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From Red Tape to Smart Tape
Administrative Simplification in OECD Countries

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Synthesis Report: Administrative Simplification in OECD Countries

Abstract. *Governments increasingly focus on efforts to make administrative regulations simpler and less burdensome for citizens and business in OECD countries. This report looks at a set of commonly used tools and practices, such as one-stop shops (physical as well as electronic), simplification of permits and licence procedures, time limits for decision-making, assistance to small and medium-sized enterprises in implementing regulation, methods to measure administrative burdens, organisational and structural approaches to administrative simplification, and, the use of IT-driven mechanisms. The use of these instruments are leading to new and more effective strategies to administrative simplification in many areas. In this respect, "smart tape" may soon be a more appropriate label for many governments' approach to administrative regulations.*

Introduction

The importance of administrative regulations

Administrative regulations are important tools to support public policies in many areas such as taxation, safety and environmental protection. They constitute one of three broad categories of regulations used by governments to promote economic and social well being of businesses and citizens, *c.f.* Box 1.1. Broadly speaking, they are information requirements enabling governments to exercise and implement regulatory objectives, including monitoring compliance with such regulations. Administrative regulations can create benefits for enterprises by setting market frameworks in which commercial transactions can take place in a pro-competitive and low cost environment. Experience from OECD countries demonstrates that reforms of administrative regulations – such as the repeal of administrative regulations following a deregulation – can be effective steps to boost sectoral efficiency and innovation, enhance economy-wide flexibility and potential growth, and increase consumer choice and welfare.

Box 1.1. **What is regulation?**

In OECD work, regulation refers to the diverse set of instruments by which governments set requirements on businesses and citizens. Regulations fall into three categories:

- Economic regulations intervene directly in market decisions such as pricing, competition, market entry, or exit.
- Social regulations protect public interests such as health, safety, the environment, and social cohesion.
- Administrative regulations are paperwork and administrative formalities through which governments collect information and intervene in individual economic decisions.

Source: OECD (1997), *OECD Report on Regulatory Reform*, Paris.

There is a risk, however, that administrative regulations can impede innovation or create unnecessary barriers to trade, investment and economic efficiency, and even threaten the legitimacy of regulation. As regulations have become more complex and information-dependent, many regulatory costs have shifted to citizens and businesses in the form of filling out forms, asking for permissions, reporting information, notifying the government, and record-keeping. In some instances, practices have grown to become irrelevant and cumbersome, generating unnecessary regulatory burdens – so-called "red tape". The cumulative effect of many administrative regulations and formalities from multiple institutions and layers of government is to slow down business responsiveness, divert resources away from productive investments, reduce transparency and accountability, hamper entry to markets, reduce innovation and job creation, and discourage entrepreneurship.

Administrative regulations impose direct as well as indirect costs. Direct administrative compliance costs include time and money spent on formalities and paperwork necessary to comply with regulations. Indirect or dynamic costs arise when (administrative) regulations reduce the productivity and innovativeness of enterprises. The number and complexity of government formalities and paperwork form one of the most common complaints from businesses and citizens in OECD countries. Ultimately, failure to address these complaints can have wider impacts on the regulatory authority of the state. If the burdens of administrative regulation come to be seen as unreasonable, compliance rates will fall and the general level of respect for the law will be undermined. Such dynamic can put at risk the effectiveness of regulation as a tool to reach policy objectives.

In recognition of these challenges, governments have over the past two decades increasingly focussed on efforts to review and simplify administrative regulations. Efforts to improve the efficiency of transactions with citizens and businesses have included removal of obsolete or contradictory provisions, improvement of guidelines for administrative regulation, and the introduction of new tools to reduce and measure the impact of administrative regulations.

This report reviews the policies, tools and practices employed by OECD countries to simplify administrative regulations imposed by government on businesses, citizens and the public sector. The purpose is to provide policy makers with an overview of experiences and promising practices that could serve as inspiration in the implementation and development of administrative simplification policies in OECD member and non-member countries. The report looks in some detail at a set of commonly used tools and practices, being:

- One-stop shops (physical as well as electronic);
- simplification of licensing procedures;
- time-limits for decision-making;
- assistance to small and medium-sized enterprises in implementing regulation;
- methods to measure administrative burdens;
- organisational and structural approaches to administrative simplification, and, more broadly;
- the use of IT-driven mechanisms, *i.e.* Web-based portals and databases.

As the report will show, innovative thinking and technology is in many areas leading to new and more effective approaches to administrative regulation.

In this report the term administrative simplification refers to government policies, tools and practices aiming at simplifying and easing the burdens of administrative regulations affecting business, citizens and the public sector. The analytical approach of the report implies looking at administrative simplification as activities aimed at improving governments' management of the information requirements they impose on business, citizens and the public sector. Improving the management of governments' information requirements can have significant economic effects in freeing time and resources of those affected by the regulation, and by enabling an improved allocation of resources. It may also have other effects, or, indeed, be driven by other objectives, such as improving the transparency and accountability of administrative regulations.

Administrative simplification in OECD countries has primarily been driven by ambitions to improve the cost-efficiency of administrative regulations. However, as the

report will show many of the tools and practices applied to improve the cost-efficiency of administrative regulations also lead to, or are supported by measures that enhance transparency and accountability.

Administrative simplification can be seen as policies and tools applied to facilitate governments' management of information requirements in three areas:

- *Information dissemination*, *i.e.* making regulatory information requirements easily and cost-efficiently available for relevant target groups.
- *Transactional aspects, i.e.* enabling and facilitating regulatory information transactions between authorities and businesses and citizens, for example when obtaining a licence to start an enterprise, filing tax returns, or renewing a driving licence.
- *Stocking information*, *i.e.* tools and strategies to store and share information required according to administrative or other regulations.

Administrative simplification and regulatory quality policies

Administrative simplification is becoming an integrated part of governments' regulatory reform policies. It is considered today by many governments as a key aspect to ensure regulatory quality.

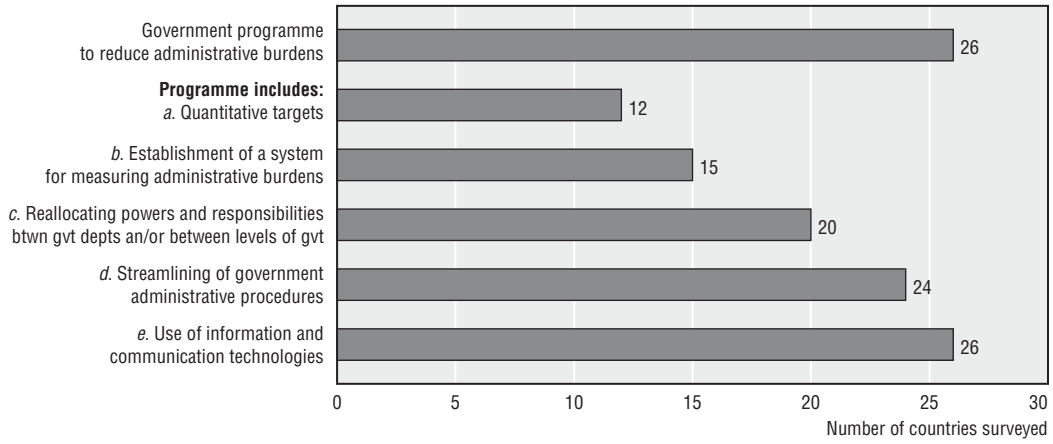
This is partly due to the greater complexity of regulations – and thereby often the costs they impose. But it is also due to the improvement and development of new tools, notably IT-based tools, which enable unprecedented possibilities for greater coherence and efficiency in the regulatory interactions between government, businesses and citizens.

The 1997 *OECD Report on Regulatory Reform* recommended that governments reduce red tape and government formalities as one element of an integrated set of nine strategies for improving regulatory quality.[1] This recommendation recognises the potential importance of new and improved tools – notably those based on information and communication technology – to make regulation less costly.

Almost all OECD countries have now initiated programmes focussed on reducing regulatory transaction costs. Those intended to simplify administrative regulations are probably the most widespread. In 2000, out of 28 surveyed OECD countries, 26 stated they had a government programme to reduce administrative burdens. Figure 1.1 lists some of the main characteristics of these programmes. Information and communication technologies are clearly the most widespread measures: every country with an administrative simplification programme is making use of such measures. In addition, the survey indicates that their administrative programmes include "streamlining of government administrative procedures", *i.e.* process re-engineering and "reallocation of power between government departments and/or levels of governments". However, measurement of existing burdens and the establishment of specific targets are less widely employed measures: in almost half of the surveyed countries, the administrative simplification programmes are implemented without a system in place that can actually measure administrative burdens. Only twelve out of twenty-eight surveyed countries set quantitative targets for their administrative burden reductions.

Numerous studies, including some conducted by the OECD, show that small businesses are disproportionately affected by red tape.[2] It is inevitable that the *proportionate* burden of red tape will be greater for SMEs since there are necessarily important fixed cost elements in these requirements. In competitive terms, smaller firms are likely to have less capacity to absorb unproductive expenditures. They have a smaller turnover to absorb

Figure 1.1. **Aspects of OECD countries' strategies to reduce administrative burdens (28 countries)**



Source: PUMA/OECD (2000/2001), *Responses to the Survey on Regulatory Capacities in OECD Countries*, Paris.

increases in fixed costs and fewer management resources to deal with red tape than large companies do. Many OECD countries have concluded that SMEs have a distinct role in economic growth, providing a large share of new jobs, making an important contribution to innovation. For this reason, SMEs have frequently formed a major focus of governments' administrative simplification activities.

Data and country studies supporting the report

This report draws on several sources. First, it is based on examples and experience reported in seven country studies – Australia, France, the Netherlands, Mexico, Korea, the United Kingdom, and the United States – conducted in 2001 and 2002. The country studies are presented in the country case section of this report.

Second, an Expert Seminar held in the OECD headquarters in Paris on October 18-19, 2001 discussed draft versions of the country studies and supplemented them with experiences from other member countries. The Seminar was attended by experts from 21 OECD countries.[3] Third, the report draws on the set of 18 country studies of regulatory reform in OECD member countries conducted to date as part of the OECD Programme on Regulatory Reform.[4]

The coverage of country practices in this report is less than complete, given the widespread use of many practices within OECD member countries. The choice of examples reflects, to a large extent, the country reporters' priorities and selection of good practices.

IT-driven mechanisms to reduce administrative burdens

Introduction

The use of innovation in information technology (IT) has been a major driving force in administrative simplification programmes in most OECD countries. The country studies confirm that the exploitation of IT in relation to transactions within and between government bodies and, between government bodies and business and citizens, is probably the most important enabler of administrative simplification. In this regard, IT is used in three basic areas:

- To facilitate the operation of complex systems within government agencies, such as those relating to welfare benefit, tax, and licensing programmes.
- To aid interconnection among government agencies.
- To improve the interface between government and the citizen or individual businesses.

Administrative simplification strategies based on IT tools are numerous. Much of the progress made via the introduction and refinement of these strategies is visible on government agency Web sites, which have shown striking developments in the past few years. Among the most important uses of IT that have been developed are electronic means of:

- Storing, compiling and providing information.
- Providing access to codified regulations.
- Communicating within and between government departments and between different jurisdictions (intranets).
- Online filing of applications, and other transactions.
- Compiling and reporting statistics.
- Assigning business identification numbers.
- Government collecting data from enterprises without active enterprise involvement.
- Streamlining government contracting.

This section discusses the major aspects of government IT programmes focussed on administrative simplification. Some of these techniques are described in further detail in other parts of this report (*e.g.*, one-stop shops, methodologies for estimating burdens, and simplification of permits and licensing).[5]

Practices and experiences

E-Government Plans. Government-wide plans to promote "e-government" have become common. E-government plans are overarching strategies for the application of key ITs throughout the government sector in a strategic and co-ordinated fashion. The key elements of these plans are typically: *a)* to enhance customer focus by facilitating access to government administrations by the public, via the Internet; *b)* to modernise the state sector's operation by using online operations to deliver efficiencies and better performance; and *c)* to increase the immediacy and the effectiveness of communication between administrations, for example through the development of a secure "Intranet".

These objectives incorporated within e-government plans are strongly aligned with, and support, administrative simplification. Indeed, much e-government activity is, in effect, pursuing an administrative simplification agenda. Increasingly, administrative simplification policies are becoming explicitly integrated and important parts of governments' e-government plans. E-government systems deliver administrative simplification primarily through improved accessibility of information and services and the creation of more integrated government services. Two examples of e-government strategies:

- **Australia's** strategic priorities for e-government include several elements closely related to administrative simplification. First, agencies must take full advantage of the opportunities the Internet provides. Second, it is a priority to facilitate enablers such as *authentication, meta-data standards, electronic publishing and record keeping guidelines, accessibility, privacy* and *security*. And third facilitation of cross-agency services.[6] The

focus is on making services more integrated and more accessible, on improving service quality by being more responsive to customer's needs, and on providing more cost effective government services.

- In **France**, the administrative simplification commission ("COSA") has since 1998 been responsible for providing assistance in the development of online public services and on the content of the services offered. A new agency for information and communication technologies ("ATICA") has been entrusted with providing technical support for the introduction of new IT applications in the administrations. Furthermore, a club for Web masters of public Web sites has been established and an external Web site has been set up to allow for the exchange of information, sharing of experience and pooling of good practices.

Centralised Government Portals. Related to the above, the establishment of centralised government information portals is a key element in many e-government plans. The portals are attempts to create an access point through which citizens or entrepreneurs can find all relevant government information and, ultimately, conduct a wide range of transactions with the government. In more sophisticated versions of these portals, regulatory transactions are simplified by innovations. For example, by the creation of forms that are filled out automatically with the information the government already has with respect to an enterprise. In addition, a central electronic access point enables entrepreneurs to be notified pro-actively about services and obligations. A further advantage of the system is that certain types of information will only have to be submitted once. Some examples:

- The **United States'** FirstGov.gov is the official US gateway to all government information. It consolidates 20 000 topical and customer focused government Web sites into one. The site helps clients find and do business with government online, by phone, by mail, or in person. On the opening page, users may choose among three major customer gateways – citizens, business and government employees.
- **Korea's** guiding map for civil applications has systematically classified over 4 000 civil applications in a government-wide portal site. According to a survey conducted by the city of Seoul covering 1 245 citizens, 84.3% replied that its online system for handling applications contributed to achieving transparency and 72.3% said that it accommodated their interests. The portal is still under expansion, and the government expects that a total WON 1.2 trillion (USD 91.7 million) of cost per year will be saved once the system is totally in place.
- In **France**, provision of online services was ensured by introducing a national gateway portal in October 2000 that allows online access to administrative forms (1 000 forms available out of 1 600). It is hoped that by 2005 most public services will be available online. In 2000, 2.5 million people were able to determine their income tax online. Five million health care files are now exchanged each week on the health and social services network, which links medical practitioners to social security agencies.

Specialised Portals. More specialised portals are also used in many countries. They differ from the general portals described above in that they aim at assisting a particular sub-set of governments' "client" groups. Such groups include small businesses generally and, in some cases, businesses operating in a particular sector or industry. These specialised portals are often closely linked to a centralised government portal, such as that described above, and frequently represent an outgrowth of those general portals. In this way, they

often constitute attempts to extend the logic of centralised portals by applying it to a range of particular groupings. Examples of such specialised portals are:

- In **Denmark** the Government portal indberetning.dk provides an overview of all reporting obligations for businesses. At the same time the portal serves as a platform for the actual reporting. The portal provides broad information management mechanisms by which businesses can identify, individualise and carry through reporting obligations. A "what if…" service based on the business' specific profile provides information about reporting requirements in case of particular changes to the business.
- Another example is the **Australian** Business Entry Point (BEP), which provides information in a linked and user-friendly format on a wide range of topics, including taxation, employment, business planning and financing, workplace relations, retirement benefits, and importing and exporting.
- While the Australian version is aimed at all business users, other versions are still more specialised in scope. An example is the **US** Food and Drug Administration's (FDA) Operational and Administrative System for Import Support (OASIS), which applies to importers of food, drugs, cosmetics and medical devices into the United States. OASIS was developed in response to problems caused by imports of perishable products, in particular because of the existing manual approvals system, which often involved approval delays of several days. Under OASIS, importers electronically submit documentation that is quickly reviewed on PCs by FDA employees. FDA returns its admissibility decisions to the importers within minutes. 85% of shipments are now handled without paper documentation. With OASIS, imports are handled consistently throughout the country. According to a study by Booz, Allen and Hamilton, the import industry will save at least USD 1.2 billion over a seven-year period thanks to OASIS.
- In **Belgium**, a "social security portal" makes available information about welfare legislation as well as applications for online registration (for beginning construction work, declaring hiring, etc.) together with calculation methods and examples of how to calculate enterprises' social security contributions. Use of electronic means to declare hiring has significantly reduced the administrative burdens of Belgian businesses.
- In the **US**, a recent report on "e-government" pointed to many other examples of the productive use of government Web sites designed for citizens. One of the examples cited was that in 2000, students filed more than two million applications for college financial aid through the US Department of Education's online service. Two recent independent studies of e-government have also described the increasing popularity of government Web sites. The studies showed (2001) that 51% of all Americans had visited a government Web site. Most of these visitors (80%) were happy with the content of these sites, and 49% responded that the Internet has improved the way they interact with the Federal Government.

