

## Chapter 5

### The management and rationalisation of existing regulations

This chapter covers two areas of regulatory policy. The first is simplification of regulations. The large stock of regulations and administrative formalities accumulated over time needs regular review and updating to remove obsolete or inefficient material. Approaches vary from consolidation, codification, recasting, repeal, *ad hoc* reviews of the regulations covering specific sectors, and sun setting mechanisms for the automatic review or cancellation of regulations past a certain date.

The second area concerns the reduction of administrative burdens and has gained considerable momentum over the last few years. Government formalities are important tools to support public policies, and can help businesses by setting a level playing field for commercial activity. But they may also represent an administrative burden as well as an irritation factor for business and citizens, and one which tends to grow over time. Difficult areas include employment regulations, environmental standards, tax regulations, and planning regulations. Permits and licences can also be a major potential burden on businesses, especially small and medium-sized enterprises. A lack of clear information about the sources of and extent of administrative burdens is the first issue for most countries. Burden measurement has been improved with the application by a growing number of countries of variants on the Standard Cost Model (SCM) analysis to information obligations imposed by laws, which also helps to sustain political momentum for regulatory reform by quantifying the burden.<sup>1</sup>

A number of governments have started to consider the issue of administrative burdens inside government, with the aim of improving the quality and efficiency of internal regulation in order to reduce costs and free up resources for improved public service delivery. Regulation inside government refers to the regulations imposed by the state on its own administrators and public service providers (for example, government agencies or local government service providers). Fiscal restraints may preclude the allocation of increased resources to the bureaucracy, and a better approach is to improve the efficiency and effectiveness of the regulations imposed on administrators and public service providers.

The effective deployment of e-Government is of increasing importance as a tool for reducing the costs and burdens of regulation on businesses and citizens, as well as inside government.

## Assessment and recommendations

### *Simplification of regulations*

*Legislative maintenance is a keystone of the Better Regulation Strategy: this is important.* Finland has strengthened its approach to simplification of the legislative stock since the 2003 OECD report. Legislative maintenance is highlighted as part of the Better Regulation Strategy. This is in contrast to some other European countries which have tended to neglect this important part of regulatory policy.

### *Administrative burden reduction for businesses*

*Since the 2003 OECD report, Finland has also adopted a promising national programme to reduce administrative burdens on business.* The programme, which builds on previous initiatives, was launched in 2009 with a target to reduce burdens by 25% over the 2006 level by 2012, and is an important contribution to the Better Regulation Strategy. This initiative means that Finland has now caught up with other European countries and most importantly, now has a coherent and cross government approach to burden reduction which did not exist previously. Given that the cost of burdens on business has been estimated at some EUR 3.6 billion, a well run programme can be expected to make a significant contribution to the competitiveness of Finnish enterprises. There is a serious level of drive and commitment to make it work from the Employment and Economy ministry, which has survived institutional changes at the centre of government and a temporary dip in general enthusiasm.

*It is too soon to judge a programme which has only been in place for a few months; however certain issues will need careful management.* There are five main issues: the need for effective carrots and sticks on ministries; the need for an effective challenge and support function; the need for robust methodologies for identifying and tracking burdens; the need for effective communication; and the need to extend the work to subnational levels of government. These issues are reviewed more closely below.

*Effective carrots and sticks will be needed.* It is helpful that the Justice ministry chaired Better Regulation ministerial and official committees will be reviewing progress, as well as the MEE steering group. It is not yet clear, however, whether the overall target will be shared out among the different ministries, which would put pressure on them to deliver. Last but not least the current target is not an explicit net target. 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. Other carrots and sticks could prove helpful, for example linking successes to performance appraisals and budget processes (as some other European countries have started to do).

*Effective challenge as well as support are also essential.* The MEE steering group (and the MEE unit of officials which stands behind it) will need to provide a crucial challenge and support function. Their effectiveness in these roles needs to be monitored.

