrations). The rhetoric behind the first wave of ABs measurements in Europe has relied heavily on estimates by the Dutch CPB that a reduction of 25% in ABs would lead to a

(one-off) increase of 1.5% in GDP(Gelauff and Lejour, 2006). For example, in their investigation about the Dutch Standard Cost Model, Löfstedt *et al.* (2008) come to the conclusion that "the [SCM] ignores how businesses will re-invest after the easing of the administrative burden", and thus that "the benefits of the elimination of administrative burdens cannot be measured". Likewise, a NAO report raised doubts about the United Kingdom reduction of ABs and stated that "it has not been possible to find evidence of the impact on the productivity of the economy"; and that "the wider impact of the Programme [on economic growth] is unproven". Accordingly, a careful case-by-case assessment of individual reduction measures should be carried out before a justifiable conclusion can actually be drawn.

● *Administrative burden reduction projects can affect competition by removing barriers to entry* (*e.g.* due to redundant registration procedures, or excessive information requirements on micro enterprises, etc.); and by enabling a smoother interplay of market forces, *e.g.* by eliminating frictions in the market (*e.g.* obstacles to the diversification of a firm's operations due to excessive licensing obligations). Enhanced market competition can reduce the deadweight loss associated with imperfectly competitive markets.

● *Administrative burden reduction projects can affect enforcement costs in several ways:i)* the reduction of ABs generated by specific information obligations (such as regular reporting of risk or other confidential information) can be associated with an increase in enforcement costs borne by public authorities (as the information now must be collected directly by them instead of being reported by the businesses); *ii)* at the same time, AB measurements can lead to the identification of overlapping information obligations, leading to a more efficient use of reporting and inspections by public authorities.

● *Administrative burden reduction projects can create environmental and social impacts* that are not registered by the Standard Cost Model itself. For example, removing notification procedures for compliance with environmental standards, or reducing inspections to check compliance with standards for health and safety at work can harm citizens or employees. The private benefit reaped by the business could be more-than-compensated by the social loss borne by other categories.

A further challenge refers to the potentially negative incentives triggered by AB reduction programmes. Depending on the definition of "ABs", efforts by regulators to achieve the set targets by minimising new costs may compromise the effectiveness of newly introduced regulations. Such danger is particularly topical as the goal of the AB programmes widens to encompass substantial compliance costs. Specifically, if monitoring requirements and tests compliance with regulatory standards, for instance, are defined as ABs, what are the implications on the stringency of the proposed testing protocols and the frequency of the test? (see Box B.7).

> **Box B.7. AB reduction incentives and overall regulatory effectiveness**
>
> Deighton-Smith (2007, p. 9) casts this doubt on the example of the Radiation Safety Regulation 2007 in Australia. Such regulations were supposed to require periodic testing of radiation sources, including medical and dental X-rays, and other diagnostic equipment. The tests are intended to ensure that the equipment complies with determined performance and safety standards. However, the regulations define the costs of such tests as ABs. Thus, Deighton-Smith argues, the department in question "can reduce the extent of its increase in ABs by either limiting the range of equipment required to be tested or by reducing the required testing frequency". The result would be that non-compliance with the standards will persist longer before being detected and the chances to detect it are smaller.

This sheds a light on the necessity to integrate AB reduction efforts into the overall rationale of maximising the overall benefits from the regulatory intervention. *Ex post* evaluations should take this into account, and consider AB programmes holistically. In this context, this means broadening the analysis to encompass also the benefits that the *presence* of ABs generate, and proceed to a cost-benefit analysis of the reduction programme. In other words, AB reduction programme evaluations should not only assess the extent to which burdens have been reduced (the reduction targets have been achieved), but also the costs generated by the eliminations of determinate administrative requirements.

Against this background, carrying out detailed impact assessments of the proposed reduction measures is highly recommended: given the broader scope and greater depth of RIA as a tool, the proposed reduction of ABs could be assessed within the broader context of the expected economic, social and environmental impact of the reforms.

While performing IA on reduction proposals is the first best solutions, other solutions may be adopted by *ex post* evaluators in absence of a detailed analysis of reduction measures adopted. For example, the evaluation may rely on the typology of IOs that have been affected by the reduction proposals – a useful feature of most administrative reduction programmes is that they use a fairly standardised list of IOs and administrative activities.[16] In particular, the impact on competition is more likely to be significant whenever the reduction proposals affected applications for licences, authorisations, grants or subsidies. To the contrary, reducing burdens related to the co-operation with authorities during inspections, or the keeping of records overtime is less likely to lead to a competitive impact on the market. On the other hand, the *ex post* evaluation of the impact on monitoring and enforcement costs can be performed starting from

the reduction proposals that reportedly affected IOs related to inspections. In the *ex post* evaluation, it would be highly advisable to formulate assumptions as regards the degree of business compliance with the information obligation at hand: only by factoring in the analysis a reasonable compliance rate, the finding of the evaluation could be considered reliable. A similar approach can be followed starting from the administrative activities affected by the reduction, although these types of activities are often combined in a single IO.