Internet-based Registers of Formalities. IT has enabled governments to use the Internet as a platform for registers of formalities imposed on citizens and businesses. This tool enables users to obtain all necessary forms online. Examples are:

- **Mexico** has established a "Federal Register of Formalities and Services" on the Internet. It includes the principal procedural requirements imposed by all federal departments and agencies on private citizens and businesses. The register enables users to obtain all business forms online and to carry out electronically some regulatory transactions with the Ministry of the Economy. An advisory service is available to assist users. The system

contains over 3 400 entries, as well as links to a number of registers of state formalities and to national and international information on regulatory improvement processes.

- In **Spain**, a review of all administrative formalities was initiated in 1992 and resulted in the publication of an inventory of formalities in 1995. It was subsequently updated and made available on the Internet in 1997. The current inventory categorises the formalities, and provides information on the objectives of the formality, its legal basis, the responsible administrative unit, time limits for responses and the effect of non-responses. Future enhancements planned include better search capabilities and the publication of a user-friendly guide to finding formalities.
- In **Greece**, the ARIADNE programme was originally set up to facilitate information access for people living on islands in the Aegean Sea. Previously, obtaining and lodging government forms could take two or more days as citizens had to travel to the island where the prefecture was located. The idea was to use the Internet for access and filing of administrative forms required for the issue of every certificate or permit. The programme involved redesigning over 300 application forms and placing them on the Internet. At the end of 2000, the programme included all documents that citizens all over Greece may find necessary for government application. The programme is now operating in municipalities on the Islands in the Aegean Sea, providing access to computer terminals for all citizens who are not connected to the Internet. The obvious usefulness of this facility for the islands stirred interest in providing similar access to those living on the mainland. The programme has now been extended to other areas of Greece.

Internet-based Regulatory Transactions. In some cases, electronic registers also make it possible for users to fulfil some or all administrative formalities electronically. These initiatives are based on the idea of extending the logic of an electronic information provision into a "clearinghouse" or one-stop shop for licence issues or other administrative formalities. An advanced use of Internet-based regulatory transactions is a computer-based business approval that streamlines and provides a single contact point for all matters relating to business licence applications, approvals, and issues relating to a targeted business activity or sector.

- **Australia** is currently implementing a national legislative scheme to allow for legal recognition of regulatory transactions (licence applications, renewals, etc.) conducted via the Internet. An additional related initiative is the development of a secure electronic signature technology. Australia has already implemented two trial versions of "Business Approvals Packages"(BAP). The Web-based trial versions so far implemented have been based around a single industry sector – Aquaculture. An evaluation study made into the Tasmanian BAP in 1999, indicated that the time saving in the provision of information by agencies to applicants amounts to 1-2 hours per enquiry.
- Examples from the **United States** include two systems based on "one-stop permitting" approaches operated by the Department of Commerce. The National Marine Fisheries Service Permit Shop enables organisations to engage and transact with online customers and partners for both business-to-consumer and business-to-business applications. The Simplified Network Application Process (SNAP) is an automated system for the submission of licence applications to the Bureau of Export Administration via the Internet. It is a free service that allows exporters to submit export, re-export, high-

performance computer notices, and commodity classifications to the Bureau via the Internet in a secure environment.

- An example on the use of handling civil applications through the Internet is the system developed in the city of Seoul, **Korea**. Here applications from citizens are posted on an Internet site where applicants can obtain information on whether the application has been received properly, who is handling and reviewing the case, when the permit is expected to be granted, and, if it is refused or returned, for what reasons. The system also allows citizens to ask questions or make comments directly to the staff handling their case. One-stop shops have been set up for all civil application services provided by all Korean administrative bodies, central or regional. This concept has also been extended to create a "map" of civil applications required during one's lifetime. This "life cycle map" classifies civil applications from the applicant's perspective based on one's life cycle – birth, school enrolment, employment, military enrolment, marriage, housing, car registration, pension, and death.

Internet-based registers of laws and regulations: A closely related initiative to the online registers of formalities is the provision of online databases of laws and regulations. This move is being progressively embraced across the OECD area and has reached a high state of development in many countries.

- For example, in **Norway** and **Denmark**, the full text of all primary and secondary legislation is available on free and easy searchable Web sites. These databases generally also include a range of related material, such as bills currently being debated in the parliament and many of the decisions of the superior courts.
- In **Belgium,** the *Moniteur belge* (official gazette) has been posted on the Internet for some ten years. All legislation is accessible online free of charge with an archiving system going back to 1945.
- These initiatives have substantially enhanced the transparency of the law, and therefore of government. More specifically, they have placed businesses in a much better position to acquire information on their obligations under the law and, in particular, to ensure that their knowledge of these obligations is kept up to date. At the same time, the inclusion of bills and other materials on draft laws also provides for improved consultation opportunities. All of these efforts have potential impacts in terms of burden reduction, while also serving a number of other, important governance values, such as transparency and accountability.

Automatic Transfers of Standardised Information from Enterprises to the Government. Equally central to IT's contributions to burden reduction are the projects relating to the standardisation of data submitted to the government and to the interchange of data between enterprises and administrations. These "electronic data interchange" (EDI) projects are directed at facilitating the direct electronic transfer of enterprise data to governmental authorities. Another aim is to reduce enterprise data to its basic elements, so that every governmental authority can assemble the data it needs without duplicative requests.

- For example, in the **Netherlands**, the Tax Administration, the Social Security Office, and the National Statistical Office have developed common standards for the collection of data from businesses. In co-operation with participating small and medium-sized enterprises, common standards are built into the businesses' accounting systems, whereby the data required by the three agencies can be derived directly from the

administrations of the enterprises by "pushing a button". The authorities collect the data with the participation of the enterprises – government authorities are allowed to penetrate into the accounting systems of the enterprises to collect the data they need. In 1999, the Dutch Government launched a programme aimed at implementing an improved system of the Interchange of Data between Enterprises and Administrations (IDEA). Once fully in place, the cost savings of IDEA for the retail sector is estimated at EUR 90 million, about 50% of the current total administrative burden in the areas of wage tax, employees' social insurance, and wage and labour market statistics.

- **Denmark** also has developed "electronic data interchange" (EDI) schemes that automatically transfer information between enterprises and the government. The first stage of the programme allowed accounting information, including tax returns, annual accounts and some statistical reports to be processed via EDI. The second stage of the programme focused on employee information, including taxes, wages and pension entitlements.[7]

Unique Business Identification Numbers. The development of a unique business identification number allows for the creation of a business registration system, so that businesses only need to have a single identifier for all dealings with government. Putting such a system online makes electronic registration and searching for business ID numbers possible. This may be known as a "single enterprise register".

- For example, **Australia** has developed the Australian Business Register (ABR), which is based on the use of a unique business identification number, the Australian Business Number (ABN). The ABN is designed to provide a business registration system, so that businesses only need to have a single identifier for all dealings with government. Businesses use their ABN to undertake a range of taxation-related transactions with the Australian Tax Office (ATO) and other businesses. Now that the ABR is online, electronic registration and searching of ABNs is available. In addition, the Commonwealth has developed the Australian Business Number-Digital Signature Certificate. ABR Online appears to have gained widespread acceptance by business, recording over half a million requests each month. The benefits delivered by the system are threefold. First, the ABR has reduced the time and costs businesses spend fulfilling tax registration obligations and other dealings with government agencies. Second, built-in edit checks within the application process combined with electronic registrations resulted in much lower error rates. Third, the high level of online registration (60% of total ABN registrations) significantly reduced ATO resource requirements.
- The **Dutch** version of this technique is called the "Single Enterprise Register". It was developed by the four main business registrars in the Netherlands – the Ministry of Finance, the Chamber of Commerce, the National Institute for Social Security, and Statistics Netherlands. It functions as a unique source of the basic data related to enterprises, self-employed professionals and other organisations. Its operating principle is that data have to be delivered only once to the government, and will be used for a wide range of different functions.
- In **Belgium**, registers listing companies (VAT, business register, social security, etc.) have been merged into one central register. The register is intended so serve as a "crossroads" of all information requests to and about enterprises.
- As a corollary to single enterprise registers, digital signature certificates have been introduced to simplify and reduce the identity requirements for businesses when

dealing online. For example, in 2000 and 2001, Denmark, France, and the United States enacted systems for the legal recognition of electronic signatures and to secure transmission of information.

Electronic Government Procurement. Government procurement systems have benefited greatly from the advent of the Internet. Such systems allow government purchasing units to list their goods, services, leasing and public work requirements on the Internet. These listings enable suppliers and contractors to identify opportunities, to submit bids by the same means and subsequently to follow the entire process to its completion. Some examples are:

- **Mexico** created the Electronic System of Government Procurement (Compranet) in 1996. Compranet produces greater transparency in government acquisition of goods, services, leases, and public works. This is believed to be particularly valuable in increasing the opportunity for small and medium enterprises to bid for government procurement work.
- **Italy** has developed a new centralised purchasing service for goods and services purchased by state administrations. The Ministry of the Economy and Finance performs this duty through a government corporation (Consip S.p.A.) which stipulates the covenants that suppliers must follow. Suppliers agree to accept supply orders from a single administrative structure through an online system (*www.acquisti.tesoro.it*) which now averages 90 000 connections monthly.
- In **Belgium**, a fully computerised management system for government procurement contracts is available to all potential bidders (joint e-public procurement). This system was at the origin of the Belgian government's computerisation of administrative files in which the data required could be accessed by means of a Universal Messaging Engine between administrations. This system has significantly reduced the administrative burdens in Belgium in relation to procurement procedure.
- **Canada** began using an electronic tendering service in 1992/93. Its current Government Electronic Tendering Service (GETS) has been in place since 1997. The number of participating agencies has increased due to the inclusion of the MASH Sector (Municipalities, Academic Institutions, Social Services and Hospitals) under Canada's Agreement on Internal Trade. In 2001, participating agencies advertised over 40 000 opportunities on GETS. The government has realised extensive operational savings through the outsourcing of the advertising and distribution functions. For Public Works and Government Services Canada (PWGSC), the central purchasing agency for the federal government, these savings amounted to about CAD1.5 million (more than USD 960 000) a year in photocopying and courier charges, CAD 2 million a year in newspaper advertising and CAD 1 million in the service start-up costs. The cost of the initial development and ongoing operation of GETS has been minimal because the Government of Canada has contracted out the service. The operator of GETS recovers its costs by charging user-fees.[8]

Conclusion and challenges

It is increasingly apparent that IT mechanisms are essential tools in most burden reduction and administrative simplification reforms in the countries studied. IT advances are allowing for a more-and-more sophisticated electronic transfer of an expanding range of information between government entities, levels of government, government and citizens, and government and business. The programmes reviewed above involve a mix of information dissemination and transactional aspects. Online reporting and editing of core

business information has been successful in reducing business and government costs. In short, IT offers governments a way to reduce administrative burdens by facilitating the availability of relevant information to businesses and citizens and thereby improving the efficiency and effectiveness of the administrative process.

The use of IT made a relevant contribution to the advancement of the one-stop shop concept. The underlying rationale for the increasing availability of various services online through generalised or specialised portals is rooted in administrative simplification but also in concepts of transparency and accountability as fundamental principles of good governance. These portals can provide substantial savings in information search costs for both citizens and businesses in relation to a wide range of interactions with government. Similarly, the processing of electronic transactions – for example vehicle registration renewals, business licence renewals, etc. – can also reduce regulatory related transaction costs for all parties involved. To a substantial extent, these portals can be regarded as burden reduction initiatives, based around the presentation of existing information and requirements in a more cost-effective manner through the application of technology. At the same time the development of systems to allow online transactions can often be a means by which the underlying processes themselves are reviewed and simplified.

There is a range of issues that has to be considered with regard to the use of IT as an administrative simplification tool. One fundamental point is the need to retain a benefit-cost perspective. This would mean that identified gains, including gains made by users of services, are weighed against the costs of developing and, more importantly, maintaining the mechanisms used to implement IT-based initiatives. In this regard the need for continuous assessment and updating of both the technical capabilities employed and the substantive content conveyed is too often overlooked. Related to this, the programmes must be client focused. This could mean an incorporation of "feedback loops", in order to ensure that the IT programme is assessed and modified as needed to best meet the needs of the customers. There is a strong need for executive leadership, to secure a strategic focus and promote the adoption of consistent policy approaches across government, thus assuring the maximum inter-operability of the systems and facilities created. A highly contentious issue is that of determining the best way to promote this leadership. Finally, another important set of rapidly evolving issues revolves around questions of privacy, security, and archival concerns.

In addition to all this, the increasing use and importance of IT in government-business and government-citizen relations might create problems regarding the digital divide. Some businesses (*e.g.* SMEs) or groups of citizens might find it more difficult or impossible to get access to government services provided electronically. In this way, IT-based administration might increase already existing economic and social differences among businesses and citizens.

Furthermore, it is increasingly recognised that the use of IT often requires or promotes important changes in the administrative organisation and the nature of the workplace. Integrated online services, for example, will require a reassessment of processes and administrative arrangements within all agencies involved. This means, on the one hand, that embarking on IT-based initiatives is likely to have broader ramifications for the administration of government business. Such programmes often generate further reaching and more ambitious tasks than the initial statement of objectives may suggest. Secondly, the implementation of IT initiatives necessarily involves close scrutiny of existing

processes and procedures. The mapping of administrative requirements is obviously a fundamental pre-requisite to making them available via new channels. As part of this process, redundancies and overlaps will probably be identified and better policy options for achieving given objectives are likely to become apparent. This, in turn, may force administrative re-engineering to better meet citizens' and businesses' needs. IT practices to reduce administrative burdens can thus be considered not only as tools for achieving burden reduction within existing policy frameworks and administrative arrangements, but also as drivers of the simplification of the administrative regulations themselves.

Finally, making existing forms and procedures available on the Internet has in many countries created an interesting and often unanticipated side-effect. The immediate Internet access to and exposure of over-bureaucratic forms requesting information in an unclear or duplicative manner, has in many cases triggered strong direct reactions from users and media, urging the issuing authority to simplify the relevant forms. Aware of this effect, agencies pushing the administrative simplification agenda have sometimes used such "shaming" strategies *i.e.* exposing bad forms and procedures on the Internet, as a driver for further simplification among reluctant reformers.

Needless to say, increased use of IT does not guarantee in itself that the positive changes in administrative organisation and regulations mentioned above will appear. The effects will also depend on the strength of government's e-government policies. There is still need for evidence to substantiate how IT and e-government programmes can lead to legal and regulatory reform, and to demonstrate that e-driven reforms will not be confined to and constrained by the existing legal environment.

Physical one-stop shops for citizens and businesses

Introduction

One-stop shops can in general terms be defined as offices where applicants and others interested in government services can obtain all the information necessary to their query in one location. They are often referred to as a "service counter", "single window" or "information kiosk".

One-stop shops are primary designed to provide integrated and seamless services with as few and as easily accessible points of contacts with the clients as possible. The purpose of one-stop shops is to provide substantial savings in information search and transaction costs for users in relation to a wide range of interactions with government. In addition to the direct savings in cost and time for applicants, the gains spread to government and the government staff. Additional benefits can also be recognised by increasing accountability, objectivity, and placing decision making as close to the citizens and enterprises as possible. The one-stop shop concept also offers remedies to "monopolies-of-information situations" where governmental agencies can withhold information from citizens and businesses, or deprive equal access to it.

As experience with one-stop shops has grown, and technology has improved, the services provided have expanded. Users of one-stop shops can acquire lists of applicable laws and regulations, information on codes of practice and other guidance material, and information on licences and permits required by various levels of government. Delivery mechanisms have expanded from traditional methods, such as face-to-face interviews, telephone and mail, to the use of IT-based tools, including, most importantly, Web portals, but also CD-ROM systems, information kiosks or automated teller machines. Increasingly,

different mechanisms are being seen as elements of an overall service channel strategy, with all elements gaining from recent advances in IT use. This section of the report deals specifically with "physical" one-stop shops. Electronic one-stop shops, *e.g.* in the form of government-wide information search portals, were dealt with in the previous section of this report.

Practices and experiences

One-stop shops are aimed at assisting citizens and businesses. Services provided to citizens and businesses can appear in a segregated format, but, in many cases, a particular one-stop shop, like offices for wage and tax reporting, can serve both types of clients at the same time. According to the scope of the services offered, one-stop shops are either specialised or general. More specialised one-stop shops differ from the general ones by serving a particular sub-set of governments' "client" group. At the same time, specialised one-stop shops are often closely linked, and may be the outgrowth of general ones. Finally, one-stop shops can be operated by the national, regional or local authorities on one hand, and, on the other, by some form of co-operation between public bodies and private entities, such as business or civil society associations.

One-stop shops for citizens

One-stop shops for citizens date back to the early 1990s. In many countries local municipalities were the first providers of such services, and regional and central governments followed steps in implementing one-stop shops projects. One-stop shops available to citizens most commonly are dealing with registration and licences, such as birth or marriage certificates or car registrations. Tax and wage reporting, general social security, welfare and health services are often delivered through such institutions. One of the keys to organising one-stop shops is to focus on the demand side, on what citizens actually want from the government. The creation of services organised around so called "life cycle episodes" as opposed to organised around government departments are proliferating.