*The underlying methodologies for identifying and tracking burdens need to be robust.* It is not yet clear how easy it will be for ministries to put together their list of contributory measures. Reduction proposals will be identified in consultation with the business community. It is helpful that business is represented on the MEE steering group but will this be sufficient? There does not, as yet, appear to be any particular requirement or guidance on ministries as to how they should keep in close touch with their stakeholders. Many countries have set up specific structures such as working groups to channel business views in specific areas.

*Effective communication is also critical.* As the early starters around Europe have found, communication on progress and results is essential if the support of key-actors such as the parliament and the business community is to be sustained.

*The programme is only a national plan.* This is the obvious starting point but at some stage it needs to cover burdens arising out of other levels of government.

---

**Recommendation 5.1. Arrange for an early evaluation of the programme to ensure that it is on track and that supporting structures are functioning adequately to secure success. Make sure that each participating ministry has a net target to meet as its contribution to the overall target. Consider whether other carrots and sticks for good performance should be put in place. Make sure that the business community has a full opportunity to contribute, and consider the establishment of sector or ministry specific structures for this. Develop and implement a reporting and communication strategy. Finally, make plans for the programme to be extended to the local levels of government.**

---

### ***Administrative burden reduction for citizens***

*There is no specific programme for the reduction of burdens on citizens: one might be considered.* A growing number of European countries have established programmes to address burdens on citizens as well as businesses. This could make particular sense in the Finnish context at this stage. It could help to give substance and focus to the efforts to encourage citizens into greater participation in the development of policies and regulations, and support for Better Regulation, if they feel that they have their “own” programme, which addresses their specific concerns. As with the business programme, setting it up would require a structure for citizens to make proposals for what should go into the programme. A strong link with the local level of government would help to capture issues around the delivery of public services and social welfare support. The Netherlands provides one of several interesting approaches that are being deployed around Europe.

---

**Recommendation 5.2. Consider setting up a programme for the reduction of administrative burdens on citizens, drawing on the experiences of other European countries. Link this to efforts aimed at encouraging citizens into a stronger engagement with the government in policy and regulatory development.**

---

### ***Administrative burden reduction for the administration***

*Again, there is no specific programme to address administrative burdens inside government itself.* This could be a useful adjunct to the public sector productivity programme. It might help with buy in to a contentious policy if the government is also seen to be engaging in efforts to streamline requirements on officials which take them away from the “front line” of public service delivery.

---

**Recommendation 5.3. Consider whether it would be useful to make focused efforts, as part of the public sector productivity programme, at reducing administrative burdens on officials.**

---

## Background

### *Simplification of regulations*

#### *Legislative maintenance*

The OECD's 2003 report noted that Finland's regulatory policy did not directly address the issue of reviewing and reforming existing regulation. Review work was generally carried out *ad hoc*, largely driven by responsible ministries. That said, it also noted that since the 1990s, there had been a tendency to carry out more strategically focused reviews of laws. The approach has now been strengthened further: legislative maintenance is one of the legislative policy measures in the GSD. However, no co-ordinated efforts has been introduced so far. Ministries remain responsible for launching measures to revise and simplify their regulatory stock. As in other EU countries, the action plan for the reduction of administrative burdens (see below) can also give rise to legislative simplification, even if this is not its main objective.

#### *Ex post evaluation of regulations*

Finland does not have a systematic approach to ex-post evaluation of regulations. Regulations may be revised or amended where challenges or difficulties are identified. Sunset and review clauses may be used if there is a specific reason for review. The parliament often passes bills with a statement requiring a report on *ex post* evaluation by the government. There are, however, many examples of *ex post* evaluations in various policy areas, including of transposed EU Directives. Box 5.1 gives some examples of *ex post* evaluation in the field of health and safety linked to EU Directives.