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### Box B.8. **Features of SCM-based reduction programmes**

The Standard Cost Model has been applied almost in the same way in many countries, with very little variants. The main common features of these national measurements were the reliance on the Standard Cost Model Manual (often in a national version that almost entirely mirrors the International SCM Manual); the reliance on external consultants (with some exception, *e.g.* the Czech republic); the involvement of several ministries in charge of business-related legislation; and the almost exclusive focus on burdens for businesses.

An analysis of four case studies (Netherlands, Denmark, United Kingdom and Czech Republic) in 2006 led to identifying the following differences:

● **Scope of measurement:** Some countries, such as the Czech Republic and Denmark, only calculate administrative costs faced by private enterprises, whereas the United Kingdom calculates costs for private and semi-private businesses, and the Netherlands also includes citizens and (after 2007) public administrations. The EU model is more ambitious, as it includes citizens and also public administrations. Also, in Germany and the Netherlands the focus has shifted gradually towards a broader definition of costs, which includes (besides ABs) also substantive compliance costs.

● **Targets:** Most countries have selected a 25% "political" target reduction of administrative costs. An exception is the Czech Republic, where the target selected is 20%; in addition, some countries – such as the Netherlands and, to a lesser extent, the United Kingdom – decided to set (at a later stage) specific targets for ministries/departments, whereas others – like Denmark and the Czech Republic – have not set different targets for specific ministries.

● **One-off costs:** Most countries – with the exception of the Czech Republic – do not include one-off costs in the baseline measurement. However, in the United Kingdom model one-off costs are included in the overhead, and the United Kingdom and Denmark include one-off costs in the *ex ante* measurement carried out within RIAs. The proposed EU model specifies that such costs, when non-marginal, "may be taken into account". This was also the approach chosen for the Dutch baseline measurement. In the Netherlands one-off costs are qualitatively described when ministries report the results of their measurement.

● **Obligations set by optional schemes:** These information obligations are commonly referred to as "voluntary obligations". In Denmark and the United Kingdom, these IOs are taken into account, if they are expected to arise from a quasi-regulation. In the United Kingdom, the baseline includes also codes of conduct and guidance documents with government backing, which cannot be considered as having binding force.

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Box B.8. **Features of SCM-based reduction programmes** *(cont.)*

- *Distinction between "net" costs and BAU activities:* "Pure" obligation refers to what one would stop doing if the legal obligation was removed.[*] This means that the pure obligation does not take into account business-as-usual activities (BAU) that firms would undertake even absent a precise legal provision the mandates their performance. Some countries measure only pure obligations (or hard-core administrative burdens, others measure both "net" burdens and BAU activities.

- *Overhead:* In the United Kingdom, a 30% rate was chosen, compared with the 25% rate used in the Netherlands and in Denmark. In the Czech Republic, a specific overhead percentage has been set by particular ministries, and no standard overhead percentage for all ministries and administrative authorities is foreseen.

- *Demarcation:* Most countries use a default 50:50 split whenever an IO/DR is found to fall under the competency of more than one department. In the United Kingdom, the need for demarcation was foreseen, but no 50:50 split rule was chosen. The most appropriate split is therefore set through negotiation between departments, and normally the department that has taken the regulatory initiative keeps ownership of the corresponding obligations.

- *Segmentation:* In practice, segmentation criteria differed noticeably. In the United Kingdom, industry sector and type of activity proved more useful than firm size (except for the tax measurement undertaken separately). In the Netherlands, Denmark and the Czech Republic firm size was a guiding principle.

- *Accuracy and costs:* The Danish and United Kingdom models seem likely to reach a higher level of accuracy in the estimates, also due to the intensive involvement of consultants, the more detailed breakdown of IOs into data requirements (Denmark) and the further breakdown of the classification of origin (Denmark and United Kingdom). The UK database seems the most suited to retrieve original pieces of EU legislation, although with some gaps. The greater accuracy, however, is reflected also in the cost of the measurement, especially as regards the United Kingdom.

- *Organisational patterns:* The four national models under scrutiny exhibit some differences as regards the role played by ministries, central co-ordinating units and consultants. The Dutch and Czech models rely on ministries much more than the Danish and UK models. In the United Kingdom, ministries/departments are involved only in the initial step of the measurement, which is then carried out mostly by the consultant with the supervision of the BRE. In the Netherlands, IPAL is involved mostly in the review of activities performed by ministries and consultants, and in the final stages of the measurement. In the Netherlands, consultants are not involved in the final reporting and transfer to database, whereas in Denmark and the United Kingdom the setting up of a database was achieved with a strong involvement of consultants.

