

Executive Summary

Administrative simplification is becoming a priority of OECD countries seeking to improve public governance and regulatory quality. Cutting red tape will improve the framework for doing business, thus stimulating competitiveness and growth. The Netherlands have been a main driver in the trend towards more evidence-based programmes to reduce administrative burdens on companies and was among the first to launch a 25% burden reduction programme. A similar exercise has been undertaken to reduce administrative burdens on citizens. In both domains, the Netherlands is seen as a front-runner and has inspired other countries.

The main focus in this study is placed on the programme directed towards businesses. The aim was to assess to what extent the Netherlands reached its 25% target for the 2003-07 period. This involved examining the methods used for simplifying legislation or streamlining administration and the institutional set-up for managing the political economy of reform, creating change of behaviour and perception across ministries where bureaucratic inertia and resistance could in other cases stall reform. Furthermore, the Netherlands invited recommendations on how the programme could be deepened and widened in order to achieve higher benefits and exploit the momentum that had been created.

The first and most important finding is that it has been possible for the Dutch administration to develop action plans containing concrete measures to meet the burden reduction target by a quarter within the limited time span of a single Cabinet period. Even if there is still some uncertainty as to endorsement and implementation of some initiatives to be reached in the course of 2007, the achievement is remarkable. This can be illustrated by the fact that the Netherlands will be the first country to realise a reduction target of this scale – and also that previous efforts in the Netherlands to reduce administrative burdens on companies have been less successful.

The report points to six elements that contribute to explain the success of the current programme for administrative simplification. Together these elements constitute what could be called *the Dutch model* for reduction of administrative burdens:

- **Measurement:** A method for measuring the total administrative burden and for mapping the distribution of burdens on individual regulations and ministries has been developed. This Standard Cost Model (SCM), which has been taken up by a high number of countries and the European Commission, enables a targeting of simplification efforts for the most burdensome regulations and makes it possible to monitor the development of overall administrative burdens.
- **Quantitative target:** By establishing a quantitative, ambitious and time-bound target, and communicating this widely, the government accepted to be held accountable on a highly prioritised policy goal. The target has been divided among ministries and over years, thus providing a strong instrument for steering and monitoring simplification efforts across the administration.
- **Strong co-ordinating unit at the centre of government:** The inter-ministerial project team (IPAL), located in the Ministry of Finance, provided a coherent co-ordination of the programme across ministries. IPAL ensured methodological consistency, common and co-ordinated reporting and use of instruments such as risk assessment to increase the likelihood of successful implementation of the many initiatives to simplify the regulatory framework.
- **Independent monitoring:** The Advisory Board on Administrative Burdens (Actal) played the role of independent watchdog, monitoring progress towards meeting the reduction target and assessing the initiatives of individual ministries. Actal assisted in guiding and advising ministries and provided independent and horizontal advice to the Cabinet on ways and means to strengthen the programme. From the outset, the possibility of abandoning the programme in times of difficulty was removed, or at least made very costly. This independent body contributed to ensure sustained attention and support for the programme.
- **Link to the budget cycle:** Reporting to Cabinet and Parliament on plans for and progress on the burden reduction programme has been linked to well-established reporting procedures related to the budget. This led to unavoidable deadlines for reporting and ensured recurring attention from the Cabinet and Parliament. It also made clear to ministries that performance on the programme would be of relevance in budget discussions with the Ministry of Finance and its minister.
- **Political support:** The programme for the reduction of administrative burdens has had clear and sustained political support from the Cabinet, expressed from in the Coalition Agreement and onwards. The programme

enjoyed support of the responsible minister in dealing with colleagues and has also been backed by Parliament and relevant civil society organisations. This broad and sustained support protected the programme from being politicised or slowed down, e.g. from institutional inertia or unwillingness to change.

Further findings show that the linkage between the burden reduction programme and other programmes and initiatives for public sector modernisation and reform is rather weak. This may lead to a loss of possible synergies and difficulties of co-ordination and communication. The e-government programme is an example of a related programme with a high correspondence in goals, tools and target groups, which has not been linked to the programme for the reduction of administrative burdens. Problems of co-ordination are also seen in the relationship between central and local governments, the relationship between ministries, and programmes seem to have been suffering from a lack of integration.

Problems of communication may explain the relatively low appraisal of the achieved results by the business community in the Netherlands. Even if the government presented highly realistic action plans to remove EUR 4 billion worth of administrative burdens, expectations of the main target group, the Dutch businesses, are still not met. Expectations have been higher, or different. Finally, there may be a downside to political neutrality underpinning the programme and safeguarding its broad political support: initiatives in the programme can by definition only improve the cost effectiveness in the way societal goals are pursued by addressing regulation and information obligations on businesses (and not content obligations). The result is that the benefit side of regulations is left out of the equation as the balance between costs and benefits is not up for discussion.

Recommendations

The Netherlands should take advantage of the current momentum and the broad political support for public sector reform by deepening and widening the current programme for administrative burden reduction and by strengthening the link to other related government programmes.

Relevant aspects to consider are broader compliance costs for businesses, cost of regulation on the government side, and the balance between protection and dynamism. If some or all of these elements are included, a very clear formulation of definitions and goals will strengthen internal and external communication on the programme.

Deepening and widening the programme includes:

- Maintaining the core elements of the successful Dutch model to be carried over into new areas that become included in the programme: strong political support, a dedicated unit at the centre of government, an independent body with a mandate to give advice and act as watchdog, linkage to the budget cycle, measurement and quantitative targets.
- Expanding the work on administrative simplification by aiming for additional reductions. Further use of ICT holds promise of delivering substantial burden reductions.
- However, if a further 25% reduction is sought, it may be necessary to re-evaluate the principle of political neutrality and develop a more operational regulatory policy including a stronger risk-based approach and further examining possibilities of regulatory alternatives. Thoughts on the distribution of responsibilities between the state and the social partners and on the issue of trust *versus* control can inform this effort.
- The scope of the programme should be broadened from administrative burdens alone – firstly into broader compliance costs, in order to take investments and other direct costs into account when assessing the effect of regulation on businesses.
- Measurements and quantitative targets should accordingly be expanded to cover broader compliance costs, even if this will require some methodological development. A sectoral approach will give the opportunity to select target areas strategically, ideally strongly informed by the views of businesses.
- The scope should also be broadened to cover the cost of regulation inside government, and especially affecting public service delivery – again including measurement and quantitative reduction targets.
- All levels of government should be included. This will entail a renewed effort to bring the discussion at the European level forward, and creating incentives for stronger local and regional administration participation in the programme. A selective targeting must be recommended in order to respect limits of capacities at the municipal level.

Finally, the report includes a set of recommendations on project management and co-ordination, on further development of measurement methods and on communication and stakeholder involvement.

The OECD and the World Bank Group, which undertook a similar review in parallel with the OECD, have co-operated on outlining a method for expanding the measurements into the field of broader compliance costs. The suggested approach is described in a common note, annexed to this report.