



# Administrative Simplification

Reduction of administrative burdens as part of  
regulatory reform

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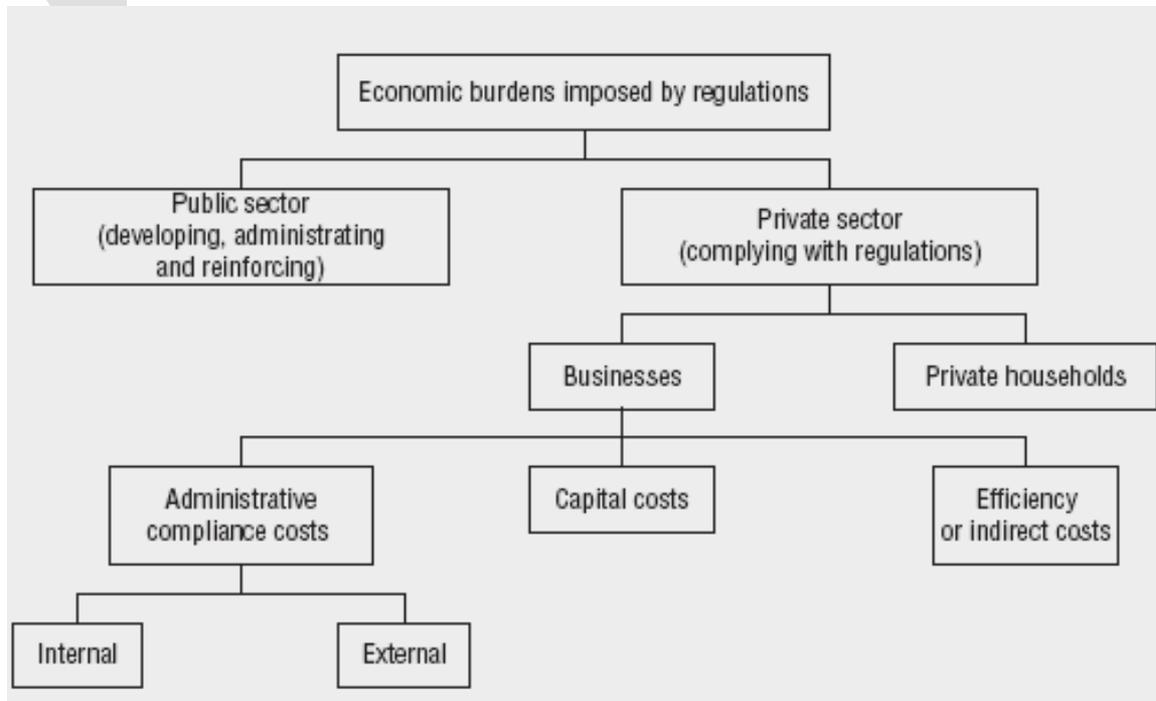
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# A growing focus on cutting Red Tape

- Most OECD countries have comprehensive programmes for regulatory quality, covering both *ex ante* and *ex post* aspects
- Regulatory reform is often linked to efforts to improve economic efficiency and competitiveness
  - This leads to an emphasis on effects of regulation on businesses and the business environment
  - Other target groups – citizens and the public sector – are receiving less attention
- The increased focus on businesses and competitiveness can be part of broader regulatory reform programs or can step in their place

# Administrative burdens and broader regulatory reform

- Regulation leads to both benefits and costs
- Regulation can be assessed both *ex ante* and *ex post*



# Tools for reducing administrative burdens

- Remove information obligations
  - Remove entire regulations (e.g. licences)
  - Raise thresholds for being subject to obligations
  - Evaluate frequency of reporting
- Change regulation to ease compliance
  - Consolidation
  - Minimise requirements
  - Simplification of administrative procedures
- Harmonise reporting obligations
  - Harmonise reporting obligations between various authorities (e.g. by co-ordinating obligations across line ministries)
- Reduce the burden of reporting by use of ICT
  - Substitute paper based reporting with on-line solutions
  - Provide pre-filled forms via Internet
  - System-to-system integration

