

Summary

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 There is a risk that administrative regulations that are outdated or poorly designed could impede innovation and establish barriers to entry, creating unnecessary barriers to trade, investment and economic efficiency.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

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

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

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

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

Simplification strategies

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

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

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

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

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

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

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

Simplification tools

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

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

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

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

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

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

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

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

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

Institutional frameworks

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

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

Future directions

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

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

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

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

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

Key points

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

Key points (cont.)

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