- In Finland and the Netherlands there has been an explicit government policy to encourage the establishment and development of one-stop shops. In the **Netherlands**, the federal government has been actively supporting integrated service counters since 1992, when it started to fund four pilot government service centres. In 1996, the "Overheidsloket 2000" (Public Counter 2000) programme was launched. This initiative's goal was to structure the delivery of public services according to demand patterns, and has funded projects in the areas of citizen registration, welfare, and construction. In **Finland**, local government service bureaux have been an integral part of public administration reform since 1993. These service bureaux are ultimately destined to become fully integrated points of service delivery for most public services in the country.
- One-stop shops serving a more specific group of citizens, namely foreigners staying in the country, started operation in **Hungary** in January 2002. These offices provide information on and handle the applications related to all types of documents that might be required from foreigners. These include short and long-term residence permits, work permits, and citizenship, or simply the compulsory registration of addresses. Most of these functions were transferred from local authorities and the police. The objective of the new institutional arrangement is to simplify the procedures and shorten the time necessary for issuing permits.

- In the **United Kingdom,** examples of "life episode services" available in citizen service bureaux are: "having a baby" "moving houses", "death and bereavement", "starting or changing jobs", etc. Similarly, a policy is established in **Korea** where civil applications are classified from the requesters' perspective based on one's life cycle.

One-stop shops for enterprises

One-stop shops are widely used to simplify the governments' interaction with enterprises. Some of these institutions deal with all kinds of businesses, others concentrate on companies of a certain size, like SMEs, or those operating in specific sectors and industries. Further specialisation includes two categories of one-stop shops: business licensing services and enterprise service counters. Business licensing services focus their activities on the provision of information and opportunities for transactions related to the acquisition of permits necessary for engaging in a specific business activity. Enterprise service counters usually offer a broader type of services to enterprises. They are offices where entrepreneurs can obtain a broad range of services from different public authorities. Their major advantage is that they provide integrated services. In an ideal situation, enterprises would only have one place to contact in order to access all services they might require.

- For example, Enterprise Ireland, set up in 1998 in **Ireland,** is a development agency that services specifically to indigenous industries. Assuming the resources of three previously separate entities (Forbairt, the Irish Trade Board and the in-company training division of FÁS), Enterprise Ireland represents a more tailored approach to assisting small businesses in manufacturing and internationally traded services. The organisation acts as a one-stop shop, providing information and advice on all aspects of business activities and organisation.
- Sviluppo Italia, set up in 1999, is an agency for regional and entrepreneurial development operating in **Italy**. It encompasses all previous entities set up to support existing or fledgling enterprises. Its areas of activity are to promote production, employment, new entrepreneurs, investments, innovation and local development.
- Generally SMEs are the main targets of enterprise service counters, but in some cases, the services are oriented towards a specific group of entrepreneurs. For example, **Greece** has a specialised type of one-stop shop targeting foreign investors. The Hellenic Center for investment, or ELKE, was established in 1997 to assist foreign investors with requirements for starting new investments in Greece, and to support those that plan to apply for subsidies for new investments. The consulting and support services of ELKE are accessible only to larger investors, but information services are available to all.

In many cases, enterprise counters are operated in close co-operation or jointly by government units, municipalities and organisations representing businesses, such as chambers of commerce and industry, employers', professional and sectoral associations.

- For example, the **Dutch** "Enterprise Service Counter" has created a common service counter merging the services of municipalities, Chambers of Commerce, tax administrations, and the Ministry of Economic Affairs. At the local or regional level, provinces and local partners may also be involved.
- An interesting initiative in **Mexico** has been the development of private-sector-run one-stop shops, typically established by business and industrial associations such as those organised by the Mexico City Chamber of Commerce. Most business chambers have their

own tailor-made one-stop shops providing services, and supporting the applications and other requirements most commonly encountered by their members. The formalities for which the greatest amount of information is available are those for setting up business, exporting and importing goods, and registering trademarks. As the mandatory requirement to belong to a chamber is phased out, the government has pushed the chamber to compete on services provided to business and thus in managing efficient one-stop shops.

One of the most common types of specialised one-stop shops for businesses – and especially small businesses – is the business licensing service. These services are among the earliest burden reduction initiatives implemented by governments, having been used in some cases since the mid-1980s. Business licencing services act as one-stop regulatory information shops, identifying relevant licences and providing application forms, information and contact details. Generally each service provides clients with tailored business licensing information packages that contain most or all of the following:

- A summary of the national and local government licences required for the particular business;
- The contact details of the agency which administers each licence (if not handled by the one-stop shop itself);
- Licence application forms, combined where possible; and
- Details of licence fees, periods of coverage and renewals.

Business licencing information services reduce administrative burdens for businesses by reducing the information search costs incurred while trying to establish their regulatory compliance obligations. Because they act as one-stop regulatory information shops, this removes the need for businesses to have an understanding of the fabric of government in order to determine their compliance obligations.

As noted above, some jurisdictions have extensive experience with business licence services. In these cases, the services offered have usually been progressively expanded over time, as expertise in system design and service delivery accumulates and technological advances increase the range of possibilities. Examples of expanded services include provision of information on the licensing requirements of sub-national (*i.e.* state and/or regional) levels of government and listing of government support programmes available to inquiring businesses. Another direction of development is giving business license services the ability to approve requests for licences, to authorise requests, and to register the business entity.

- For example, **France** has a network of Business Formalities Centres, which operate as "front offices" for the provision of government information and transactions in relation to formalities in such places as chambers of commerce and industry for businesses in the industrial and commercial sector, chambers of trade for tradesmen and, more recently, chambers of agriculture. They provide new businesses with a single access point where all information about statutory start-up formalities are available. The Business Formalities Centres are authorised to consolidate all relevant documentary requirements from other ministries and social services. The Business Formalities Centres also process any changes in the course of businesses' operating lives. "Virtual" versions of the Business Formalities Centres have also been set up on the Internet.

- The concept of the Business Licence Information Service (BLIS) arose in **Australia** in the late 1980s. Pioneered by the state of Victoria, every State and Territory in Australia by now has implemented such services. BLIS units provide a single point of access for State, Commonwealth and local government licences, including application forms. While the service is primarily aimed at providing information for prospective new businesses, it also provides information on licence renewals, transfers and general regulatory issues concerning business expansion. According to the findings of a study, which assessed the effectiveness and efficiency of the Victorian BLIS in 1994, the benefit to clients of the service was estimated at AUD 21 million (USD 10.4 million), with a client benefit-cost ratio of 15:1.

Information and advice services provided by such one-stop shops are especially valuable for business start-ups. One-stop permitting approaches, meaning the establishment of single access points for the registration of new businesses, can reduce the costs and the time involved. This can encourage entrepreneurial activities and facilitate the dynamic and the growth of local and national economies. There are an increasing number of countries following such practices.[9]

- In 1999, a network of Single Access Points was set up in **Spain** to handle the administration of business start-ups. They provide advice to prospective entrepreneurs, act as a single point of contact for submission of all documents needed to set up a new enterprise and transmit documents to all government bodies involved in business registration. New IT tools are used to facilitate the process of transmitting information between government bodies. The network has contributed to a major reduction in the typical time needed to comply with the mandatory requirements to set up a new business.
- Since 1999, registration of a new enterprise in **Luxembourg** has taken place through a single access point operated jointly by the Chamber of Commerce and the Chamber of Professions. This administrative and institutional reform allows prospective entrepreneurs to have a single contact point for all registration formalities. The new single access point is responsible for ensuring that registration is submitted to the relevant court for approval and that all relevant public and private bodies are informed of the existence of a new enterprise.

Conclusion and challenges

The one-stop shop concept has been implemented in a vast number of permutations and combinations. There is evidence that many of the variations of this basic idea have been successful in reducing administrative burdens on businesses and the general public. These gains have been experienced as reductions in the time and cost invested in seeking information, especially on licence and permit requirements.

The one-stop shop concept has been enhanced and driven by technological change. The first adoption of licence information systems followed quickly from the widespread adoption of faxes, personal computers and associated software that enabled the compilation of searchable databases. The availability of these services was expanded by new delivery mechanisms – such as sales of the entire database and software in CD form to business advisers, and subsequently, delivery via the Internet. Increasingly, however, these services have become specific modules, or applications, within the larger government information portals that are either in use or under development in most OECD countries. Notwithstanding the fast growth of Internet-based one-stop shops, physical

one-stop shops remain a very important means to reduce administrative burdens for citizens and businesses. This is because physical one-stop shops possess qualities, such as providing opportunities for personal advice and guidance, or a high level of accountability through the personal involvement of civil servants, that Web-based one-stop shops cannot offer.

There is arguably a combination of "top-down" and "bottom-up" dynamics in operation related to the development of one-stop shops. That is, generalised government one-stop shops can be considered "top-down" in approach, being designed with the objective of providing a broad range of government information to all potential clients. The business licence services, on the other hand, have begun life as "bottom-up" in their approach, identifying a specific need and a particular constituency. For them, the direction of development over time has been to move "upward", identifying additional information of value to the same constituency and seeking to include it in the basic database to add value to the service.

The combination of the "top-down" and "bottom-up" dynamics may be the best means of ensuring that the one-stop shop concept is developed to its full potential. The bottom-up approach ensures a focus on the needs of particular client groups, while the "top-down" approach allows a broad view of the communication issue to be grasped.

The evolution of one-stop shops according to the "top-down" and "bottom-up" approaches indicates that there is room for a range of different variations on the one-stop shop concept. A central issue in the further development of these tools will be to take a strategic approach focused on integrating the different tools into a coherent whole.

From the applicants' viewpoint, the major advantage of these services is that they organise government information on the basis of applicants' needs, without needing a global understanding of the government structure that lies behind the information, licence, permit or approval required. This allows clients to deal with government on an "enterprise" basis, rather than as a collection of individual agencies. Further utilisation of this characteristic is likely to occur in the future as additional content is identified for delivery through these services. This can include an increasing array of information that enables businesses to readily assess their overall regulatory compliance obligations. As many of these services now constitute well-recognised distribution channels, they are strategically well placed to engage in regulatory transactions (information, licences, permits, approvals, fee-paying, etc.) with businesses.

In addition, the one-stop shop approach arguably has benefits in relation to the simplification of permits, licences, and other authorisations that go beyond the savings in search costs that they appear to be generating. A key benefit for policy makers and others interested in reform is that, by bringing together the full range of licences and permits required in relation to a given business, they tend to highlight areas of overlap and/or duplication and point out redundancies. Thus, they provide a potential resource in terms of programmes to simplify and rationalise licence and permit arrangements. At the most basic level, one-stop shops may be the only readily available means of obtaining a full inventory of all licences and permits currently in existence, an indispensable starting point for any licence reduction programme.

However, the implementation of one-stop shops still entails substantial practical difficulties; the most significant difficulty arises from machinery-of-government issues, rather than technological ones. One possible concern is that one-stop shops can, in some

cases, shift burdens rather than eliminate them. An example of this issue is that of business licence information service systems. While these systems have been found to entail real reductions in information search costs for businesses, they have largely shifted administrative burdens from business to government.

More broadly, the continued expansion of one-stop shop type initiatives has raised a range of policy questions that remain to be addressed. Some of these are strategic, like the question of the scope of services offered by one single one-stop shop, the number of one-stop shops needed, how they interact and compete with each other or how the one-stop shop differs from the "service counter" idea. Others still are practical questions of how these one-stops can be equipped to respond to the customers' needs and what approach governments should take to their funding. Some argue that the private sector should be given opportunities to run one-stop shops as "regulated information brokers" and either receive funding for this activity from the government or charge customers directly. For some countries, corruption effects can also be involved as licensing implies a degree of discretionary powers which may be exploited for personal gain.

Furthermore, there are questions about how to overcome problems relating to co-ordination between one-stop shops and the back offices of the regulatory authorities. If one-stop shops are to make the leap from information provision centres to transactional agencies (or portals), this co-ordination will have to be close, reliable and streamlined. Further problems that can appear relate to the question where liability and legal responsibility lie in the new reformed structures. Finally, in certain cases ministries might be reluctant to hand over competence and activities as this can bring a potential loss of power over human, legal and financial resources.

Finally, and perhaps most fundamentally, there is an increasing demand for empirical evidence to guide policy makers on the overall cost-efficiency of one-stop shops. Although most one-stop shops by definition reduce administrative burdens for the immediate target groups, little is known about the full economic impact on businesses, governments, taxpayers, of establishing and maintaining one-stop shops. Taking into account long-term operational costs may change the priorities for how, where and when to introduce one-stop shops.

Simplification of licensing procedures

Introduction

Licensing is the practice of requiring prior approval by a government authority for the establishment and conduct of a business or other activities. Approval is based on the provision of specific validated or certified information (usually in written form).

All governments use licences – though in varying degrees and with different objectives – to protect the environment, to assure certain market allocations or to protect consumers. It is a widespread form of government intervention in business activities, although OECD data suggest that different countries use it to differing degrees: some have reported that they administer a few hundred licences, while others, several thousand.[10]

Business licensing is widely believed to have the potential for serious economic harm, both because it raises real and perceived barriers to new start-ups, and thus detracts from innovation and, in particular, because of its anti-competitive possibilities which arise because incumbent firms have strong incentives to lobby regulators to use the licensing arrangements as a means to protect themselves from new entrants.

The issue of access to licensing requirements has become prominent because licensing happens before engaging in a business or economic activity and because of the proliferation, duplication and contradiction of many business licences. The search costs to businesses of identifying the range of licences they are required to obtain in order to conduct their intended business, as well as the regulatory authorities responsible for administering those licences can be considerable. The problem of ensuring compliance with all relevant licensing requirements is clearly of concern to both business and government. For some countries corruption effects can also be involved, as licensing implies a degree of discretionary power from the side of the administrators and a situation that involves direct contact between low level civil servants and businesses eager to launch their activities.

Programmes to simplify permits and licences have several outcomes. In some cases, licences are abolished altogether, simplified or amalgamated with similar licences. In other cases, the focus is on process re-engineering, with the result being a simplification or streamlining of internal procedures to obtain the authorisation, leading to a shortening of the time requirement for permit handling.

Deregulation and debureaucratisation campaigns have traditionally been the driver behind many licence simplification initiatives. Over recent years, however, the application of IT to *existing* licence and permit requirements has also facilitated burden reductions and regulatory simplification of licensing procedures. Putting existing licences on the Internet reduces administrative burdens by facilitating access and information. Making regulatory requirements easily accessible on the Internet also exposes overly numerous, time consuming and burdensome regulatory requirements, thereby often leading to pressure to simplify the regulatory requirements themselves.

Figure 1.2 shows the use among 28 surveyed OECD countries of various strategies to simplify licences and permits procedures.

Practices and experiences

Strategies to scrutinise existing permits and licenses

Four important distinctions can be made between the strategies used by OECD countries to review existing licences. First, strategies vary in terms of their linkage to general regulatory reform policies or to centrally defined criteria for when and how to use licences. The adoption of an explicit policy on the use of licences and permits seems to be an important driver of efforts to achieve substantial improvements. Such policies can include setting general criteria as to when the use of licences is appropriate, guidance on establishing administrative requirements, licence renewals and/or the setting of appropriate fees and charges. Clear policy criteria for the use of licensing and permits can form the basis of self-assessment by regulatory agencies and help ensure that a consistent approach is taken. Explicit policies can provide a clear discipline on regulators, as well as a means of challenging licensing regimes that do not comply and are thus likely to be of low quality. Policy criteria established for licensing used in various OECD countries include, among others:

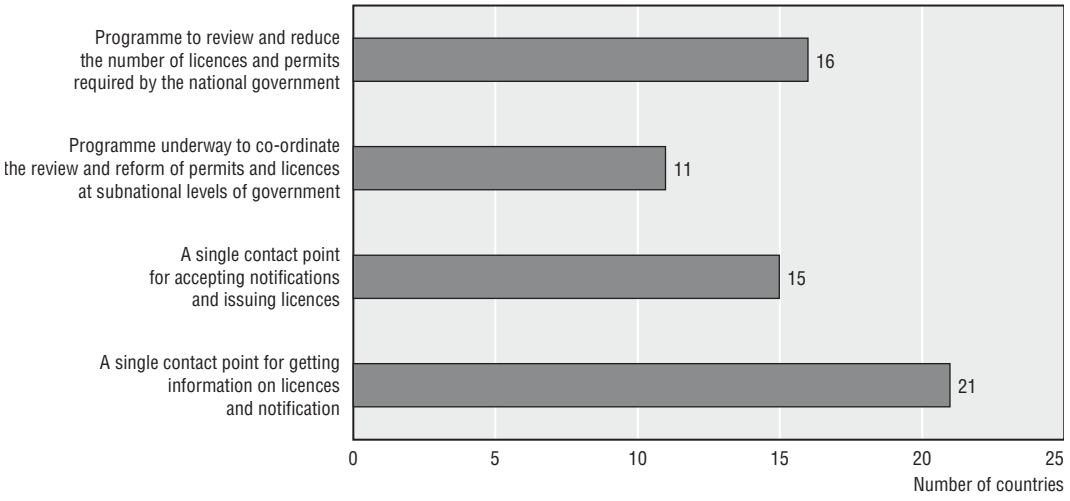
- The use of licences only where there are clear risks to the public associated with the conduct of the business and apparent information problems for consumers.
- Renewal requirements being adopted only where there is a substantial need to verify continued competence and suitability to undertake the business.