# Reducing administrative costs on businesses

- What will determine if a programme to reduce administrative burdens on companies will become a success?
- In a study of the burden reduction programme in the Netherlands, the OECD identified the following factors:
  1. Strong political commitment
  2. Measurement
  3. A quantitative target
  4. Strong co-ordinating unit at centre of government
  5. Independent watchdog
  6. Link to the budget cycle

# Political commitment

- Basic OECD recommendations relating to regulatory reform: Formulating a policy and having political commitment from centre of government
- Reducing administrative burdens must be high on the political agenda and must be sustained throughout the period
- Political commitment will improve chances in the face of (perceived or real) conflict between policy goals
- De-politicizing the programme can lower the stakes

# Measurement

- Measurement will make it clear where change is to be sought
- A clear international trend within and outside OECD countries towards using the Standard Cost Model (SCM) method
  - Measures the costs of complying with information obligations in laws and other regulations
  - Breaks down legislation in information obligations and information requirements
  - Provides a clear picture of distribution of burdens on individual regulations, ministries, and levels of government
- Measurement is a pre-condition for quantitative targets
- But measurement can only provide information on the amount of burdens – not on the potential for reducing these burdens

# Quantitative targets

- Many countries using the SCM measurement method have also set quantitative targets for burden reductions
- Targets tend to cluster around 25% - variation in the time period for achieving the target
- Discussion on how to deal with tasks that are now required by law – but that will persist even if regulation is changed (Business As Usual)
- Quantitative targets are essential for
  - Communication expectations
  - Monitoring progress

# Co-ordination

- Clear policy goals and political commitment alone will not lead to results
- Need for strong co-ordination to
  - Ensure common understanding of methods and objectives
  - Facilitate co-operation between line ministries
  - Disseminate knowledge on tools and instruments
  - Deal with technical or political problems
  - Facilitate monitoring and reporting
- Co-ordination must be anchored at centre of government to ensure political leverage

# Independent monitoring

- Independent monitoring will demonstrate political will
- Will ensure accountability (lack of progress can not be hidden)
- Can improve links to external stakeholders (early warning of goal displacement)
- Different models for independent monitoring
  - Dedicated unit acting as watch-dogs
  - Reporting to units or committees with broader mandates in regulatory reform
  - Reporting to Parliament or general public

# Leverage

- Results are depending on a multitude of actors – line ministries, agencies, local levels of government.
- At times, burden reduction will be perceived as conflicting or interfering with other organisational missions or tasks.
- Progress can then best be ensured, when convincing powers can be accompanied by other tools.
- Having burden reduction linked to e.g. the budget cycle can provide leverage as this
  - Entails clear dates for discussing progress
  - Provides incentives for seeking to achieve good performance evaluations



# Common problems

- Bureaucratic inertia
- Vested interests
- Stakeholder involvement
- Communication

# Other target groups (I): Citizens

- Citizens also experience burdens of regulation
  - Time for complying
  - Cost for external assistance (tax returns etc.)
- Excessive burdens lead to loss of welfare and can impact economic efficiency
- Excessive burdens and limitations will make citizens less satisfied with regulation
- Distribution of burdens on citizens is very uneven – some groups hardly affected, other experience heavy burdens
- Many countries are seeking to reduce burdens on citizens by use of similar tools as used in relation to business regulation

# Other target groups (I): Public sector

- Regulation Inside Government (RIG): Regulation by government of itself
- RIG is used for controlling the government machinery
  - Sets standards for government agencies and local government related to resource input, procedures, output or outcome
  - Monitors performance and uses persuasion or direction of regulated bodies to influence their behaviour.
- Excessive regulation will lead to inefficiencies and reduced output

# Burden reduction and broader regulatory reform

- Risk of substituting broader regulatory reform with narrow programme on reducing administrative burdens for companies
  - Business community is the most articulate target group
  - Business interests are not always equal to the interest of the general society (e.g. in relation to domestic competition or to protection of environment)
  - Burden reduction programmes are expensive and resource demanding – can divert resources and attention from broader regulatory quality efforts (e.g. RIA systems)
- Burden reduction programmes have many advantages – easy to understand, communicate and monitor – and can initiate cultural change within administrations that can support broader regulatory reform