#### **Box 5.1. *Ex post* impact assessment of the Finnish Occupational Safety and Health (OHS) legislation implementing OHS EU Directives**

Case 1: *Ex post* impact assessment of Finnish OHS legislation implementing the EU Directive 90/270 EEC concerning Work with display screen equipment. Application of Government Decision 1405/1993 and the effects of the Decision in workplaces. Helsinki 2008, p.168 (Publications of the Ministry of Social Affairs and Health 2008:7)

Finland participated in ex-post evaluation of six EU member states to carry out a survey concerning the *ex post* evaluation on the application and effects of the regulations in workplaces. Directive 90/270 EEC on display screen equipment VDU was selected as the first topic for the survey. The directive has been transposed by the Government Decree on work with display screen equipment (1405/1993). A summarised report in English is available containing the member states' national surveys under the title "The development of a methodology to assess the quality of EU-directives: a pilot study on basis of the Directive on Visual Display Units (Directive 90/270 EEC): Integrated cross-national report".

Case 2: *Ex post* impact assessment of the Finnish OHS legislation implementing the EU Directives 89/391/EEC and some relating Directives on OHS risk assessment. Helsinki 2009, p.149 ("The effectiveness of risk assessment-related occupational safety and health provisions". Publications of the Ministry of Social Affairs and Health 2009:22)

The *ex post* evaluation study was carried out on national initiative aiming to develop the regulations. The purpose of this study was to examine the effects of the Occupational Safety and Health Act (738/2002) and the OHS Decrees on OHS related activities in workplaces.

## *Administrative burden reduction for businesses*

### *Policy on administrative burden reduction for businesses*

Finland has launched a number of initiatives to support small to medium-sized enterprises (SMEs) over the years. The government uses a wide range of measures to promote entrepreneurship and to improve the conditions for businesses. It also runs a horizontal policy programme for employment, entrepreneurship and work life (2007-12). The recently launched national action plan for the reduction of administrative burdens is an important further step.<sup>2</sup> In 2007, a pilot SCM measurement of VAT legislation was conducted under the SÄVY Project of the former Ministry of Trade and Industry. The Ministry of Agriculture and Forestry completed a survey on administrative burdens concerning agricultural aid procedures. Ideas and initiatives were collected directly from farmers by using a designated mailbox. The survey led to a project in spring 2008.

#### **Box 5.2. Ministry of Agriculture and Forestry administrative burden project**

The Ministry set up three working groups to study and to bring forward measures to reduce administrative burden on SMEs active in the production, processing or marketing of agricultural products. One of the working groups was mandated to study simplification of requirements and control related to agricultural aid. The second one aims at simplification and improvement of the structure of the public aid administration. Representatives of aid beneficiaries are involved in the work. The third working group deals with specific problems related to the Food Act and its implementation encountered by SMEs within the food industry. It presents a special feature as all the members of the group represent the food industry and primary producers.

Initiatives that were previously scattered and largely dependent on the interest of individual ministries in pursuing them have now been given greater coherence. The 2007 Government Strategy Document proposed a national programme to reduce administrative burdens on businesses, aimed at promoting company productivity and competitiveness, whilst respecting the societal objectives of the legislation concerned. A rough estimate of the costs of administrative burdens on business puts this at some 2% of 2007 GNP (EUR 3.6 billion), which includes both national and EU origin burdens.<sup>3</sup> The government considers that burden reduction would primarily benefit SMEs. These make up the overwhelming majority of enterprises in Finland.<sup>4</sup> The push for this initiative seems to be as much from the government (and behind that, from the EU) as from the business community itself. The Chambers of Commerce have done a survey which suggests that there are important issues, for example with burdens on employers. Business has suggested that substantive compliance costs should be the main target, not just information obligations.

The GSD undertaking was given effect in March 2009 when the government approved a decision-in-principle on an action plan for the reduction of administrative burdens on businesses by 25% over the 2006 level by the end of 2012.<sup>5</sup> This reduction goal is targeted at national legislation and official procedures, including the obligations of EU origin legislation. The focus is on information obligations. Administrative burdens will be eased by simplifying reporting obligations stipulated by existing legislation and by the development of ICT. The aim is also to avoid the creation of further burdens in new legislation. The national programme is to be closely co-ordinated with the EU Action Programme. The proposals and results of the EU Programme will be taken into account in the implementation of the national programme. Some stakeholders noted the importance of the net target as a means of “joining up” the programme with efforts to strengthen impact assessment.