- Qualification requirements being directly and substantively related to the ability to carry out the business without risks to the public.
- Informational and procedural requirements being restricted to the minimum necessary to verify the above.

The policy and practices of the United States and the Netherlands provide an example on the design and application of a general policy for permits and licensing.

- The general policy of the **Dutch** government for the use of permits is that oversight based on general rules should be preferred over preventive restrictions, and that reporting on activities should be preferred over an obligation to ask for permission. A permit is considered to be an adequate policy instrument if: 1) it is necessary to regulate individual actions or acts by case-oriented rules and to monitor such actions; or 2), the interest, that has to be protected, is so important, that an exemption from an explicit

Figure 1.2. **Strategies to simplify licensing procedures (28 surveyed countries)**



Source: PUMA/OECD (2000/2001), *Responses to the Survey on Regulatory Capacities in OECD Countries*, Paris.

ban can only be permitted on a case-by-case basis. Guidelines prepared by the Dutch Ministry of Justice have been the basis of a general review of 555 permits carried out by the General Audit Office in 1998.

Second, strategies vary in terms of scope. Reviews of licences may be general or exhaustive, *i.e.* encompassing all permits and licences, or selective, *i.e.* concentrating the review on specific types of permits. In the latter category countries have focussed on reviews of, for example, the most frequently requested permits, business start-ups or permits relevant to a specific sector.

- In **Korea**, for example, a review programme initiated in 2000 covers the most frequently requested documents such as business registrations, resident registrations, real estate titles, car registrations, and tax payment certificates. In addition to frequently requested permits and licences, the programme also covers documents which are often required to be submitted even for cases where a simple check of identity cards or crosscheck between administrative bodies would be sufficient. Under the programme, ministries and agencies were asked to closely look at their civil applications to check whether

Box 1.2. **A permanent review: The US Paperwork Reduction Act**

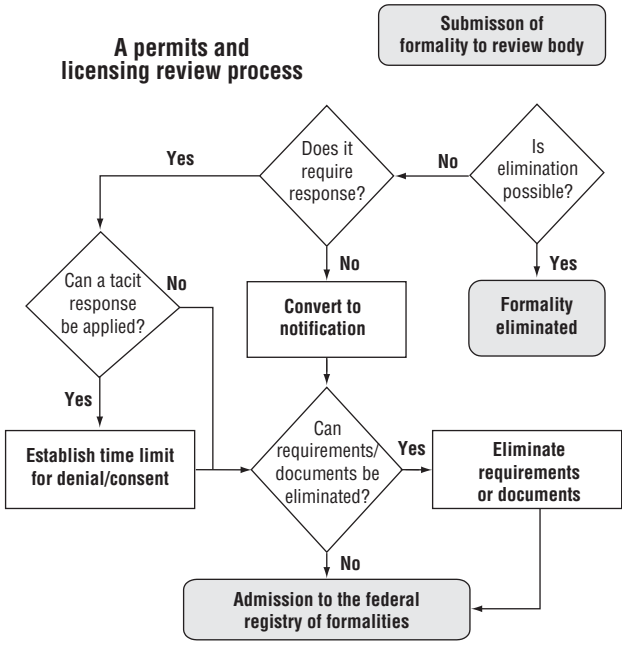
The general logic of the licence and permit simplification schemes conducted has also been applied more generally in at least one country – the United States. The US Paperwork Reduction Act provides a comprehensive, centrally enforced programme for analysing and clearing individual government information collection requirements and also for deriving a national paperwork budget. Importantly, it is also a permanent programme, which has been embedded in the legislation-making process since the passage of the Act in 1980. This distinguishes it in an important respect from the licence simplification programmes that have often been "one off" or "episodic" in nature.

The PRA requires federal agencies to request approval from the Office of Management and Budget (OMB) before collecting information from the public. The PRA was intended to minimise the amount of paperwork the public is required to complete for federal agencies. To that end, the PRA gives OMB 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. In seeking OMB's approval, the agency needs to demonstrate that the collection of information is the most efficient way of obtaining information necessary for the proper performance of the agency's functions, that the collection is not duplicative of others that the agency already maintains, and that the agency will make practical use of the information collected. The agency also must certify that the proposed information collection "reduces to the extent practicable and appropriate the burden" on respondents, including, for example, small business, local government, and other small entities.

document requirements could be eliminated, and if not, why. As a second step, Korea's Regulatory Reform Committee (RRC) re-examined the reasons reported by ministries and agencies to finally determine whether the requirements were necessary. As a final step, a government-wide system is to be established to let all the administrative bodies share information on civil applications with each other.

- In January 2002, **Mexico** launched a Rapid Business Opening System (*Sistema de Apertura Rápida de Empresas*, or SARE). The SARE reduces the number of federal formalities to open a low-risk business to one for individuals (tax registration) and two for businesses (tax registration and enterprise registration). The total time it takes to comply with federal start-up formalities is now one business day for low-risk activities. The remaining formalities, which are all required by law, were simplified by allowing businesses to comply with them up to three months after beginning operations. A catalogue of low risk activities was published as an annex to the decree, in order to give entrepreneurs the certainty of whether they qualify for the SARE or not. As of November 2002, over 226 000 individuals and 1 400 legal entities have received their tax and enterprise registrations under this scheme. The programme also includes a co-operation initiative to help local authorities to implement SARE. Mexico's explicit government policy to co-ordinate programmes for the removal and/or simplification of federal formalities is illustrated below (see Figure 1.3). As can be seen from the illustration, the Mexican review includes, among others, considerations on reducing administrative burdens by transforming *ex ante* authorisations into notifications to be inspected *ex post*.

Figure 1.3. **A permits and licensing review**



Source: www.COFEMER.gob.mex

- Based on a comprehensive collection in 2000 of all the procedures with which start-up enterprises have to comply, the **Belgian** *Agence pour la Simplification Administrative* (ASA) has initiated a project aiming at integrating in one single procedure all formalities, broken down by professions, necessary to commence a business activity. Such consolidation of procedures into one procedure requires seamless co-ordination between the public services involved, an effective electronic medium, and usually a complete overhaul of the regulations and sometimes the services themselves. Currently the single procedure process (DEUS – *déclaration électronique unique des starters*) applies only to a few sectors.
- Based on the Business Activity Law **Poland** in 1999 launched a review of its business licensing and permit system. The law determined areas subject to licensing and permits, and set out general principles for granting permits and licences. The law reduced the areas and economic activities subject to licensing from 30 to eight.
- In 2000, a series of initiatives in **France** showed significant results in terms of saving costs and time as a consequence of "simple" simplification procedures introduced for citizens applying for documents, permits and allowances. For example, an extension of the period of validity of passports from 5 to 10 years and the simplification of the procedures required for renewal led to the elimination of 1.2 million applications, equivalent to saving of 3.6 million hours for French nationals or EUR 73.2 million.

Third, reviews and strategies vary in terms of their focus or objective. Some reviews focus on the achievement of specific quantitative reduction targets, established at the outset – for example a 25% reduction in an overall number of licences, or a certain reduction in the number of days necessary for starting a business. These numerical targets often coincide with the adoption of a highly decentralised approach, in which it is simply mandated that administrative bodies must reduce the number of licences by the required

amount. Some reviews have focussed on setting or reducing time limits for providing answers to requests for permits and licences, whereas other reviews have focussed primarily on avoiding duplication or by reducing the coverage of individual regulations. The latter may include releasing certain activities entirely from approval by the authorities, or by changing *ex ante* approvals into *ex post* notifications of the authorities, after the regulated activities have been commenced.

Finally, reviews of permits vary in terms their organisational set-up. Often examinations are carried out by the regulatory reform authority working in association with the licence-administering agency. In other cases, reviews are carried out by external committees or bodies, either on an *ad hoc* or permanent basis. Examples and experiences with various organisational set-ups are covered in the section on organisational approaches of this report.

"Tutors" for applicants

A further tool for achieving burden reduction in relation to licences and permits is the adoption of "tutors", or mechanisms to assist those affected to complete the required administrative procedures.

- **Korea**, for example, has established a programme by which experienced "tutors", who are highly familiar with administrative requirements in a particular area, are made available to help citizens complete applications.
- In the **United States**, a number of departmental level initiatives have been adopted, many of which focus on small businesses. For example, the Environment Protection Authority has a "Small Business Ombudsman" who produces a "resource guide" that details all of the agency's small-business-specific activities. In addition, a number of departments are developing expert systems and intelligent technology to provide business compliance assistance. For example, the Department of Labor has developed 18 "E-law Advisors," which are Web-based expert systems that the public can query through menus and routine questions to better understand and comply with its regulations.

Conclusion and challenges

Licence simplification and reduction programmes differ from many of the other policies considered in this report by being amenable to easy quantification. Indeed, it may be that this is one reason for the popularity of these initiatives with many OECD governments. As noted above, many of these programmes have begun with the announcement of a specific quantitative target for reduction in the number of licences. Some countries have reported impressive statistics. Mexico, for example, reported that a total of 45% of the formalities administered by its eleven ministries had been eliminated and over 95% simplified in some way within 2½ years of the adoption of its review programme in 1996.[11] Many permits and authorisations were converted into notification or other requirements that are not essential to the commencement of a business. In other cases, documentary requirements were reduced or simplified or departments substantially reduced the average length of time required to process applications. The Netherlands reported that its administrative burden reduction programme had reduced overall burdens by 10% between 1993 and 1996 and that a new target of 25% had subsequently been set.[12] In some areas, the replacement of licences by general rules was part of a more fundamental change of the legislation. They delivered a large-scale reduction of administrative burdens and significant savings.

However, simple numerical indicators that report on licence reduction initiatives, such as the number or percentage of licences eliminated can easily mislead. For example, in cases when reductions are calculated on a static basis, the impact of licences that were newly created during the life of the programme may be ignored. It is a common observation that licence reduction programmes function in many cases as "window dressing" exercises that achieve little meaningful reform. This can be because the licences removed under the programme were due to be repealed in any event because of other reforms already in progress, or because they had already become redundant and fallen largely into disuse. In addition, the tendency to decentralise the enforcement of regulations to local governments can also reduce the inventory on the national level. Such factors often mean that impressive numeric reductions claimed as the result of these programmes have difficulty in withstanding closer scrutiny.

Thus, while licence reduction exercises can perform a useful function in prompting a systematic revisiting of the necessity and appropriateness of licensing arrangements, they are likely to lead to substantial change only under certain circumstances. A possible reason for the unimpressive outcomes for this type of reform in practice can be that, while the programmes are generally co-ordinated by a specialist regulatory reform body, the decision on the retention or removal of individual licences invariably remains with the responsible Minister and the administering agency. Ministries will usually find it extremely difficult to be objective in evaluating their own licences, so that important change will only occur if it is consistent with the administering Ministry's own goals and agenda.

Careful programme design can, however, increase the likelihood of significant reform. The adoption of an explicit policy on the use of licences and permits seem to be an important driver of efforts to achieve substantial improvements. Another key element can be to establish oversight and accountability for overall achievements via senior administrative or political bodies. For example, Korea's Regulatory Reform Committee performed such a role on a very large scale in the context of the *Comprehensive Regulatory Improvement Plan* in 1998 and 1999.[13] Another approach to drive such reforms is to establish comparable information about the quality and performance of countries' permits and licensing procedures.[14] The effectiveness of licence simplification is also likely to be enhanced by the adoption of open and transparent procedures that allow effective opportunities for public inputs and suggestions. Given the nature of the licence burden, affected parties can be expected to be an important resource in identifying priority areas for reform and, potentially, for proposing less burdensome means of meeting the objectives underlying the licence or permit requirement.

While some design elements of a relatively successful licence simplification/reduction exercise can thus be identified, there remains a threshold decision as to whether such generalised licence reduction exercises should be undertaken at all. Theoretically, the establishment of rigorous regulatory quality processes, such as Regulatory Impact Analysis[15] and more effective consultation procedures, in combination with robust review and/or "sunsetting" processes, should largely eliminate the need for such *ad hoc* licence reduction exercises. It is also arguable that licence reduction/simplification programmes have a prominence that is out of proportion to the rather limited empirical support available for the underlying presumption of the especially burdensome nature of licences and permits. For example, a survey of barriers to business set-ups in the European Union showed that "discretionary activities" such as developing a business plan and obtaining finance (rather than obtaining relevant permits and licences) had the greatest effect on the

total elapsed time to set up a new enterprise. A danger of adopting such programmes may be that they divert scarce regulatory reform expertise away from larger reform tasks with potentially much greater benefits.

However, there are reasons for favouring licence reduction programmes. They can be an important first step in a regulatory reform programme, achieving highly visible results within short timeframes. Thus, they can help in the process of mobilising constituencies for reform. As well, they can assist in shifting perceptions more broadly away from assumptions that government permission is required to carry on a business and toward a presumption of freedom to operate. Finally, there are promising practices in the licensing and permitting areas that may not be most effectively disseminated through broader regulatory reform initiatives. Their implementation might be more efficient through a programme that is licence-specific.

As with many regulatory reform initiatives, the choice of a particular licence simplification programme or approach depends to a substantial extent on the individual circumstances facing the country. In some cases these programmes have proved more successful when designed as a response to an economic crises. In other cases, these programmes may be particularly useful in the early stages of a regulatory reform programme. They can also potentially act as the starting point for wider reforms. This can particularly happen in a context where there is a very large number of licences already in place and a clear case for revisiting the underlying approach to business licensing. However, it is likely that, in the context of a mature regulatory reform programme, the effectiveness of such programmes will be much less since other, more systematic and broadly based regulatory quality programmes will be better placed to achieve many of the same objectives in a more efficient manner.

In a few countries, the general logic of licence simplification and reduction programmes has also been applied more generally to all paperwork requirements. These programmes, which in the case of the United States are permanent and legislatively driven, arguably provide an ongoing discipline on the creation of new administrative burdens that is embedded into the legislative process. The question necessarily arises, however, as to whether such issues are best considered on a "stand alone" basis, or integrated into broader regulatory impact analysis efforts. The experience of the US programme appears to be that positive results have been achieved, but that the degree of success is essentially one of slowing the rate of growth in burdens, rather than reducing them overall.

Assistance to small and medium-sized enterprises

Introduction

The OECD has recently highlighted the substantial absolute size of administrative compliance cost burdens on businesses. The report *Businesses' Views on Red Tape* estimates that they average around 4% of the Business Sector GDP across the eleven countries surveyed. Numerous studies also show that the burdens of regulatory programmes fall disproportionately on small and medium-sized enterprises (SMEs). For example, *Businesses Views on Red Tape*, which examined the costs of administrative compliance in almost 8 000 SMEs in 11 countries, found that administrative compliance costs per employee were over five times as high for the smallest SMEs than for the largest.[16]

Governments in many OECD countries have attempted to respond to the observations, often in response to heavy lobbying from the SME's sector itself. Consequently,

governments have been launching a wide variety of programmes aimed specifically at the SME's sector, seeking to assist it in meeting regulatory obligations.

Practices and experiences

Three main approaches can be distinguished.

- The first seeks to provide active assistance to small businesses, in particular to meet the administrative compliance requirements of regulations.
- The second approach involves exempting or modifying the requirements themselves, to make them less onerous for small businesses.
- The third approach is more dynamically oriented and involves putting in place specific mechanisms to ensure that regulatory design takes better account of small businesses needs and concerns in establishing new compliance burdens.

Examples of these tools and practices include small business impact statements, compliance assistance, waivers of penalties, regulatory fairness hotlines, expert advisors, "tiering" of regulations, sunset clauses, and targeted compliance cost surveys. Special agencies, like the US Small Business Administration, and the UK Small Business Service, have also been created to oversee and advocate such programmes.

Dedicated one-stop shops, Web-portals and E-Law advisors

As described in the sections on IT-driven mechanisms and Physical one-stop shops, one important positive assistance to small businesses is the service provided by Web-portals and one-stop shops set up especially to cover the particular needs of small businesses. The Internet has also facilitated specific advice-giving to small businesses. Interactive, electronic tools can give tailored, understandable advice about how to be in compliance with regulatory requirements:

- In the **United States,** for example, the Department of Labour (DOL) has developed 18 "E-law Advisors", Web-based expert systems that the public can query through menus and routine questions to better understand and comply with the DOL regulations. The Occupational Safety and Health Administration (OSHA) is working on the next generation of these systems which would combine interactive questionnaires and electronic forms with legal analysis. OSHA has made similar efforts in developing its "Expert Advisors", interactive Web-based systems designed to replicate the thinking process of OSHA's policy and enforcement staff on a particular topic area of interest to the public. OSHA has made ten Expert Advisors available online on such topics as asbestos, confined spaces, and the cost-benefit of safety.

Compliance guidelines

Another tool used to facilitate SME's compliance with administrative (as well as other) regulations is to prepare comprehensive guidelines and a well defined process to respond to small business inquiries on actions they are required to comply with.

- One example of this is the **United States,** where legislation requiring specific attention given to the compliance needs of small businesses has been in place since the passage of the Regulatory Flexibility Act in 1980. The Act was strengthened in 1996 with the passage of the Small Business Regulatory Enforcement Fairness Act (SBREFA), which introduced legislated requirements for agencies to take specific actions to assist small businesses in meeting their compliance obligations. These include the production of

regulatory compliance guides and other guidance materials, as well as additional consultation requirements.