[*] The external body carrying out the evaluation may belong to the state institutional setting (*e.g.* a parliamentary committee or commission; the Court of Auditors or similar audit institutions, or the Ombudsman office), or be other public and private organisations such as universities and research institutes, think tanks, foundations and other stakeholders. The degree of autonomy of these bodies varies.

## Towards a policy evaluation for administrative burden reduction programmes

As discussed in the previous sections, while AB reduction programmes have become increasingly popular and widespread in OECD member states, the set of indicators needed to perform a comprehensive evaluation of these programmes has not been the subject of a lot of discussion or even scholarly research. As observed in the section on assessing effectiveness above, the diversity of scope and goals in different countries also hampers the attempt to define a common set of indicators and methodologies to reach an informed evaluation of the effectiveness, efficiency, usefulness and proportionality of these programmes.

To be sure, this diversity in the national programmes calls for an articulated set of indicators and tests. A useful taxonomy of indicators has been developed for instance in Italy, and includes:

- *Implementation indicators,* which aim at monitoring the progress made in the ABs reduction activities and indicates the percentage of realisation of each measure.
- *Results indicators,* which aim at accounting for the effective realisation of the specific targets of each measure.
- *Impact indicators,* which aim at assessing the benefits for the users of regulation.

Below, we adopt a slightly broader perspective and introduce a 4-step test. We discuss first of all the timing of the evaluation exercise, the measurement of effectiveness (explained as achievement of the stated goals); the proportionality of the exercise (including the quality of the measurement and the performance of the programme management); the final outcome perceived by the addressees of the programme; and the efficiency and macroeconomic impact associated with the programme.

### Timing and scope of the evaluation

Before discussing what to evaluate and how, it is useful to briefly reflect on when should ideally an *ex post* evaluation take place. In this respect, all depends on the scope of the evaluation exercise. In particular:

- If the evaluation is aimed at assessing whether the design and implementation of the measurement programme has been optimal or at least satisfactory, then the exercise should ideally take place at the end of the measurement. There is no need to wait for the actual outcome of the reduction measures to materialise, as the evaluation falls on the inherent quality of the process. In order to avoid that too much time elapses, we would ideally place the evaluation at the end of the measurement. The results of

this evaluation may then be used as inputs for preparing a second round of measurement after the implementation of the reduction measures.

● If the evaluation focuses on the choice of the reduction measures, then the appropriate timing would fall immediately after the reduction measures have been identified, and should focus on the process that has been followed to translate the results of the measurement into concrete reduction proposals. Countries have used different strategies to reach a list of reduction proposals, but today there is no common wisdom on how to move from measurement to reduction. A common feature – which could form the object of an evaluation – is the use of an external advisory body in charge of supervising the project and/or formulating proposals. With some differences, this is the process that was followed in the Netherlands (through Actal), in Germany (through the Normenkontrollrat)[17] and at EU level (with the appointment of the High-Level Group on Administrative Burdens, also called "Stoiber group".[18] When such oversight bodies are appointed to make suggestions for reducing red tape, they should not be also empowered with the evaluation of this process, otherwise they may end up overseeing their own activity, which obviously creates a conflict of interest and will not trigger the virtuous incentive mechanism that is associated with oversight and evaluation.

● If the evaluation addresses the impact of the measurement, then it should ideally take place sometime after the reduction measures have been adopted and implemented. It is no mystery that legal measures are not adopted instantaneously by the business sector, by citizens or even by public administrations. In order to capture the effect of the simplification measures, it is necessary to wait some time to enable the regulators and the regulated entities to adapt to the new measures, which may require organisational changes and a reallocation of resources – arguably to more productive uses.

As is immediately observed, the main phases of a measurement and reduction exercise are intimately interdependent. The quality of the measurement, in particular, dramatically affects the quality of reduction proposals – the better the information collected, the more informed and accurate is the decision on when and how to reduce burdens. Likewise, the quality of reduction proposals affects the final outcome of the simplification exercise, as well-targeted reductions are likely to have a greater beneficial impact on businesses, administrations and citizens than ill-conceived ones. This also includes the assessment of all the prospective impacts of reduction measures through impact assessments: when this is done properly, the outcome of the simplification programme is likely to be more beneficial, with little or no negative impacts in terms of higher costs other than ABs, or lower benefits due to the fact that previous legislation has been repealed or amended (see above, section on Efficiency: are we cutting also benefits?).

To sum up, the evaluation exercise should be *i)* timely and *ii)* continuous. Since timeliness depends on the scope of the evaluation, we conclude that the best way to organise an evaluation process is not to focus on a specific point in time, but to establish a *continuous mechanism of monitoring and evaluation*. This can be summarised as follows:

- *After the measurement exercise has been completed*, there should be a first progress report which contains: *i)* an evaluation of the way in which the measurement has been designed and implemented; and *ii)* suggestions for translating the measurement results into concrete reduction proposals, based on an evaluation of the likely accuracy of the measurement.