### *Institutional framework*

Reduction proposals are to be prepared by the relevant ministry, in consultation with other ministries and business stakeholders.

A steering group of the Ministry of Employment and the Economy (MEE), set up initially until the end of 2010, is tasked with co-ordinating the implementation of the action plan and monitoring its realisation. The group's mandate may be extended if necessary. Ministries, the business community and union representatives as well as other stakeholders are members of the group.<sup>6</sup> The ministries and other relevant authorities report on progress to the steering group on a regular basis. The steering group assesses the need for completing and updating the action plan. At a later stage, it will evaluate whether sector-specific quantitative reduction objectives should be set for priority areas within the action plan. The steering group is supported by a project group (also with ministries and external stakeholders as members) and the MEE's Better Regulation Unit.

Implementation of the action plan is also considered on a regular basis by the ministerial working group on Better Regulation and Better Regulation Consultative committee.

### *Methodology and process*

The action plan focuses on practical measures to alleviate the administrative burdens of enterprises.<sup>7</sup> It contains seven priorities:

1. taxation;
2. statistics;
3. agricultural subsidisation procedures;
4. food safety and quality;
5. employers' reporting obligations;
6. financial reporting legislation; and
7. environmental permit procedures.

The development of electronic communication for businesses is a horizontal priority. The action plan will be updated and completed as appropriate throughout its implementation.

In the priority areas, a comprehensive measurement of the initial level of administrative costs will be implemented, based on the SCM model or a similar method. All of these baseline studies will be finalised by spring 2010. MEE is co-ordinating the baseline studies, in co-operation with the ministries responsible for each area and with business stakeholders. Elsewhere, measurement and monitoring will be implemented on a more general level. The same approach will be used for updating and monitoring.

The action plan includes burdens in new legislation. In preparing legislation, ministries are responsible for assessing the administrative costs imposed on businesses as part of the impact assessment of proposed legislation on business (see Chapter 4). The Standard Cost Model as a method to assess administrative costs on businesses is briefly described in the

Impact Assessment Guidelines. However, so far, the SCM has not been systematically used for this purpose.

The action plan will be co-ordinated with the EU Action Programme. Finland classifies information obligations between those based solely on national legislation, and those arising from EU legislation and other international obligations.

Simplification of legislation and simplification of procedures (use of e-Government, one-stop shops etc.) are expected to be the key approaches to reducing burdens.

### Use of ICT

ICT is an essential part of the programme to reduce administrative burdens on business. The development of electronic communication for businesses has been selected as the action plan's horizontal priority area. Customer-oriented development of electronic communication will be developed. Specific initiatives include:

- *Business portal*<sup>8</sup>

The MEE continues to develop its business portal. It is a public portal available to users free of charge. Currently, Enterprise Finland provides companies and entrepreneurs with information on, for example, the obligations towards public authorities when setting up an enterprise or acting as an employer. The portal also provides information on public funding and developing a business. Enterprise Finland is particularly targeted at SMEs. The development of the portal aims to offer more advanced and customer-oriented enterprise services. The requirements related to the implementation of the EU Services Directive will be taken into account in the development work, as the English part of the portal will offer the main entry for the Directive's point of single contact. The point of single contact will be supported by Enterprise Finland's Contact Centre service.

- *Enterprises account*

The aim is a shared and safe communication channel between businesses and government authorities. It will offer a centralised customer-centric online service where businesses can find e-services of different authorities and use them (users are forwarded to e-service sites), Businesses can also send and receive messages and documents from the administration, and receive decision documents from the latter.

- *Personal account*

A citizen personal account will be developed and introduced first. In the second implementation phase (2011-12), the account will be extended to businesses and other organisations.