Scaling and calibrating administrative regulations

An example of meeting compliance needs of small businesses through regulatory redesign is "tiering" of regulations. "Tiering" can be described as the design of regulations to account for relevant differences among those being regulated and to prevent disproportionate impacts on small businesses. By "tiering", an agency can ensure that the regulatory solution fits the problem, and makes more efficient use of its limited enforcement resources.

- The **British** government initiative, "Think Small First", followed these principles in introducing some flexible exemptions to certain legislative provisions for small businesses, for example providing that *a)* companies below five employees were exempted from the stakeholder pension, *b)* union recognition was deemed not necessary for companies below 20 employees, and *c)* certain accounting standards were made applicable only to firms with more than 50 employees.
- In the **United States** the US Environmental Protection Agency has tiered 50 different regulations based either on firm size or the amount of pollution released.

Specific government bodies assisting small businesses

Some approaches to dealing with the issue of small business compliance needs are dynamically focused. That is, they seek to ensure that new and amended regulatory requirements are, from the outset, sensitive to the small business compliance issue. At the institutional level, a fundamental step can be to create a specific government body with a mandate to assist small businesses.

- One example is the **United Kingdom's** Small Business Service (SBS), which was established in April 2000 to provide a single government organisation dedicated to helping small firms and representing them within government. The main objectives of the SBS are to provide a strong voice for small firms within government, and to simplify and improve the quality and coherence of support to small firms. It also helps small firms deal with regulation and ensure that small firms' interests are properly considered at the earliest possible moment. SBS has a strong institutionalised position in the regulatory process, for example the right to have its views recorded in the RIA in a wording of its own choice.
- Another example is the **United States'** Small Business Administration (SBA), created in 1953. While the SBA historically provided low-interest government loans, it now has responsibility for overseeing the implementation of statutes designed to be compliance-friendly for small business. An independent Chief Counsel for Advocacy has also been established within SBA to advocate the interests of small business within the rest of the government. The SBA has also engaged in numerous other activities intended to simplify small business compliance with regulatory requirements. These include fairness "innovation awards", a regulatory fairness hotline and Web site, and the US Business Advisor (a one-stop shop for access to Federal Government information, services, and transactions).
- **Australia** took a slightly different approach in 1996, with the establishment of a Small Business Deregulation Taskforce. The Taskforce differed from the SBA model in that it

was an *ad hoc* body, a vehicle for a one-off reform, rather than a permanent part of the administration, which seeks to influence regulation as it is developed. Moreover, its members were drawn from the business sector, albeit supported by a Secretariat drawn from within the administration. The Taskforce was given specific terms of reference on its establishment, with its task being to report to Government on a programme to substantially reduce the regulatory and administrative burdens on business. Thus, the Taskforce model was based on the logic of conducting a "stocktake" of existing burdens and developing a co-ordinated plan for addressing major problem areas. A survey commissioned in 1996 by the SBA found that on average small businesses spent 16 hours per week on administration and compliance activities. Approximately a quarter of this time was devoted to government paperwork and compliance. The survey showed that taxation matters absorbed approximately 75% of government paperwork and compliance activities.

Small business impact assessments

In addition to the above focus on institutionally based approaches, some countries have taken a more procedurally oriented path to ensuring new legislation considers administrative burden issues. This includes, for example to require agencies to prepare special impact statements for proposed regulations that affect small businesses. These "small business impact statements" are often required to contain, among other things, a description of any significant alternatives that accomplish the stated objectives while minimising any significant economic impacts of the proposed rule on small businesses.

Another approach which can be adopted in conjunction with the impact statements and the institutional approach mentioned above is to require specific consultative approaches to be undertaken to ensure adequate representation of the views of small business.

Phased-in implementation of regulations

Another approach to reduce effective compliance burdens is to ensure that there is an adequate notice period before new legal and regulatory measures come into effect. By providing businesses with a longer period to reach compliance, they are given the opportunity to consider the most cost-effective means of reaching it. This increased time period might allow for obtaining expert advice where necessary. The costs of any outside assistance required to reach compliance may also be contained by avoiding a situation in which there is a sudden "spike" in demand for certain specialised services as large numbers of businesses seek to reach compliance within a very short period.

- This approach has recently been implemented in the **United Kingdom**. In November 2000, the Small Business Service published the Guidelines on Implementation Periods – Timing of the Issue of Guidance to Business on Compliance with New Legislation. As of 1 January, 2001, these guidelines recommended that business should be provided with at least a 12-week preparation period before a regulation comes into force ("implementation periods"). In addition, they recommend that these preparation periods should be further extended in more complex cases, while the time frame should be reduced to below 12 weeks only in exceptional cases.

Conclusion and challenges

Governments have realised that SMEs play an important role in economic prosperity and that they also tend to be disproportionately affected by regulation. Consequently, an important element of their programmes to reduce administrative burdens and simplify processes is focused fully or partly in this sector. However, there is often a limited factual basis for the design of such programmes. Basic questions are difficult to answer because of the relatively limited research undertaken on the interface between small businesses and regulation in most OECD countries. This includes questions such as how special programmes geared to SMEs should be organised, when concessions such as enforcement waivers and penalty reduction programmes for SMEs are beneficial and even what should be the dividing line between SMEs and larger enterprises for this purpose.

To answer some of these questions, more needs to be known about the actual burdens faced by small businesses. Furthermore, very little appears to be known about the effectiveness of the mechanisms discussed in this section in reducing small business compliance burdens. This is perhaps largely a result of the inherently difficult nature of the issues. The question is to what extent high-quality design of administrative regulations should be more responsive to small business needs. Any responsiveness must be measured against what the outcome would have been in the absence of such advocacy. Similar observations can also be noted regarding the use of e-law advisers and guidance materials.

At a theoretical level, the concept of adopting more sophisticated approaches to regulatory design that take better account of both the compliance capacities of different groups and the relative risks posed by them seems to be clearly consistent with principles of regulatory quality, as identified by the OECD. Here too, careful implementation is required, as the benefits conferred on SMEs could be outweighed by the costs to society. In addition, concerns have been voiced that some mechanisms, such as "tiering", may offend against important principles such as the equitable application of the law to all parties.

"Positive discrimination" of SMEs may also have dynamic drawbacks by providing SMEs with incentives not to grow beyond thresholds qualifying for special support or to break up strategically as soon as the threshold is passed.

In sum, OECD governments have generally adopted the view that the SME sector is of particular importance in the economy and that its ability to play this role is potentially undermined by regulatory compliance burdens, particularly in relation to administrative burdens. In response to this, they have implemented a wide range of policies that seek to minimise the regulatory administrative costs on the sector from a variety of perspectives. There is, to date, limited evidence of the effectiveness of these approaches. However, it is clear that the political will to continue and expand these programmes is strong, while a substantial body of experience with their implementation is beginning to accumulate. This is an area in which identification of promising practices is difficult.

Measuring administrative burdens

Introduction

Despite the numerous administrative simplification initiatives launched by OECD governments over the past decades, governments paradoxically do not often have a detailed understanding of the extent of the burdens imposed on businesses and citizens. This means that policy is made in an information vacuum, and that the size of the actual

burdens (as well as progresses and setbacks in reducing them) may remain unappreciated. The measurement of the size of existing burdens can be an important information-based approach to developing a policy on burden reduction and the basis for the evaluation of policy initiatives taken. The size of existing burdens can raise awareness amongst politicians, sustain a political constituency for changes, and help to develop and maintain initiatives and policies on burden reduction.

Practices and experiences

Ideally, in order to measure regulatory burdens or to evaluate programmes for reducing regulatory burdens, a first step is to develop a method of measuring existing burdens (baseline) as well as measuring the administrative burdens of new laws and regulations.

Some governments have established "macro" or top-down methodologies aiming at establishing government-wide estimates for administrative burdens. Other approaches – sometimes combined with the former – are based on bottom-up reviews of sectors or on individual estimates of regulations' administrative burdens, sometimes as part of broader impact assessments.

A bottom-up approach: The Dutch MISTRAL methodology

Box 1.3. describes the Dutch *Meetinstrument Administratieve Lastendruk* methodology, MISTRAL. MISTRAL is among the earliest and most thoroughly applied systems to measure administrative burdens in OECD Countries. With the use of MISTRAL, it was estimated that from 1993 to 1998, the administrative burdens for enterprises in the Netherlands grew from approximately NLG 13 billion (EUR 5.9 billion) to NLG 16.5 billion (EUR 75 487 billion). The Dutch government has set up successive policy goals for the reduction of these costs; minus 10% by 1998, and minus 25% by 2002, compared to the 1994 baseline. According to EIM, a Dutch consultancy that participated in the development of MISTRAL, administrative burdens were reduced by 6.25% from 1994-1998, another 0.5% in 1999, and in 2000 – the most recent figure available – burdens fell by 0.2%, representing a total reduction of nearly almost 7% from 1994-2000.

To prevent excessive information requirements being developed, the Dutch "Schlechte Committee" has developed a set of general norms for individual regulators and the government to observe when requesting information from businesses and citizens:

- *Re-use of information*. Government agencies should restrict information obligations as much as possible by re-using already available information, which enterprises register for their own management use and which they can transmit without further processing.
- *Information processing*. Government agencies should be encouraged to create common data definitions. Different authorities requiring divergent presentations of the same data often leads to different interpretations and a tendency to non-compliance.
- *Information creation*. Government agencies should only request information creation if it can be proved that re-use and processing of existing information cannot provide the relevant information. Government agencies should avoid changing information obligations during reporting periods, and give enterprises enough time to adapt their administration to new requirements. Information provision obligations of enterprises should be minimised by giving the authorities the right to collect information in existing databases.

Box 1.3. **The MISTRAL methodology**

In the Netherlands, the MISTRAL methodology has been developed to measure the administrative burdens of enterprises. MISTRAL works in three stages: *a)* an in-depth analysis during which all "data transfers" between a business and the authority (*e.g.*, a document, a telephone call, an inspection, etc.) are isolated and defined; *b)* the time involved in each "data transfer" and the level of the person performing it (related to professional qualification and hourly wage-rate) are then determined; and *c)* the data are computed to produce cost estimates. The MISTRAL method is a bottom-up approach (although the methodology also allows for a less expensive and less time-consuming top-down approach). When applied for the first time, MISTRAL is rather labour-intensive due to the need to establish a cost baseline on the basis of a detailed scrutiny of all administrative actions required by law. Administrative compliance costs are calculated on the basis of "average practices" observed by a third party (*i.e.* consultants), in consultation with affected businesses and the issuing ministry.

MISTRAL has been used to quantify administrative compliance costs of different laws and regulations, including evaluation of the information requirements of labour law, annual accounts, corporation tax, wage tax and social premiums, legislation concerning working conditions, and environmental legislation. Burdens are quantified in time as well as in monetary terms.

- *Information storage*. Storage of information may be expensive and risky. Expensive because some governments demand storage for a long period. Risky because electronically stored data may become unretrievable ("digital durability") after a few years. Government agencies should make storage times as short as possible.
- *Information transfer*. Transferring information will be less burdensome if it can be done electronically. As long as the forms have to be filled out by hand, the administrative burden may be substantial. Government agencies should use IT to make information "place-independent".
- *Information procedures*. Laws and regulations sometimes prescribe with great specificity which instruments have to be used and how exactly the information has to be gathered. Such laws and regulations may not prescribe the most efficient way of information gathering. Authorities, therefore, should prescribe only the results to be achieved in terms of information collection and not the exact way in which the reporting should take place.

Information collection budgets

In the **United States**, the Paperwork Reduction Act (PRA), as indicated in Box 1.2., provides a framework for the measurement and management of the burdens, which federal information collections impose on individuals, businesses, and government. Under the PRA, all federal agencies must request the approval from the Office of Budget and Management (OMB) before collecting information from the public. Detailed guidelines and standardised application forms enable the formation of comparable and cumulative information about paperwork burdens over time and between agencies and various types of regulations. The agency applying for permission collects information which provides the estimate for the expected number of respondents and the time estimated to provide the

requested information. To ensure that regulators consider the need, and all relevant quality aspects of the information requirements they impose, the PRA requires that the head of each agency signs a certification that the information collection has been developed under the observation of a number of provisions. Burdens are quantified in hours. However, no guidance has been issued on how to measure the burdens. OMB can approve data collection for no more than three years, at which point the agency must re-submit the information request for re-approval.

The Information Collection Budget (ICB) is the vehicle through which OMB, in consultation with each agency, sets annual agency goals to reduce information collection burdens. The ICB is built around fiscal budgeting concepts. Each agency calculates its total information collection "budget" by totalling the time required to complete all its information requests. This budgeting exercise is then used to measure progress toward reduction goals. Since 1980, the reduction targets have varied. In 1996 the ICB set an annual government-wide goal for the reduction of the total information collection burden of 10% during each of the fiscal years 1996 and 1997 and 5% during each of the fiscal years 1998 through 2001. However, during these years the actual burdens in terms of total hours only fell in 1998 (by 0.37%) whereas it increased in other years with between 2.5 to 4%, a total increase of approximately 12% from 6.8 billion man-hours in 1996 to 7.4 billion man-hours in 2001.[17]

In the US, as for many other countries, the ability of agencies to reduce administrative burdens is sometimes constrained because their discretion is limited. For example, requirements in regulations may be changed only through existing administrative processes that may take years. Furthermore, reporting and record keeping requirements may be mandated by existing statute or may be necessary to implement recently enacted statutes. There are also factors that tend to increase paperwork burden that are outside the control of agencies. These include economic growth, natural disasters, and demographic trends. These factors can change the number of participants in a programme, which – while not creating new burdens – nonetheless increases the reporting burden of the entire programme.

Index based approach to assessing burdens

- In **Belgium**, a law passed in 1998 requests the Agency for Administrative Simplification (ASA) to develop a system to measure and reduce the burdens of administrative regulations. The system called "*tableau de bord*" (score board) records all the variables used in each procedure or formality of any kind. It makes use of indicators for each procedural step and gives index values to these indicators. The index values for a formality are added together, and the total is multiplied by the frequency of the procedure and by the number of persons concerned. The result obtained gives the procedure's overall index value. Burden indexes for individual regulations can also be summarised to indicate the total size of administrative burdens. Some of the advantages of the index based approach are that it is adaptable to changes in regulation, and that it must be used by the administrators themselves (under centralised monitoring). Most importantly, it constitutes an important element of regulatory impact analysis, since the burden assessments can be made before the implementation of a regulation. However the system requires training before it can be used by administrators, and it can be difficult to ensure uniform application.

User surveys

Many OECD countries have employed survey-based methods, either to measure compliance costs directly or to measure satisfaction with the forms and/or processes used in administrative procedures.

- An example of the former is the survey conducted in **Australia** by the Small Business Deregulation Taskforce to form one of the basic data sources to guide the Taskforce's recommendations for an integrated burden reduction programme. The survey results allowed the calculation of estimates of the total time spent on average by small businesses on administration and compliance activities (estimated at 16 hours per week). In addition, the distribution of the burden between broad regulatory areas has also been revealed. (For example, approximately a quarter of the estimated total is devoted to government paperwork and compliance; taxation matters account for 75% of government paperwork and compliance burdens).
- In **Belgium**, a survey of enterprises' views of administrative regulations and administrative burdens showed that for the year 2000, Belgian enterprises estimated that they were facing government imposed administrative burdens at a size equal to 2.6% of GDP. The survey, commissioned by the Agency for Administrative Simplification in collaboration with the Federal Planning Bureau also showed that nearly 70% of the burdens were borne by small enterprises. The survey invited enterprises to give their views on what the priorities should be for the government's administrative simplification policies. In order of priorities, the answers were: to improve the quality of regulations, to make public services more user-friendly, to develop IT mechanisms and to introduce one-stop shops.
- In **France**, the Administrative Simplification Commission (COSA) launched in 2001 a set of consumer satisfaction surveys. These were conducted among user groups and the services managing case files or dealing with the general public in order to isolate key problem areas. The surveys led to the redrafting of forms with the help of a communications agency and the Committee for the Improvement of Administrative Language (COSLA).
- Similarly, in **Korea** a survey is conducted annually on citizens' satisfaction with the administrative processes set up by Government agencies. This programme forms a prominent part of the performance evaluation of those agencies.

Regulatory Impact Analyses programmes

Use of regulatory impact analyses (RIAs) is now widespread among OECD countries.[18] RIAs, while more broadly based in their concerns on regulatory impacts, constitute one systematic means of ensuring that consideration is given to administrative burden issues during the regulatory development process. RIA constitutes an *ex ante* approach to burden measurement, in contrast to the *ex post* focus of most measures adopted in OECD countries and discussed in this report.

RIAs have the significant advantage of allowing a re-consideration of potentially substantial burdens *before* they are imposed, rather than after their damaging effects have become apparent. Another advantage of RIA as an approach to measuring administrative burdens is that it allows those burdens to be placed in a broader context. That is, RIA explicitly requires those burdens to be weighed against the benefits deriving from the administrative procedure and a consideration to be made of the net impact of the procedure and its attendant regulation.

Box 1.4. **Measuring administrative burdens in Norway**

In Norway, the Brønnøysund Registers (an administrative agency under the Ministry of Trade and Industry) provides the possibility for an outstanding overview of reporting obligations imposed on Norwegian business. It also facilitates the reduction of future reporting burdens by using and sharing identical reporting definitions across the whole of government.