- *During the "reduction period"*, which lasts up to five years in programmes based on the Standard Cost Model, there should be annual *interim* evaluation reports based on clear indicators, aimed at assessing the effectiveness and efficiency of the reduction proposals. These reports should also contain suggestions on how to improve the drafting and implementation of reduction proposals in the following years, and identify areas in the database of ABs that would warrant the attention of the policy maker as they contain candidates for beneficial red tape reduction.

- *One year after the end of the reduction period*, there should be an *ex post* evaluation of the effectiveness, efficiency, proportionality, actual perceived impact and macroeconomic impact of the reduction programme, based on clearly identified indicators, as discussed in the next section.

Figure B.3. **Monitoring and evaluating simplification programmes**
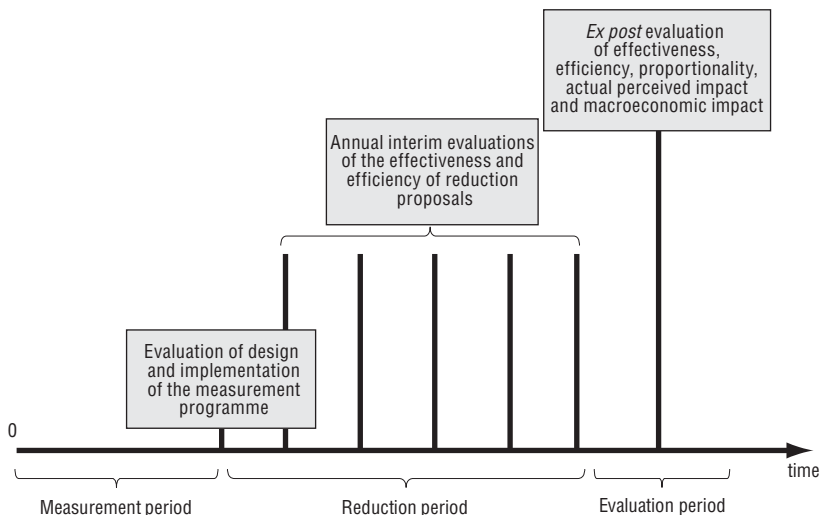


*Source:* Compiled by the authors.

## Who should evaluate the reduction programme?

Another key issue in setting up the context for evaluation of simplification programmes is deciding who should be in charge of the evaluation. Based on the stages of monitoring and evaluation outlined above, a natural question to be asked is whether the same body should be in charge of all the stages of the evaluation process. In this respect, a common wisdom in OECD countries has not emerged, but the following can be observed:

● *When it comes to assessing the proportionality of the measurement programme,* which includes the assessment of what resources have been spent and how, audit offices/courts appear as the most appropriate bodies. This type of exercise has been performed, for example, by the Court of Audit in the Netherlands and by the National Audit Office in the United Kingdom.

● *For what concerns the effectiveness and efficiency of the reduction proposals,* the most appropriate bodies may be regulatory reform units in charge of quality assurance and oversight of the impact assessment process. Alternatively, *ad hoc* advisory bodies may be entrusted with the scrutiny of the government's activity. These bodies have the skills and competences needed to assess the substance of the reduction proposals, especially when reduction measures undergo a full-fledged impact assessment. These bodies should also be in charge of contributing to the annual interim evaluation, or authoring them directly.

● *As regards the final evaluation,* the body in charge of adopting the final evaluation report should ideally be an *ad hoc* body in charge of scrutinizing the government's activity. At this final stage of the evaluation process, an external expert study could be considered, especially in order to validate the assumptions concerning the macroeconomic impact of the reduction proposals. Finally, in some countries, this final evaluation was carried out independently by Parliamentary committees (*e.g.* in Switzerland). At the same time, an external survey (similar to the Dutch "perception monitor", see Box B.3) may be commissioned to assess the actual outcome of the simplification programme in the perception of the regulatory addressees.

What exposed above does not imply that it is desirable to promote an autonomous evaluation culture external to the public administration and the system of State institutions. The richer the contribution of external peer-reviews by research institutes, think tanks, foundations, the private sector and civil society organisations, the more sound and comprehensive is the evaluation on AB programmes. In particular, the contribution of external reviews by international organisations can prove essential to stimulate demand for better design, implementation and appraisal of simplification programmes. This implies enhancing the awareness and responsibility of all

stakeholders concerned of the relevance of shaping up mechanisms for a holistic evaluation function.

## A *multi-step test*

The evaluation of a simplification programme is a multi-purpose, multi-dimensional exercise, which looks at a number of different aspects of the exercise, takes place at different points in time and is ideally performed with the contribution of more than one group of evaluators. Below, we develop a sketched version of a 4-step test which looks at aspects such as the proportionality, effectiveness, efficiency, macroeconomic impact and perceived actual impact of the reduction exercise.