The Ministry of Finance plays a key co-ordinating role in the development of projects for electronic communication services. In 2009, it launched the so-called *SADe* programme in order to enhance eServices and eAdministration. The objective is that, by 2013, all the main administrative services are available electronically both for citizens and businesses.

The Services Directive (which requires the establishment of points of single contact for business procedures) has been an important driver of reform. The OECD peer review team heard that it has encouraged "a change of views" stimulating and even demanding the establishment of such structures. It appears, however, that the re-use of data (data protection aspects) are a problematic issue. Sharing of data between different agencies is contentious.

*Public consultation and communication*

The administrative burden reduction proposals are to be identified by ministries in consultation with the business community, which is represented in the MEE steering group as well as the supporting MEE project group. Communication of the plans and progress is offered through the MEE website<sup>9</sup>, as well as through press releases and events.

*Achievements so far*

It is too soon for any concrete achievements, given that the programme was only launched in 2009. Careful monitoring and evaluation are needed to ensure that it does deliver concrete and timely results.

*Other simplification measures for businesses*

Licensing, planning and support for small to medium-sized enterprises were not covered in detail on the mission. The OECD peer review team were told that licensing was no longer a major issue as many had been abolished.

*Administrative burden reduction for citizens*

There is no specific programme, but there are several initiatives. One-stop shops for citizens are under development (Box 5.3). As an e-Government initiative a citizens personal account for state and municipal services via internet will be developed and is expected to be introduced in 2010.

**Box 5.3. One-stop shops 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. For municipalities, a common basis for participation and for enhancing municipal sector co-operation with central government and the Social Insurance Institution of Finland (KELA) is to be created.

*Administrative burden reduction for the administration*

Finland does not at this stage have any specific programme for burdens inside government. Interviewees did not consider that there were major issues. However there may be an unexploited link with the productivity programme (see Chapter 1). A programme to remove unnecessary burdens inside government would help to release resources for service delivery and improve public sector productivity (including and not least at the local level).

## Notes

1. Programmes to reduce administrative burdens may include the review and simplification of whole regulatory frameworks or laws, so there can be some overlap with policies aimed at simplification through consolidation. There may also be some overlap with the previous chapter on the development of new regulations, as administrative burden reduction programmes are often conducted on a net basis, that is taking account of the impact of new regulations in meeting target reductions.
2. For example, the licence reform project of 1989-93, and changes to specific laws such as the Accounting Act in 2001. E-Government has also been deployed for some years in support of an easier life for SMEs (information portals, web transactions etc).
3. This estimate is based on a review conducted by the Government Institute for Economic Research (VATT) and commissioned by the Ministry of Employment and the Economy. Previously, the European Commission has estimated the figure for Finland as 1.5% of GDP. However, the latter estimate emphasises enterprises' one-off information obligations, failing to take sufficient account of obligations involved in continuous business operations.
4. In 2006, a total of 99.8% of all enterprises in Finland were SMEs.
5. This is not an explicit net target, even though the action plan states that the aim is to avoid the creation of further burdens in new legislation.
6. The Steering Group comprises representatives of the following : Prime Minister's Office, Ministry of Justice, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Transport and Communications, Ministry of Employment and the Economy, Ministry of Social Affairs and Health, Ministry of the Environment, Confederation of Unions for Professional and Managerial Staff, Confederation of Finnish Industries, Central Chamber of Commerce, Central Union of Agricultural Producers and Forest Owners, Jyväskylä Regional Development Company, Central Organisation of Finnish Trade Unions, Finnish Federation of Professionals, Federation of Finnish Enterprises, National Board of Taxes, Statistics Finland.
7. According to a preliminary study by the Government Institute for Economic Research (VATT) commissioned by the MEE, the most burdensome information obligations are to be found in the areas of taxation, acting as an employer, accounting and auditing, agricultural subsidies and environmental permits. These results were also based on a business survey among nearly 3 000 SMEs, conducted in co-operation with the Federation of Finnish Enterprises and Finnvera plc.
8. *www.EnterpriseFinland.fi*.
9. *www.tem.fi*.