Reporting Obligations for Enterprises

Created in 1997, the main task of the Register of Reporting Obligations for Enterprises is to maintain a constantly updated overview of businesses' reporting obligations to central government. Law obliges public authorities to co-ordinate their reporting requests to businesses. The Register also maintains an overview of permits required to operate within various businesses and industries, and provides information on how to obtain such permits. On a yearly basis, the register publishes estimates for the total reporting obligations imposed on business by central government. The Register is responsible for the methodology and for collecting burden estimates, whereas individual ministries and agencies are primarily responsible for measuring the actual burden of a reporting obligation. Burdens are measured in time spent on filling out forms and preparatory work for the reporting obligation.

Applying national reporting definitions

The use of national definitions for information items simplifies processes in which two or more agencies require the same kind of information from an enterprise, and eliminates ambiguity or confusion about requirements to businesses. In order to create such synergies and to increase co-ordination capabilities, the Register of Reporting Obligations for Enterprises has established a repository of reporting definitions based upon a database containing all the information collected from enterprises nation-wide. The national system of informational definitions also relies on a high degree of compatibility with international standards.

Experiences from Norway points to two basic but important preconditions for reaping the full benefits of a register measuring and monitoring administrative burdens, and applying national reporting definitions. Firstly, regulatory ministries and agencies must be aware of their obligations to report, and to systematically calculate business' reporting obligations when preparing new regulation. Secondly, credible sanction and enforcement mechanisms must be in place to ensure that the obligation is honoured.

Source: OECD (2003), *Regulatory Reform in Norway*, Paris (forthcoming).

RIA also typically employs stakeholder consultation processes. Consultations have the benefit of verifying government estimates of the size of the burdens involved, as well as providing a forum for alternative proposals to be discussed, thus helping to ensure that regulatory proposals are the minimum necessary to achieve regulatory objectives. RIAs are usually subject to centralised review and/or clearance, such as by the Privy Council Office in Canada, the Regulatory Impact Unit in the United Kingdom, the Office of Management and Budget (OMB) in the United States or the Federal Regulatory Improvement Commission (COFEMER) in Mexico. This constitutes a further means of ensuring quality control over the estimates made and the conclusions reached.

Conclusion and challenges

Measuring administrative burdens is essential if governments wish to "benchmark" their performance in relation to this aspect of regulatory quality, either in a static sense and/or to verify the results of burden reduction initiatives over time. The various approaches used in OECD countries have generated some quite detailed estimates of the size of administrative burdens.

Experiences indicate that top-down approaches facilitate priority setting for broad burden reduction programmes, while bottom-up techniques are better adapted to the design and evaluation of specific initiatives to reduce burdens.[19] Survey-based approaches appear to have the potential to function as a relatively low-cost, yet reliable means of identifying areas of the greatest perceived burden among affected groups.

The "index" based approach to measuring burdens, as used in Belgium, also appears to have the potential benefit of being a less resource intensive approach to conducting top-down analyses. For this reason it may be a valuable method to priority setting for burden reduction programmes conducted at the macro level.

For a government, the paradox of measurements is that they are useful (in particular to sustain policy support) but tend to be costly if accuracy is needed. Administrative simplification bodies often have to deal with the dilemma of spending resources on evaluating results (and with this perhaps generating political support) or investing resources in specific simplification measures.

Another drawback of targeting specific burden reductions is that they raise expectations, which may be difficult to control and hard to fulfil by reformers. Simplifying the administration is extremely complex and difficult to predict. On the other hand, a measurable goal raises accountability of reformers.

Measuring burdens is an area in which clearly defined best practices are yet to emerge. Substantial questions remain which must be answered successfully before such best practices can be identified. These include:

- How is a baseline best established?
- What is the best way to measure burdens – on a micro or macro level or combined?
- Should benefits be taken into account, and, if so, how? Is it feasible to use such techniques to derive a "budget" for burdens?
- What is the best way to ensure that the regulatory impact analyses commonly used in regulatory reform programmes, take into account simplification issues?
- Are impact statement requirements useful tools in this context? Are they preferable to explicit burden measurement tools, due to their ability to locate burden measurements within a broader policy context and express them in terms of a benefit-cost framework?

Time limits for decision-making

Introduction

An important factor determining the extent of compliance burdens is the timeliness with which decisions are made and appeals can be launched or considered after an application is submitted. That is, the extent of an administrative burden is determined only partially by the direct input involved in marshalling required information and engaging in filling out forms and dealings with administrators. In addition, costs are also imposed on the

business or the citizen by time delays and uncertainty, either in the provision of information, or in providing answers to requests. Setting time limits may not only lead to reduced administrative costs for businesses and citizens. In many cases, time limits also have important accountability implications by putting a stronger onus on the public authorities to provide citizens and businesses within a definite and binding time limit.

Practices and experiences

The legal basis for time limits on administrative decision-making

In some cases, time limits are established in administrative procedure laws; in others in specific pieces of legislation relating solely to decisions made under that legislation. Usually time limits established in administrative procedure laws are subsidiary to time limits established in specific legislation. That is, if a law or regulation does not explicitly set a time limit, the administrative procedure law's requirements apply. Some examples:

- **Italy's** Administrative Procedure Law, adopted in 1990 requires that public authorities set appropriate time limits and the law itself sets a general limit of three months.
- **Korea's** Administrative Procedure Law also requires administrative bodies to publish time limits for administrative decision-making. Sanctions for not meeting these time limits vary. In some cases the administrative body may be able to grant itself an extension as long as it immediately informs the applicant about its intention to seek an extension, the reasons why, and the expected date of final decision. In other situations, if an administrative body does not meet the time limit, the applicant can bring a petition for the purpose of urging rapid treatment either directly to the administrative body or to a government body that supervises the concerned administrative body.
- In 1999, **Greece** adopted a new Code of Administrative Procedure which regulates administrative procedures in terms of time limits and deadlines in dealings with citizens. It also obliges the administration to explain delays, specify procedures for accessing administrative documents, define rules governing contracts between the administration and the private sector, and establish requirements on access to administrative appeal mechanisms.
- The **Dutch** administrative law requires that administrative decisions have to be taken within a "reasonable" time. This general requirement has been supplemented by the General Statute on Administrative Law. This document specifies a general time limit of four weeks, with a possible extension of an extra four weeks, within which public authorities have to provide an administrative decision on request, unless the special regulation concerned sets a different time limit.
- The **United States'** Administrative Procedure Act does not require agencies to act on rule-making proposals or case adjudications within a prescribed time after the end of public proceedings. However, Congress sometimes seeks to control and expedite agency action by imposing statutory deadlines within the context of individual Acts. Typically these statutory deadlines can be enforced only by court suits. However, in some cases Congress has added so-called "hammers" or other penalties that can be brought into effect if an agency fails to take timely action.
- A **French** initiative has enhanced citizens and businesses' effective ability to exercise their rights *vis-à-vis* public authorities by providing clearer rules for how to validate that deadlines for submissions to public authorities have been honoured. An Act of 12 April 2000 provides that a postmark or other official (including online) procedure

enabling the date of dispatch to be ascertained will be accepted as proof. The law replaces a series of practices or regulations that were frequently dissimilar and unfamiliar to the general public with a single rule.

In the absence of a statutory time limit, agencies sometimes find it helpful to set their own schedules for completion of the various steps in a rule making or adjudication. These schedules provide the agency with a practical yardstick for determining whether its proceeding is making satisfactory progress towards completion.

Tacit response: silence is consent and silence is denial rules

The technique of allowing an agency's silence to be construed as tacit authorisation or denial of applications is used in some countries as a corollary of the establishment of time limits for administrative decision-making. The silence is consent or denial rule provides a more effective assurance to the applicant for a decision that they will obtain a timely resolution to their request. It puts the onus to act on the bureaucrat: The bureaucrat has to act before the time limit, including, if necessary and possible, to ask for additional time to consider the application. If the bureaucrat does not make an active decision before the time limit, the resulting decision will automatically be his responsibility. In the case of a tacit denial, the applicant can immediately appeal the decision (instead of waiting for a negative response that may never come, if time limits were not established and enforced).

- **Spain's** Administrative Procedure Law places an obligation on administrative bodies to respond to applications within at most six months, unless the relevant law specifies an earlier deadline. If no timely response is given to a procedure initiated by an interested person, this can be taken as a tacit authorisation. If an administrative body has initiated a procedure and there is no response by the addressee, it can be taken as a tacit rejection. To be exempted from the authorisation or denial rule, agencies need to forward a formal request.
- **Italy's** Administrative Procedure Law establishes a presumption that the "silence is consent" rule will apply unless otherwise stated.
- "Silence is consent" rules are widely used in **Mexico.** Recent modifications to the Mexican Federal Law of Administrative Procedures reinforce the legal basis of the "silence is consent" rules, expanding their coverage to areas of public administration in which there is no risk of "under-regulating". These changes in the law establish that, with certain exceptions, the absence of a resolution within the time limits laid down in the law implies the approval of a citizen's demand. The use of "silence is consent" rules has spread to many Mexican states and municipalities.

In cases where applications are poorly presented and lacking relevant information tension may arise between, on the one hand, the need to take the administrative decision on a sound and relevant basis of information, and, on the other, the obligation to honour the time limit. Countries have addressed this challenge by seeking to provide clear and unambiguous guidance on the information needs, and by assigning a maximum of days to the agency receiving the application.

A "silence is denial" rule may be used in certain situations where applicants need a rapid resolution – for example in programmes involving application for benefits or merger authorisations. If the administration does not act on an application within a certain timeframe, it is deemed to be denied and an "exhaustion of administrative remedies" and the applicant may go directly to court.

Conclusions and challenges

In many OECD countries time limits for administrative decision-making are very important for businesses and constitute part of an accountable public service. A key determinant of time limits' performance and relevance may be found in aspects of the broader administrative culture within which they have been adopted.

In countries where traditions and means of redress are less well developed, the setting of legislated time limits may be a particularly important means to reduce administrative costs and uncertainty. In a number of countries, time limits were largely adopted as a response to the need for an effective incentive for the public sector to provide reasonably quick responses to requests from businesses and citizens.

The silence is consent approach has the effect of creating a presumption that an administrative application will be resolved positively, with a negative outcome requiring a deliberate action by the administration. Moreover, it provides an instant form of redress for applicants, who are relieved from the necessity to appeal against an administrative failure to make a decision. Thus, the silence is consent approach underpins and reinforces the underlying purpose of creating time limits for administrative decision-making. In this sense, they constitute an obvious complement to a time limit policy.

Silence is denial is in many ways an inferior rule to silence is consent, as it does not directly address the underlying reason for implementing time limits – *i.e.* the need to limit administrative burdens by providing a final resolution of an application in a timely way. However, as explained above, the silence is denial rule can at least speed an applicant's progress through administrative or judicial appeal processes by bringing a "deemed" closure to the initial application process.

Legislated time limits are difficult to apply "across the board". This is due to the fact that because of different degrees of complexity and consequences of making incorrect judgements, there can legitimately be wide variations in the time needed to exercise various kinds of administrative judgements. Silence is consent rules are not widely, or universally, used in any country. This reflects the fact that the effect of an unwarranted approval of an application can be extremely serious and costly in some cases. The operation of silence is consent has the potential to give rise to dangers in certain areas, whether of a safety-related or financial nature. The limited field of operation of silence is consent thus seems to reflect judgements by governments that the potential harms associated with such unwarranted approvals can, in many cases, outweigh the benefits of reduced administrative burdens and increased certainty.

In general, accountability mechanisms seem to be potentially important, particularly in contexts in which cultures of administrative responsiveness to citizens are not well established and have the potential to signal government expectations of performance in this regard. However, the issue of determining appropriate incentives and sanctions to ensure that the time lines are met remains a substantial challenge for the future. It is clear that the silence is consent rule has played a role in supporting the use of time limits. At the same time, there are substantial impediments to its more widespread use that will continue to limit the extent to which it is employed in the future. Other options for encouraging compliance with time limits, such as monitoring and reporting performance and applying sanctions for substantial under-performance, may need to be considered if this tool is to be made fully effective. Nonetheless, these tools show a high level of

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consistency with the broader governance agenda and its focus on accountability, transparency and responsiveness to citizens.

Other tools and practices

Introduction

The preceding sections of this report have identified and discussed tools commonly used to reduce burdens and simplify administrative regulations. However, OECD countries use a variety of other burden reduction tools and practices. These include negotiated rule making, ombudsman, "plain language" programmes, "simulated user" programmes, public service charters, and tax simplification initiatives. Some of these initiatives constitute recent experiments, with little information yet being available as to their performance in practice or as to critical success factors. Other initiatives – such as the ombudsman – represent more widely used tools that have policy goals that go well beyond the ambit of administrative simplification, but have been used in part to pursue simplification goals, at least in some contexts. The tools discussed in this section give a broader view of administrative simplification approaches and indicate some additional areas for future research and consideration.

Practices and experiences

Negotiated rule-making

In countries with a history of adversarial rule making, it is not unusual for the regulator and regulated parties to negotiate a settlement under the supervision of a court after the rule has been published. Reporting obligations and processes to settle disputes are sometimes claimed to be over-formalistic and adversarial, imposing administrative burdens on businesses as well as the public sector.

Negotiated rule-making in this context is a procedural innovation in which representatives of the regulatory agency and the various affected interests are brought together in a co-operative effort to negotiate the text of a proposed regulation that must meet statutory obligations and at the same time be accepted by the regulator and the issuing agency. Negotiation of a rule prior to the agency's publication of a proposed rule can save the agency and other parties both time and resources. By avoiding litigation, programmes become effective sooner and regulated businesses can plan changes earlier than if they faced years of litigation and uncertainty about the outcome.

Negotiated rule making may lead to more innovative approaches that may reduce compliance costs and increase compliance. It can also ensure that less time, money, and effort are spent on developing, enforcing and implementing rules. Negotiated rule making is considered to work best where *a)* there is a manageable number of interested groups and issues to be negotiated, *b)* where the issues are negotiable, and *c)* where all interested participants have an incentive to move forward (perhaps due to a deadline or to the inevitability that *some* regulation will be issued anyway).

- One example is the **United States**, where, since 1982, 17 federal agencies have initiated 67 negotiated rule makings producing 35 final rules. Experiences point to substantial cost-savings due to early implementation, whereas the most significant deterrent to using negotiated rule making is the up-front cost in terms of time and information gathering.

"Plain language" drafting

Many OECD countries have undertaken programmes to improve the clarity of their formalities and forms. Governments have ordered agencies to use plain language in all new rule-making documents. Instruction and training sessions have been held on how to make information requirements readable. The advice covers such things as format, headings, paragraphing, use of tables and illustrations, and use of active verbs. Some examples are:

- In **France**, a committee was established in 2001 to improve the administrative language (COSLA – *Comité d'orientation pour l'amélioration du langage administratif*). COSLA has embarked on redrafting forms most commonly used in order to make them easier for users to understand. To improve the quality of public servant's letters to citizens and businesses, COSLA is also preparing a glossary giving everyday language equivalents of technical and legal terms.
- The **United States** Government created a Web site called the "Plain Language Action Network" which was devoted to helping the implementation of this initiative. As part of this effort, the Vice President presented awards to federal employees for plain language accomplishments. Many other OECD countries have similar initiatives. Mexico's programme also includes the requirement that any government official who has direct contact with the population should fully identify himself or herself.

The simulated user programme

An innovative programme used in **Mexico** is the "simulated user programme." The programme serves as a tool for assessing compliance with the deregulation and administrative simplification initiatives through random, surprise visits made by simulated users. Quality indicators and procedure ratings are then used to assess the performance of government offices and employees. Between 1995 and 2000, the simulated user programme lead to over 500 recommendations being made to simplify procedures and improve services for the public.

Public service charters

Public Service Charters may support administrative simplification by making clear the reporting obligations and information requirements necessary to obtain public services.

- In 1998, the **Korean** Ministry of Government Administration and Home Affairs (MOGAHA) launched a public service charter programme by requesting all administrative bodies to formulate and announce their own "public service charters". Charters are supposed to include a description of services provided and their criteria, directions as to how to obtain services, and possible remedies for mistreatment by government employees.

Business and citizen suggestion programmes

Ad hoc and systematic input from business and citizens on how to simplify administrative procedures are a key source of input to administrative simplification initiatives in many countries. Input channels vary from general (electronic) contact points where suggestions can be tabled, to more systematic and targeted gathering of information.

- The **Korean** government has developed systematic ways to collect citizen suggestions to improve the public administration. Special bi-annual meetings are organised where citizens, generally represented by major NGOs, present suggestions for administrative reform. All administrative bodies at the regional level are also instructed to collect

suggestions from businesses and citizens as to how to improve the public administration. The Ministry of Government Administration and Home Affairs collects the suggestions and presents them with relevant administrative bodies to discuss if and how to implement them.

- Pioneered in **Denmark** in 1996, test panels are an innovative way to incorporate businesses' views on regulations before being finalised and implemented. In Denmark a Test Panel consists of 500 randomly selected representative businesses. Based on a summary of the proposed regulation and government estimates of the expected burdens, businesses in the panel are asked to fill out a standard questionnaire (which takes 10-15 minutes, communicated electronically over the Internet). Answers by businesses are summarised in a report prepared by a government agency and made available to the proponent ministry. Testing a regulation in the Test Panels takes approximately 20 days.