### Step 1: Proportionality test

The first step of the evaluation should take place at the end of the measurement exercise, and should look at whether the measurement process has been organised and managed effectively. Important indicators to be considered at this stage include the following:

● Resources allocated (in terms of person/months, and money).

● Profile (background) of the human resources allocated.

● Terms of reference and budget of consultant(s) used (if any).

● Existence of a central management unit.

● Degree of standardisation of measured parameters (*e.g.* salary schemes, lists of IOs and administrative activities, common duration of similar activities, etc.).

● Use of empirical techniques (share of total measurement).

● Performance of regular consistency checks (across areas of legislation).

● Reporting of administrative costs and burdens (*i.e.* costs net of the BAU factor).

● Reporting of irritation burdens (qualitative).

● Coverage of costs other than ABs (quantitative).

● Coverage of costs for public administrations.

● Coverage of costs for citizens.

● Reporting of potential solutions to ease the burden.

● Reporting of potential e-government solutions.

● Development of a publicly accessibly database (AB calculator).

*Step 2: Effectiveness and efficiency test*

The next step of the evaluation exercise looks at whether the stated goals of the simplification programme have actually been achieved. Needless to say, the right questions to ask at this stage depend on the goals originally set by the government in launching the reduction programme.

In line with our analysis in the above section on Assessing effectiveness, we consider the following indicators to be very useful at this stage:

- The number and type of procedures that have been simplified or repealed.
- The correspondence between the results of the measurement and the selection of reduction measures.
- The likely compliance rate of the repealed and amended IOs.
- The estimated amount and type of resources that business has actually freed up further to the reduction of AB.
- Whether there has been a careful impact assessment of reduction proposals, which considered a number of policy alternatives.
- Whether reduction proposals, while likely to reduce ABs, are also likely to increase other compliance costs.
- Whether reduction proposals, while likely to reduce ABs, are also likely to reduce benefits even further.
- Whether reduction proposals, while likely to reduce ABs, are also likely to increase enforcement costs for public authorities.
- Whether similar reductions of administrative burdens could have been achieved also by other means (*e.g.* through a one-stop shop).

Importantly, this step of the evaluation process crucially depends on whether the evaluator has the necessary skills and competences to perform an economic analysis of the reduction proposals, and/or an *ex ante* impact assessment of these proposals.

*Step 3: Perceived outcome*

The third step of the evaluation process can be considered as part of the "effectiveness" screen, in that it looks at the actual impact that reduction proposals had on the targeted players – be them businesses, NGOs, citizens, or public administrations. The difference between this and the previous step is that Step 2 looks at the potential impact of the reduction proposals, whereas Step 3 collects data from the direct beneficiaries on the actual impact that the reduction proposals exerted on them. A second, related difference refers to the methodology used, which in Step 3 relies on the use of empirical techniques – mostly, surveys. Surveys are also important to find out whether simpler

administrative requirements have brought about streamlined and more effective internal procedures and human resources management.

Notable examples of surveys used include:

- the Dutch perception monitoring study, illustrated in Box B.4 above. This tool relies on a standard questionnaire distributed to a sample of businesses;

- the French Business Panel Questionnaire, which is sent to a sample of businesses and related to some specific situations of the life of an enterprise, with the aim of tracking the perception of improvement in cutting red tape over time;

- in New Zealand, the Inland Revenue reviews perceptions of compliances costs through the SME Tax Compliance Costs Survey. A survey was done in 2004 and a follow-up was completed in 2009;[19] and

- the surveys carried out by the National Audit Office in the United Kingdom in 2007, 2008 and 2009. Each survey targeted a sample of 2 000 businesses to track businesses' perceptions of the burden of regulation.[20]

Using large scale surveys is particular important since the ultimate perception of businesses and other addressees of the simplification programme is what determines the success and the effectiveness of the initiative. This is even more important for projects that are relying on the Standard Cost Model, especially since this methodology assumes 100% compliance rates with each and every IO: when the actual compliance rate is relatively low for some IOs, eliminating or amending those IOs may have a very limited impact on the affected businesses.

In addition, as observed in the above section on Assessing effectiveness:

- When the simplification programme includes *citizens*, surveys are essential to capture the perceived reduction in ABs: in some cases, other indicators may be used – *e.g.* quality of service (QoS) indicators such as delays, delivery times, reaction time for emergency requests, waiting time in call centres, etc.), which have to be identified on a case-by-case basis.

- When the measurement programme includes *public administrations*, specific indicators should be used in *ex post* evaluation. These include indicators on resources allocated for each activity targeted by the reduction programme, but also other indicators such as the number of inspections, or the time needed to monitor specific activities.