Public sector simplification

In 1999, the **British** Government developed a Public Sector Team (within its Cabinet Office Regulatory Impact Unit) with the sole purpose to seek to reduce the regulatory burden on the public sector, *i.e.* in areas such as law enforcement offices, schools, hospitals, and local authorities. Its role is mainly to recommend best practices and to facilitate the co-operation with government departments. A "new" technique, equivalent in its objectives to Regulatory Impact Assessment, currently labelled the "regulatory effects framework", aims to measure the costs of administrative burdens to public sector organisations in terms of the hours of staff time required to meet them.

The Public Sector Team seems at present to be a unique concept in terms of its focus on administrative simplification specifically within the public sector context. However, this would appear to be a fruitful area for further work, given the size of the public sector, the number of different levels of government that can be involved and the complexity of many of the interactions among public sector agencies.

Conclusion and challenges

The series of initiatives discussed above are indicative of the wide-ranging nature of the attempts made by OECD Governments to address the issues of administrative simplification and burden reduction. At the same time, they also serve to highlight the links between simplification programmes and other policy objectives.

For example, plain language drafting programmes were originally developed with the primary objective of making the law more intelligible and accessible to those required to comply with it. While this is essentially a transparency based objective, it is equally apparent that the compliance effort involved in relation to a given law can be substantially reduced if there is a greater degree of clarity in the law itself as to the nature of its requirements.

Indeed, the drafting of regulations is often the crucial point in addressing potential administrative burdens, while the logic of plain language drafting suggests that close consultation with citizens is likely to constitute one of the most productive approaches. The power of citizen's suggestions seems to be a largely untapped resource. This appears to be an area for further experiment, focusing on what is the best way to bring the affected public into the process at the early stages of drafting proposed regulations. However in some cases it seems that a challenge remains to build a real win/win strategy that will

convince both users and administrations that procedures can in fact be simplified without detriment to either.

Organisational approaches

Introduction

There is considerable variety in the organisational models that countries use to pursue administrative simplification policies. This variety reflects the different political and administrative structures – and the underlying political cultures – as well as different conceptions of the nature of the administrative simplification task.

In the following, organisational approaches used to advance administrative simplification policies are classified in four different categories:

- "*Single Purpose Entities*" refers to organisational approaches where the promotion of specific sub-elements of administrative simplification policies – *i.e.* plain language or burden reduction for special groups – are designated to an agency or unit with this task as its sole objective.
- "*Administrative Simplification Agencies*" refers to organisational approaches where a special government agency has the promotion of administrative simplification policies as its sole or primary objective.
- "*Regulatory Reform Agencies*" refers to organisational approaches where the promotion of administrative simplification policies is designated to agencies responsible for broader regulatory quality management issues.
- *External Committees* refers to committees established by government and composed by a majority of non-governmental representatives such as academia and business organisation with the purpose to carry through and co-ordinate, promote, propose or implement administrative simplification.

In addition to these four categories an important distinction also needs to be drawn between *permanent* and *ad-hoc* bodies or committees. The latter refers to situations where bodies or committees are established to work only for a certain amount of time or until the production of certain outputs or outcomes, *i.e.* a report giving recommendations to the government on how to better pursue administrative simplification.

The classification is not exhaustive or exclusive. Countries may and often have administrative simplification activities promoted through a combination of several of these organisational approaches listed above. Countries may also have administrative simplification promoted through other organisational approaches. However, the classification is believed to capture the majority of the diverse organisational approaches used to promote administrative simplification policies.

Practices and experiences

Single-purpose entities

These agencies are created specifically to promote one particular administrative simplification measure. Many "single-purpose" agencies are focused on small and medium-sized businesses, in recognition of the particular problems posed by the proportionality effect of administrative burdens on small entities. They are often permanent bodies, a fact that recognises that administrative simplification initiatives must be applied to new as well as existing regulation. Permanent status also allows them

to undertake longer-term work aimed at embedding a consciousness of simplification issues and their importance within regulatory agencies. Many of the activities of the single-purpose entities are indicative of the substantial prominence of technological approaches in the conceptions held by most OECD governments as well as to the nature of the administrative simplification task.

- The **United States**' Small Business Administration (SBA) was established in 1953 to provide special assistance to small businesses in receiving government grants and loans. The 1980 Regulatory Flexibility Act, which required special analysis of rules affecting small businesses created a "Chief Counsel for Advocacy" as a separate, presidentially appointed officer within the Small Business Administration to oversee agency implementation.
- The **British** Small Business Service, established in April 2000, is also a small business administration model. Its duties are primarily advocacy-based, strengthening the input of small businesses' views into the government process, in particular with regard to simplifying and improving the quality and coherence of business support. SBS has a strong institutionalised position in the regulatory process, for example the right to have its views recorded in the RIA in a wording of its own choice. The Small Business Service is the first institutionalised one-stop shop in the British central government.
- **France** has created an agency to promote administrative simplification via the use of new information communications technology (IT). "ATICA – *agence pour les technologies de l'information et de la communication*" provides technical support for the introduction of new IT applications in the administration.
- In the **United Kingdom**, a special agency – the Office of the e-Envoy (OeE) – was up to promote electronic government and IT-based service delivery across the public sector. The OeE works on the development of a government-wide strategy towards e-government and supports departments and agencies in the establishment and implementation of their e-government and electronic service delivery practices.

Some countries also have special units or committees promoting the use of plain language in laws and regulations:

- As mentioned in the section on Tools and practices, **France** established in 2001 the COSLA Committee (*Comité d'orientation pour l'amélioration du langage administratif*) to improve administrative language.
- **Sweden's** Ministry of Justice has a separate division for Legal and Linguistic Revision, and a "Plain Swedish Group", a forum appointed by the government in 1994 to encourage plain language projects throughout the government.

Administrative simplification agencies

France, Belgium and Italy have opted for the establishment at the centre of government of an agency dedicated to the promotion of administrative simplification policies.

- The **French** Commission on Administrative Simplification (COSA) was created in 1998 to specifically study, promote and review administrative simplification in France. COSA reports annually to the Prime Minister which includes the status of ministries' implementation of simplification plans. It is also responsible for designing tools to provide quantitative measurement of the actual impact achieved by those measures, for

example in relation to savings in time, number of procedures eliminated, or financial savings for users.

- In **Belgium**, the Agency for Administrative Simplification (ASA) was set up in 1998 as part of the policy to promote independent enterprises. ASA is attached to the Prime Minister of the federal government. The Agency has been given authority to adopt a cross-disciplinary approach. It is directed by a tripartite steering committee (social partners and government), and proposes measures to simplify the legal obligations and the procedures with which enterprises have to comply. The Agency prepares an annual programme, and submits reports to the Parliament on government action on administrative simplification. Three major objectives of ASA were identified when it was originally established: to propose, in collaboration with enterprises, all types of simplification measures; to develop a system to measure administrative burdens, and to design an *ex ante* regulatory impact analyses based on an administrative burdens perspective.
- In **Italy**, a Regulatory Simplification Unit, or Nucleo, has been operating between 1999 and 2002. Attached to the Prime Minister's Office, the Nucleo's main role was to prepare delegislation decrees and consolidated texts. It also provided support to ministries in making regulatory improvements, and provided opinions to DAGL (Department for Legal and Legislative Affairs in the Prime Minister's Office) on the quality of regulatory impact analyses and legal drafting assessments. Nucleo was composed of 25 professionals with expertise in law, economics, political science, impact analyses, European affairs, and linguistics.

Regulatory reform units

Many administrative simplification policies are policy-wise as well as organisationally integrated in governments' broader efforts to ensure high-quality regulation. Examples of this set-up include:

- **Australia's** Office of Regulatory Review (ORR) is located within the Productivity Commission, which was established in 1998 as the Commonwealth Government's principal advisory body on all aspects of microeconomic reform. The ORR vets and reviews draft regulations to ensure that they are properly formulated and that they include assessments of, among others, administrative costs for government, business and other affected parties.
- The **United States'** Office of Information and Regulatory Affairs (OIRA) was created in 1980 within the Office of Management and Budget under the Paperwork Reduction Act. OIRA reviews information collection requests under that Act, and acts as the centralised reviewing body for all regulations proposed by executive branch departments and agencies.
- **Mexico's** Federal Regulatory Improvement Commission (COFEMER) was created by law in March 2000 as an autonomous agency responsible for promoting and assessing administrative simplification and regulatory quality throughout the federal government. It succeeded the Economic Deregulation Unit in the Ministry of Industry and Trade. COFEMER performs a screening of all formalities before they can be included in the Federal Register of Formalities and Services. Any new regulation that leads to more paperwork is assessed in terms of its broader impacts. Failure to conduct a regulatory

impact statement in connection with new regulations and formalities constitutes an infringement of the law.

External committees

- In **Korea,** the development and promotion of administrative simplification policies is under the portfolio of the Regulatory Reform Committee (established by law in 1997). This law provides the Committee with a general mandate to develop and co-ordinate regulatory policies and to review and approve regulations, including administrative simplification. The Committee is composed by a majority of non-government representatives (academics, business), the Prime Minister and six other ministers. The Committee has played an active and crucial role in the development and implementation of regulatory reform and administrative simplification policies in Korea.
- In 1997, the **British** Government established a standing "Better Regulation Taskforce" (BRTF). Members of the BRTF were drawn primarily from a business background. The purpose of the Taskforce is to monitor and advocate "better regulation" rather than just deregulation. Its task is to advise the government on the effectiveness and credibility of regulatory measures by ensuring that they are necessary, fair and affordable. Furthermore, the BRTF is supposed to ensure that regulations are simple to understand and administer, while also accounting for the needs of smaller business and "ordinary" people. The BRTF publishes work and analysis and represents an advocacy body to motivate departments to consider a lightening of regulatory and administrative burdens. The BRTF also acts as an "informal gatekeeper". Via its early access to legislative and regulatory proposals it is able to influence the content of forthcoming initiatives.
- The **Australian** Small Business Deregulation Taskforce was formed in 1996. The Taskforce comprised six members from the private sector, predominately from small business backgrounds, together with a senior government officer. It was required to "advise on revenue-neutral ways to halve the paperwork and compliance burden on small business". The Taskforce's report was presented in November 1996 and largely agreed by the Federal Government in 1997, with implementation being undertaken progressively, in many cases in co-operation with State governments. Although the Taskforce recommended follow-up monitoring, the Taskforce itself ceased to exist following the delivery of the report.
- In 1998, the **Dutch** Cabinet formed a temporary advisory committee called the Committee for Reduction of Administrative Burdens of Enterprises (also known as the Schlechte Committee after its chairman). The purpose of the Committee was to propose or initiate administrative reduction projects. The Committee acted as an important catalyst in promoting administrative simplification and burden reduction, and by establishing awareness of the economic significance of administrative burdens. Members were representatives of small and medium enterprises, large enterprises, lower levels of government, accounting companies, political parties, the European Parliament, and specialists in public administration, organisational consulting, and communication. A Steering Group, consisting of top-level officials of the ministries, acted as the official "sparring partner" of the Committee. Through this Steering Group the involvement of the ministries was established, and administrative reduction initiatives were discussed and agreed upon in this forum.

- As a successor to the Schlechte Committee, the **Dutch** government in May 2000 created the Advisory Committee on the Testing of Administrative Burdens (ACTAL) to oversee the ministerial departments in their administrative simplification and burden reduction programmes. ACTAL is an independent organisation that acts as a watchdog and facilitator for the Dutch government, giving strong backing to the government's objective to bring about a 25% reduction in the overall administrative burden on enterprises. ACTAL is set up as a temporary organisation. It is expected to achieve its aims within 3 years and cease to exist in May 2003. Proposed laws and regulations and reports about existing laws and regulations have to be submitted to ACTAL. It advises the Cabinet and the Council of State not to consider any proposed laws or regulations that is not accompanied by an administrative burden statement. ACTAL consults with a business panel which represents around 500 enterprises. It also has regular contacts with employers' organisations of large, small, and medium sized enterprises, agricultural associations, and individual firms.

Conclusion and challenges

Governments' organisational and structural approaches to administrative simplification are imbedded in existing political and administrative practices and traditions. Though the country-specific context may constrain and shape available options, countries in principle must address the following issues when establishing the organisational framework for its administrative simplification policies:

- What relationship should administrative simplification have to broader regulatory quality programmes and to other policies such as public administration reform, e-government, competition policy, deregulation and privatisation?
- Should the promotion of administrative simplification policies rely on one (central) reform body or a set of them competing and pursuing different aspects of administrative simplification?
- Should administrative simplification policies rely on inputs and proposals from internal bodies, external advisory groups, or be a combination of both?
- Should the agency or committee promoting administrative simplification be purely advisory or should it be assigned control, challenge, and executive functions?
- Should administrative simplification bodies be temporary or permanent?

As for the choice of organisational approaches, the benefits and experiences with these organisational approaches also vary with the political and administrative context they appear in. However, some general lessons and experiences are emerging.

Generally, the experience of a number of countries suggests that a main obstacle to the development and implementation of programmes of administrative simplification can be a general cultural animosity to the dissemination of systematic principles of governance. Broad administrative simplification measures may be considered "intrusive" to the integrity of individual departments. This can be exacerbated where government structures and/or traditions mean that government departments possess a high level of independence in exercising executive power.

Single-Purpose Units promoting one particular aspect or feature of administrative simplification are widely used. These units most commonly have as their remit the improvement of administrative regulations for businesses and SMEs in particular. Other focus areas include plain language, IT application and public sector impacts. Clearly the

advantage of the organisational approach is the attention and focus provided to the particular area of concern. Dedicated units also provide opportunities for in-dept analysis and building up expertise. Intense political and administrative focus on one particular area of the administrative simplification agenda may however distort administrative simplification policies and regulatory reform policies toward one particular sub-area of the agenda. Such distortion may appear in terms of the political focus, human resources (expertise) and budgetary allocations. To avoid such distortion, procedures and objectives of single-purpose entity units must be integrated with broader administrative simplification and regulatory reform policies.

Administrative Simplification Units promote administrative simplification "across the board", *i.e.* for businesses as well as for citizens, not focussing on the application of one particular tool. This approach seems to be less wide-spread than single-purpose units. Under this approach administrative simplification is often seen as a relatively independent and high-priority policy area, not necessarily strongly linked to or subordinated to the broader regulatory reform agenda. This organisational approach shares the same pros and cons as the single-purpose units. The institutional basis provides visibility and drive, and may easily attract resources and expertise. On the other hand, there is a risk of distorting broader regulatory quality policies towards "sub-sets" of the regulatory policy agenda.

The best basis for developing and prioritising administrative simplification may occur where the promotion of administrative simplification is organisationally integrated into units responsible for the broader promotion of regulatory quality. In countries with this set-up administrative simplification is often integrated in (and subordinated to) the broader regulatory reform agenda. Nonetheless administrative simplification is often used as an important lever for other regulatory reforms. Most often being a win-win policy, administrative simplification policies rarely attract resistance from vested interest – in business as well as in government.

The use and success of an external advisory group will depend upon the degree to which the advice of the group or taskforce receives political backing and leadership within the governments. Even the best and most practical reform concepts from such bodies will wither and die without the political will to carry them through.

"Taskforces" are also often introduced in order to reduce the adversarial character which has shaped previous attempts and to delegate key responsibility for regulatory simplification to departments. Often taskforces have encouraged self-improvement within departments in order to support the embedding of a "better regulation culture" within the civil service. Thus the key emphasis has sometimes rested on establishing templates for actions for departments rather than detailed prescriptions on administrative simplification. This reflected the realisation that administrative simplification does not only depend on the enforcement of centrally set targets, but on the initiative of departments to develop best practices.

The key advantage of the use of a short-term taskforce is that it can provide a high profile and focused response to a political priority. If this response is properly targeted and formulated and includes practical and effective implementation plans, it can be very useful in implementing worthwhile administrative simplification measures. *Ad hoc* bodies along these lines are generally created where the simplification and burden reduction concept has attained a particularly high level of political prominence. Such situations provide the

opportunity to develop far reaching programmes through their high visibility and, in many cases, independence from the government administration.

However the *ad hoc* nature of a body can pose difficulties in ensuring implementation and follow-up. A further problem can arise in cases when the efforts on administrative simplification programmes are too personalised around a figurehead. This can make the initiative too dependent on the actual person, or fragile and unattainable when the leader terminates the task. Still, a standing taskforce model highlights the government's commitment to administrative simplification and it provides a focus for attracting reform ideas (from both within and without the bureaucracy). It may also act to educate the bureaucracy on private sector concerns and alternative approaches to regulation and devising methods of implementing reform initiatives in complex or politically difficult areas. Finally, it assists in educating private sector bodies on the difficulties and issues involved in implementing administrative simplification measures. This can create a broader understanding of the nature and dynamics of government reform processes.

In addition to the level of organisational integration of administrative simplification bodies into the broader regulatory reform agenda, another important distinction can be drawn between the actual roles of these bodies.[20] Three different roles can be identified. Firstly, bodies may be advisory, *i.e.* increasing regulatory capacities by publicising and disseminating guidance and by providing support to regulators. In these cases, administrative simplification is often based on self-assessment by the individual agencies and ministries. Secondly, bodies promoting administrative simplification may have a challenge function *vis-à-vis* any regulatory proposals that impose new (administrative) burdens on businesses and citizens. Such challenge may be in the form of an assessment putting pressure on the proponent regulatory to improve performance in accordance with a set of given criteria. Or it may in the form of a "veto", where the reviewing body act as a gate-keeper in the regulatory process. Bodies within government normally execute the advisory and challenge roles. The third role, advocacy, is often played by external bodies and committees. Advocacy refers to the promotion of long-term regulatory policy considerations, including policy change, development of new and improved tools and institutional change.