*Step 4: Macroeconomic impact*

This final step of the evaluation process should assess whether the reduction programme has actually led to the enactment of measures, which

could boost economic growth and productivity in the near future. Accordingly, at this stage the evaluators should gather additional data, including:

- The estimated amount and type of resources that business has actually freed up further to the reduction of AB (from Step 2 above).
- The estimated percentage of these resources that was reallocated to more efficient and productive activities.
- The increased entry of new firms due to a more business-friendly environment.
- Increased production and/or lower prices due to higher productivity and enhanced market competition.
- Data on labour productivity in the areas and administrative activities affected by the reduction proposals.
- Data on R&D spill-overs due to the availability of resources freed up by the reduction programme.
- Data on effects on the terms of trade in the areas affected by the reduction proposals.

These indicators are clearly aimed at assessing the macroeconomic relevance of reduction measures adopted. The overall impact on the business environment can further be captured by using descriptive indicators on procedural aspects, such as:

- Evidence of speedier, simpler decision making (through process re-engineering; the rationalisation of licence and permit delivery (*e.g.* through the "silence-is-consent" rule, etc.).
- Enhanced transparency of regulatory and administrative activity.
- Smoother implementation of legislation.
- More durable legislation.
- More in general, whether legislation has become more client- and/or goal-oriented or is still procedure-based.

## Conclusions and recommendations

This paper responds to the growing need to gear up the programmes to measure and reduce AB launched in many OECD countries to a further stage. Over the past years, countries have launched and implemented various versions of such programmes, often intervening with both methodological refinements and/or extensions of their scope of application. Today, AB reduction programme vary from business-focused calculations and reductions of red tape generated by information obligations rooted in legal provisions, to more comprehensive programmes that extend their reach outside the business sector – *e.g.* to citizens and public administrations – and

beyond the mere assessment of administrative burdens, to account also for other compliance costs.

The high visibility and popularity of AB reduction programmes contrast with the perception among wide circles of stakeholders that the actual effects of the reduction programmes are not self-evident – despite the considerable resources invested, and the relatively smooth collaboration between the government and businesses. Questions arise as to whether the programmes really constitute "value for money"; and whether there has merely been a shift of burden from the private to the public sector.

It is widely acknowledged that carrying out *ex post* evaluations of AB reduction programmes so far implemented constitutes a key factor to address these and other questions. Yet, programme evaluations remain relatively rare in the OECD countries. Most of the evaluations undertaken tend to focus on the progress towards achieving the given reduction target, and summarise the total saving on AB, which has been removed. Considerations on the efficiency of the programmes, the quality of their management, and the actual welfare impacts on the economy and the society, by contrast, are often not examined in detail.

This paper investigates the broad benefits from AB reduction programmes and advises on the development of a possible methodological framework that could be used for evaluating existing and future programmes.

To this end, the paper has reviewed the existing literature on policy evaluation, putting particular emphasis on the specific features of the evaluation of AB reduction programmes. It has identified and discussed the main expected benefits and challenges related to the programmes; and proposed an evaluation framework for assessing the impacts of an AB reduction programme. The framework relies on a multi-criteria analysis approach and should assist national governments in undertaking an *ex post* evaluation of their AB reduction programmes.

The next sections summarise the main findings of the paper and make recommendations that the authors believe will help governments address the main shortcomings of current approaches to evaluating AB reduction programmes and improve the understanding of their implications.

### Adopting a comprehensive approach to evaluation

The paper invites evaluators not to limit their task to assessing whether the quantitative targets have been reached within the set deadlines. The latter is clearly an important element that must be ascertained, and has the merit to be often a straight-forward task. However, such a minimal evaluation would necessarily be of limited impact for the overall understanding of the implications that the AB reduction programme brought about. After all, an *ex*

*post* evaluation exercise should aim at assessing whether the reduction programme has brought benefit to the regulatory addressees and to society as a whole. Embracing a comprehensive approach to evaluation, in this respect, means that evaluation should go beyond the mere scrutiny of strictly cost-reduction measures. More in detail:

● *All possible organisational impacts should be integral part of the analysis,* including *i)* faster and more transparent decision making; *ii)* better implemented, enforced and durable legislation; and *iii)* a new administrative culture based on a client-oriented approach.

● *Economic impacts should be a core component of the evaluation exercise.* Accordingly, evaluators should consider designing and carrying out a holistic, comprehensive evaluation, which integrates a series of equally important tests. Such tests should cover: *i)* the proportionality criterion (Step 1 in the paper); *ii)* the effectiveness and efficiency criterion (Step 2); *iii)* an assessment of the "perceived outcome" (Step 3); and *iv)* an assessment of the macroeconomic impacts (Step 4).

● Linking AB reduction measures with *ex ante* impact assessment

A comprehensive approach to evaluation should also encompass the consideration of the opportunity costs of reducing administrative requirements such as information obligations. The gains in public welfare obtained from inspecting compliance with standards and protocols, for instance, should be taken into account in the overall appraisal of the AB reduction programmes. Accordingly, reduction proposals generated by AB baseline measurements should be scrutinised through a comprehensive impact assessment, which ensures that the new measures do not bring about more prospective costs than the benefits they are likely to generate in terms of cutting red tape. Additional costs may consist in greater compliance costs (other than administrative burdens) for businesses or citizens, greater monitoring, enforcement and inspection costs for public authorities. In addition, reduction proposals might exert a negative impact on society if they eliminate, along with administrative burdens, also beneficial effects that were exerted by the legislation that is being repealed or amended.

Against this backdrop, reduction proposals should undergo a comprehensive, proportionate RIA, which looks beyond administrative burdens and approaches a full-fledged cost-benefit analysis of the new measures against the *status quo*.

### Ensuring a continued, multi-actor evaluation effort

Because the rationale and scope of the evaluation may vary, there should be sufficient flexibility in determining when and who should carry out the evaluation. In this respect, the paper recommends the following.

● *The evaluation process should start early and continue throughout the duration of the reduction programme.* As occurs for many better regulation tools, a successful *ex post* evaluation should ask the right questions, at the right time and in the right sequence. In the case of AB reduction programmes, this means that the evaluation of the design and implementation of the measurement phase should start immediately at the end of that phase; the evaluation of reduction measures should rely on annual progress reports and ongoing monitoring; and the final evaluation of the economic impact of the reduction programme should ideally take place one year after the end of the reduction period, to allow the beneficiaries of the reduction measures to adapt to the changes introduced.

● *Different methodologies should be used in the different steps of the evaluation process.* Evaluating AB reduction programmes implies the use of a number of different techniques. In particular, cost-effectiveness analysis is appropriate when it comes to assessing proportionality; cost-benefit analysis is required to assess the impact of AB reduction measures; and surveys or dedicated workshops are needed to capture the perceived impact of those measures on the business sector.

The following table (based on Figure B.3 above) summarises the considerations made throughout the paper on the matter.

Table B.5. **Ensuring a continued, multi-actor evaluation effort**

| What is evaluated? | When should evaluation occur? | Who should evaluate? |
| --- | --- | --- |
| Design and implementation of the AB reduction programme | At the end of the measurement | Audit bodies and courts |
| Choice of the reduction proposals, and their effectiveness and efficiency | Immediately after the identification of the measures | Regulatory reform units, or *ad hoc* advisory bodies |
| Effectiveness, efficiency, proportionality, actual and perceived impact and macroeconomic | Some time after implementation of the measures | *Ad hoc* body, possibly external expert panel |

*Source:* Compiled by the authors.

Parallel to this, it is desirable if pressure for evaluation emerges also from outside the government and public administration. A mature AB reduction programme is one that enjoys constructive collaboration and scrutiny from the external stakeholders. The success of AB reduction programmes, like any other Better Regulation initiative, strongly depends on the political commitment

*and* the awareness that reform is a shared responsibility. The creation of a multiple, continuous "evaluation function" is a vital element for the success of any reform policy.

### Notes

1. This paper was prepared by Lorenzo Allio, policy analyst and consultant (*lorenzo.allio@gmail.com*) and Andrea Renda, Senior Research Fellow at the Centre for European Policy Studies in Brussels (*andrea.renda@ceps.eu*).

2. In 2008, 30 out of 31 jurisdictions declared to have such programmes, compared with 26 in 2005 and 18 in 1998. Most programmes address burdens on business. Only nine countries measure also burdens on citizens, and just four on the public sector (OECD, 2009b, pp. 81ff).

3. Accordingly, the paper does not recapitulate the various international practices with cutting red tape. For such an overview, the interested reader is invited to refer to the mentioned references.

4. This paper was drafted in the context of the OECD Cutting Red Tape II initiatives, and as such could draw on the results of a wide consultation of national governments on the issue of administrative burdens reduction. In that context, several countries declared that reforms are too recent to allow for a serious *ex post* evaluation. See responses sent by Finland, Slovenia, Ireland, European Commission. The Swedish government announced that it commissioned the Agency for Growth Analysis to evaluate the effects of the current administrative reduction program. The project will commence 1st January 2010 and will continue to the end of 2010, and aims to link administrative reduction to economic growth, both in businesses and for the economy as a whole.

5. This is the case for the Dutch second measurement carried out in 2008. See OECD (2009a, p. 10).

6. Again, this is the case of the Netherlands, where an *ad hoc* measurement for citizens was organised.

7. The literature often refers to "programme" or "intervention theories" in this regard. Intervention theories are defined as a model of "micro-steps or linkages in the causal path from program to ultimate outcome" (Rogers *et al*., 2000, p. 10). See also Chen (1990); and Vedung (1997).

8. The term "effect" is used in this paper generally, encompassing various types of outcomes. It is considered a synonymous of "impact".

9. The Joint Committee lists "utility", "feasibility", "property" and "accuracy" as the main categories of standards.

10. Not always does the government have to face such choice. External evaluations may be imposed *ex officio* to a given audit institution; or they may originate autonomously among civil society.

11. In most countries that have measured administrative burdens by using the Standard Cost Model, including the Netherlands, burdens have been classified as "A" when their origin was traced in EU or international legislation ; as "B" when they were originated in national legislation that implemented EU or international rules; and as "C" in case of purely national legislation. Some countries – *e.g.* Denmark and the UK – have used a more sophisticated taxonomy, which breaks

down both the "A" and "B" categories in three sub-categories, depending on whether the burden originated from a EU Directive, a EU regulation or another source of international law (*e.g.* ILO Treaties). See, *inter alia*, Boeheim *et al*. (2006).

12. See the response by Finland to the questionnaire sent within the Cutting Red Tape II initiative.

13. See the Wifo-CEPS Pilot Project on administrative burdens authored by Boeheim, Renda *et al*. (2006), available online at *http://ec.europa.eu/enterprise/policies/better-regulation/files/pilot-study_en.pdf*.

14. Data from Boeheim *et al*. (2006).

15. For example, in the UK a single consultant was used for the main measurement – two separate consultants were used for the measurement of the tax and financial services areas. However, the main consultant (PwC) had broad terms of reference, which included the development of an online "administrative burdens calculator", which allows surfing through the database. Similar tasks have been commissioned in Germany and at EU level (not available yet).

16. See Box 11 and Box 13 in the International Standard Cost Model Manual, which report examples of IOs and standard administrative activities. The Manual is available at *www.oecd.org/dataoecd/32/54/34227698.pdf*.

17. For example, the evaluation by the Normenkontrollrat encompasses three main questions: *i)* Have the expected administrative costs – resulting from information obligations – been quantified and described in a comprehensible manner? *ii)* Have appropriate efforts been made to consider alternatives which might cause less administrative costs? *iii)* Was the alternative with the smallest burden chosen within the scope of the intended regulation aim? The NKR has no veto power. His comments are sent to the Cabinet and later on – as a part of the draft law – to the parliament. At this point they become public. See, *inter alia*, Wegrich, 2009.

18. At the EU level, the Commission created on 31 August 2007 the High Level Group of Independent Stakeholders on Administrative Burdens (HLG), chaired by Dr Edmund Stoiber. This Group had a three year mandate. Recently President Barroso announced the intention to extend the mandate of the Group for further two years. The members of the Group include leaders of several bodies responsible for fighting red tape at member state level, representatives from the worlds of industry, small and medium sized enterprises (SMEs) and environmental and consumer organisations, all having first-hand experience with Better Regulation. The HLG advises the Commission on the implementation of the Action Programme and makes recommendations on administrative burden reduction measures.

19. The objectives were: *i)* to measure SME tax compliance costs in 2009; *ii)* to measure the change in SME compliance costs since 2004; *iii)* to evaluate the effectiveness of GST and Provisional Tax alignment at making tax easier for business. For both the 2004 and 2009 SME Tax compliance cost surveys, the SMEs surveyed were asked to rate on a seven-point rating scale, with seven being "extremely stressful", how stressful did they find meeting the requirements for the various tax/regulation types. These questions asking about the stress levels experienced by the surveyed SMEs are on top of the questions asking them to quantify, per tax/regulation type, the amount of time they spent on doing the different tax-related activities.

20. See *e.g.,* the 2009 business perception survey by the National Audit Office at *www.nao.org.uk/publications/0809/complying_with_regulation.aspx*.

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# Cutting Red Tape

# Why Is Administrative Simplification So Complicated?

## LOOKING BEYOND 2010

"Too much 'red tape'!" is one of the most common complaints from businesses and citizens in OECD countries. Administrative simplification is a regulatory quality tool to review and reduce administrative and regulatory procedures. It has remained high on the agenda in most OECD countries over the last decade and continues to be so. Countries' efforts to strengthen their competitiveness, productivity and entrepreneurship during the current recession have made simplification efforts even more urgent.

Until now, efforts to reduce administrative burdens have primarily been driven by ambitions to improve the cost efficiency of administrative regulations, as these impose direct and indirect costs on regulated subjects. Many countries will finish their current projects over the next few years and must decide how to continue their efforts and how to make them more efficient.

This report looks beyond 2010 and presents policy options for administrative simplification that are in line with current trends and developments. It provides policy makers with guidance on the available tools and explains common mistakes to be avoided when designing, undertaking and evaluating administrative simplification programmes.