The roles assigned to the different administrative simplification bodies vary according to administrative culture and tradition, as well as over time. However, experience suggests that most administrative simplification policies and thus the roles assigned to the institutional drivers have relied primarily on advocacy and advice. Advisory and advocacy functions are clearly helpful preconditions for creating a fruitful environment for administrative simplification, including non-confrontational approach to administrative simplification. However leadership in the form of regulatory oversight bodies challenging as well as setting and enforcing targets for simplification may be needed to go beyond the limits of reforms that are primarily driven by self-assessment.

Conclusions

Efforts to systematically address administrative burdens began in most OECD member countries in the mid-1980s in response to regulatory inflation and the increasing complexity of public administrations.

Governments' administrative simplification policies are often promoted in a somewhat paradoxical political environment. On the one hand businesses and citizens are

complaining about administrative burdens and formalities, and putting substantial political pressure on governments to "cut red tape". On the other, there is an increasing demand from the same constituencies for more accountable, effective, fair and transparent government, most of which demands more targeted information requirements and regulations. This paradox emphasises that administrative simplification poses on-going and dynamic challenges to governments' information management.

This final section of the report presents some of the common themes of administrative simplification identified in the surveyed countries; it looks at implications of the links between administrative simplification and regulatory policy; and it identifies some issues and challenges on the administrative simplification agenda.

Common themes – institutions, policies and challenges

The alleviation of administrative burdens for enterprises and citizens is firmly on the political agenda in most countries as part of the broader regulatory quality and reform agenda. Most administrative simplification policies embrace both "framework" measures to encourage burden reductions, and specific initiatives to simplify and reduce administrative burdens. There is no clear tendency as to which level of government has been the primary driver of administrative simplification. In some countries, the national government has taken the lead, with the state and local governments playing a catch-up role. In other countries the situation has been exactly the opposite.

The country studies undertaken as part of this report indicate several broad similarities in the approaches to administrative simplification. At the same time, inevitable differences also exists in terms of institutional mechanisms, policy goals and areas of priority. The areas of similarity relate to policy approaches, institutional frameworks, and the tools and practices applied.

Administrative simplification in OECD countries has primarily been driven by ambitions to improve the cost-efficiency of administrative regulations. However many of the tools and practices applied to improve the cost-efficiency of administrative regulations have also lead to, or are supported by measures that improve transparency and accountability. Central co-ordination of reviews is an increasingly common feature in the policy approaches to administrative simplification. Central co-ordination of reviews responds to the perception that administrative burdens are widespread. Such reviews also increase the likelihood that many of the tools and solutions (see below) are of fairly general application. This may lead to a strong emphasis on consistent approaches and broad application of reforms, with central co-ordination being the means of achieving this. The focus of these reviews is inevitably on existing burdens, rather than quality control over newly proposed regulation. However, as discussed below, it appears that a trend toward greater emphasis on *ex ante* quality control (*i.e.* control during the preparation and drafting of a measure) is appearing.

In relation to institutions, two points of similarity can be noted from the current experience in OECD countries:

- Widespread use of "single-purpose" units or agencies targeting particular client groups (typically businesses or SMEs), or particular "sub-disciplines" of administrative simplification such as plain language drafting, forms on line, etc.
- Use of outside taskforces to provide input to government reforms, typically in carrying through or delivering input to broad reviews of existing regulations or licensing procedures.

The use of single-purpose units as well as outside taskforces appear largely to reflect the fact that administrative simplification programmes are seen as "client focused" initiatives, that have often arisen in response to sustained pressure from business groups, in particular.

In this context, outside taskforces – largely composed of members of the client group for the project – are likely to be seen as capable to reliably identify the priority areas for reform. At the same time, this approach also shifts a measure of responsibility for identifying solutions back to the client group. In addition, the use of external taskforces is likely to reflect the perceived need to take advice that is not tainted by bureaucratic conservatism and interests in maintaining the status quo. External taskforces appear to be perceived as a means to achieve rapid action, as evidenced by the often short reporting time lines provided to them.

- Commonly used practises and policy tools employed are such as one-stop shops, licence and permit simplification campaigns, special attention to the needs of small businesses, encouragement of alternative, less prescriptive, regulatory techniques, and a wide-spread use of IT-driven mechanisms.

The relatively recent trend toward IT-driven approaches does not represent a shift in thinking about the issues of administrative simplification *per se*. It is rather a specific manifestation of a broader trend to use technology as an important facilitator of government activities and interactions with business and citizens. It is difficult, however, to overstate the impact of information technology on administrative simplification programmes. It is probably no accident that many of the programmes discussed in this report began in the mid-1990s just as the "information revolution" reached the corridors of government. Many programmes, such as one-stop shops, burden estimation, paperwork reduction, and mapping of permit requirements are strongly facilitated by computer technology.

Nevertheless IT is not a panacea. It requires intelligent application if it is to yield maximum benefits. Even in the case of administrative regulations, IT mechanisms cannot always substitute the accountability, flexibility and "user-friendliness" of face-to-face encounters between citizens or business representatives with a "flesh and blood" administrator. Issues of privacy, security and digital divide remain pertinent.

Licence reform and simplification is occurring both through consolidation of licences and, more fundamentally, through re-examination and adoption of a more critical approach to licensing proposals or the retention of existing licences. One-stop shops have initially acted as information clearing-houses, reducing search costs for business by providing easy access to all licence and permit based information. This is an area in which there is good evidence for the success of the initiative, as measured in terms of cost savings to business, as well as high levels of client satisfaction. A more recent trend is for the logic of the one-stop shop to be extended toward becoming licence and permit issuing authorities. That is, in addition to being solely a burden reduction mechanism, one-stop shops have increasingly been used as an opportunity for process re-engineering. Bringing together the full range of information requirements, licences and permits required in relation to a given business tend to highlight areas of overlap and/or duplication and point out redundancies. However, experiences also show that benefits may be limited if changes only involve re-engineering the process by interposing an additional layer of government involvement, acting as a clearing house to expedite transactions within a pre-existing framework.

Finally, the focus on the needs of small businesses, found in almost all countries, clearly reflects the recognition that this sector is less well placed to deal with administrative burdens and so, conversely, stands to gain disproportionately from their reduction. This is an area in which *ex ante* approaches, of "small business friendly regulatory design" are becoming increasingly common.

Two commonly shared problem areas can also be identified. These are:

- Limited experience with systematic assessment or evaluation of burden-reduction techniques.
- Difficulties of co-ordination among government departments and between levels of government.

This report has highlighted that there is limited information available on the effectiveness of most of the initiatives pursued, even though some initiatives have been in place for a long time. Despite the revolutionary advances in the use of IT, good evidence-based data on the impact of the reforms described in this report are hard to come by. Governments are taking only first steps to set measures of the extent of the administrative burden and to set reduction objectives over time. This impedes the targeting of burden reduction policies and programmes of greatest need. It also suggests the importance of more systematic efforts to develop objective measures of administrative burdens and to track them over time, in order to be able to measure reform success and properly target reform priorities.

The activities of the Dutch and Belgian governments in devising measuring techniques deserve particular attention in this respect. It is clearly a major challenge to future programme design to close the "feedback loop" and refine policies as a result of the evaluation process. This should be a priority area for the future in most countries.

The need for effective co-ordination between government departments and between levels of government has become pressing in relation to some specific policy approaches in particular. These include one-stop shops, particularly in the context of recent attempts to re-invent these as licence issuing authorities. It also arises in the context of the design and operation of government Web portals, including the co-ordination between "government wide" or general portals and more specifically targeted ones. Further attention needs to be given to concrete strategies to develop and maintain this co-ordination.

Administrative simplification and regulatory reform

The prominence accorded to administrative simplification policies varies substantially between OECD countries. For some, these policies have remained a relatively minor component of their broader regulatory reform policies while, for others, administrative simplification constitutes the key element in regulatory reform efforts, with little activity undertaken on other regulatory quality issues. Some implications for regulatory quality policies can be identified in relation to the pursuit of administrative simplification.

First, from the perspective of regulatory reform authorities, pursuing administrative simplification policies can often represent a feasible and pragmatic approach. In most cases, regulatory agencies can be expected to be more willing to co-operate with such initiatives, as they do not threaten their prestige and authority to the extent that many fundamental regulatory reforms may do. Similarly, the likelihood of organised and sustained resistance from other vested interests is less in relation to simplification/burden

reduction programmes than for many initiatives to reform economic and social regulations. Again, their interests are less likely to be threatened fundamentally by the implementation of such programmes. It can be argued that administrative simplification policies constitute reform on a modest scale, and therefore have lesser risks attached to them. There is a smaller likelyhood that reforms will be derailed by concerted opposition from sectional interests, or by unanticipated problems in redrawing the regulatory architecture. Moreover, tangible results can be delivered within relatively short time lines that suit the political cycle.

Second – as an effect of the above-mentioned "attractiveness" of administrative simplification policies – there is a risk that these policies will divert the energies of reformers from other, sometimes more fundamental reforms. Administrative simplification programmes, while potentially important and linked to the achievement of a number of core governance values, cannot be a substitute for a rigorous regulatory quality programme. The issues of regulatory quality are broader than those dealt with via administrative simplification programmes. Moreover, as regulatory quality programmes become more comprehensive in their design and implementation, it can be speculated that the need for administrative simplification programmes may, to some extent, diminish. For example, the more extensive and rigorous use of regulatory impact analysis (RIA), which is occurring throughout the OECD, is likely to act increasingly as an effective *ex ante* control on the development of unnecessary red tape burdens. This mechanism, if effective, is clearly preferable to a reliance on *ex post* review. RIA being a more systematic approach must be preferred to the essentially *ad hoc* character of most simplification initiatives. The increasingly widespread requirement that regulators consider alternative policy tools also represents the adoption of more systematic approaches that can reduce the need for explicit simplification initiatives, as discussed above.

These factors suggest that a fruitful direction for future development of such programmes would be to investigate the options for more systematic approaches to burden reduction that can act in a mutually supportive way with other regulatory quality assurance measures. This would involve, for example, incorporating appropriate principles and guidance into regulatory "best practice" manuals for regulators, covering issues such as:

- The need to focus on licensing, permitting, or other "burden rich" forms of regulatory intervention.
- Adopting systematic approaches to minimising burdens in particular cases – for example taking a critical approach to information requirements, licence renewal periods.
- Identification of the affected group and of potential means of integrating administrative elements of a new regulatory requirement with existing programmes.
- Consideration of less prescriptive (and administratively burdensome) alternatives to administrative regulation.

In addition, it is clear that technological solutions have been applied successfully as a means of re-engineering existing programmes and reducing existing burdens. A more systematic, and potentially productive approach would involve focusing on the best possible use of technology at the design stage of new regulatory requirements. To date, little seems to have been achieved in this regard.

Notwithstanding the above arguments for a more systematic approach, it is likely that the important "policy co-ordination" role performed by administrative simplification

programmes will continue to be essentially *ad hoc* in nature. Simplification programmes frequently function as a means of improving the integration of a range of new and pre-existing policy initiatives – in particular, in relation to codification initiatives within administrative law contexts. It is to be expected that such a role would continue to be an essentially *ad hoc* one.

Trends and challenges

Ex ante vs. ex post *approaches*

A number of trends can be discerned from the administrative simplification policies in OECD countries. Among the most important is a gradual shift from an exclusively *ex post* focus to an increasing recognition of the need to work in an *ex ante* sense to ensure that unnecessary or unreasonable burdens are not implemented in the first place. As noted above, one key tool for this is RIA. These measures reflect a shift in logic, in which broader approaches are being taken and administrative simplification is increasingly linked with other aspects of regulatory quality programmes.

Programmes to amalgamate, abolish or simplify existing licences are now being supplemented by the issue of guidance that aims to ensure that they are adopted as a regulatory strategy only where they can be justified. This kind of specific guidance can supplement and add to the effectiveness of RIA approaches based on comparative analysis of different policy options.

As part of programmes to simplify licensing requirements, there is also an important and positive trend towards *ex post* notification instead of *ex ante* approval of certain economic activities.

Top-down vs. *bottom-up approaches*

A second trend is that, while simplification initiatives have generally been "bottom-up" in nature in past years, they are being supplemented more by "top-down" initiatives and increasingly integrated into broader government programmes. A prime example of this is the adoption of government Web portals and the merger of one-stop shops. These tools seek to improve the flow of both information and transactions between government, citizens and businesses across the board. Simplification initiatives such as one-stop shops and specific purpose portals are being integrated within this broader framework. The underlying logic of simplification as an element of SME policies, or of regulatory reform is to some degree thereby modified to incorporate links with broader objectives of governance, such as transparency and accountability.

Market-based frameworks

A third trend is that simplification seems to be driven increasingly by the adoption of market-based economic policies. Such policies are predicated on the presumption that economic agents should be free to conduct their business unless compelling arguments can be made for the need to protect sections of the public. This view is increasingly supplanting previous, more restrictive approaches that have seen the government as the regulator of the economy, and to differing degrees, seen government approval as the pre-requisite for economic activities. Much of the reduction in licences, permits and formalities in some countries is attributable to this shift, at least in part.

The dynamic and driving role of IT-driven mechanisms

Administrative simplification is increasingly driven by IT mechanisms. Firstly, because IT mechanisms are the most important "physical" enabler of burden reduction via mechanisms such as electronic reporting and one-stop shops. Secondly, because IT mechanisms create the possibility to expose "bad" forms and regulations on the Internet. This possibility generates very strong dynamics and pressures. Such pressures often go beyond aspirations for further "simplification" of regulations; they also lead toward substantial changes in the applied regulatory means and measures.

There is undoubtedly a learning curve for reformers in the simplification area, as in most policy contexts. One-stop shops that provide information are transformed into transactional portals. Agency Web sites are linked into government "gateways"; paper registers of procedures become searchable Internet-based versions; integrated Web-based data enables physical one-stop shops to expand their services; techniques for assessing costs, benefits and reporting burdens become more refined and sophisticated; and new techniques are developed for tutoring applicants or advising small businesses on compliance issues. But in each country studied, it is notable that these techniques have continued to flourish despite various changes in governments and that they retain the enthusiastic support of all political parties.

In closing, it is fair to say that there is a consensus around the need for *anyone* dealing with government to have better access to information, understand government requirements and plans, receive helpful and timely assistance, undertake required transactions with fewer costs, have decisions made more expeditiously, avoid duplicative efforts, and provide suggestions and other inputs to policy makers. From the government's standpoint, there is a need to maximise co-ordination, share and digest information promptly, transact its own business expeditiously, receive feedback from stakeholders, and measure and evaluate the impact of its actions. All of these needs are addressed in some fashion by the techniques discussed in this report. As illustrated in the report, the development of new tools and techniques show how innovative thinking and skilful use of IT in many areas are leading to new and more effective approaches to administrative regulation. "Smart tape" rather than "red tape" may soon be a more appropriate label for many governments' approach to administrative regulations.

Given the broad support for administrative simplification initiatives demonstrated in this report, the challenge for governments is to focus on the use of those that are most effective and efficient, particularly within their own institutional contexts. The techniques of administrative simplification described in this report provide a rich menu of possible approaches for consideration by all OECD countries as well as non-member countries. At the same time, a critical approach is needed to determine which tools are best suited to particular national circumstances. While the discussion contained in this part is necessarily abbreviated, substantial additional detail on experiences in implementing the various tools is contained within the country chapters, which form the next sections of the report.

Notes

1. See OECD (1997a), Similar recommendations can be found in the 1995 *Recommendation of the OECD Council on Improving the Quality of Government Regulation*, OECD, Paris.
2. OECD (2001); OECD (2000a).

3. The seminar was attended by representatives from Australia, Belgium, Canada, Denmark, Germany, Greece, Hungary, Italy, France Japan, Mexico, Netherlands, Norway, Poland, Portugal, Korea, Spain, Sweden, Turkey, United Kingdom, United States. For further documentation about the seminar see *www.oecd.org/gov*
4. See also OECD (2002).
5. For a broader presentation and discussion of IT's effects on public governance, see OECD (2003b) and the e-government Programme of OECD's Public Governance and Territorial Development Directorate, *www.oecd.org/gov*
6. The 8 Australian strategic priorities for e-government are: 1) Agencies to take full advantage of the opportunities the Internet provides; 2) Facilitation of enablers such as *authentication, metadata standards, electronic publishing and record keeping guidelines, accessibility, privacy* and *security*; 3) Enhancement of government online services in regional Australia; 4) Enhancement of the impact of the Government Online initiatives on development in the Australian IT industry; 5) Government business operations to go online; 6) Monitor best practice and progress; 7) Facilitate cross agency services; and 8) Communicate with Stakeholders. See at *www.govonline.gov.au/projects/strategy/index.htm*.
7. See OECD (2000c).
8. OECD paper, based on information provided by the Canadian authorities.
9. In 2001 a project "Benchmarking the Administration of Business Start-ups" was undertaken for the European Commission by the Centre for Strategy and Evaluation Services (CSES). The objectives of the study were to help Member States of the European Union to establish benchmarks, to make improvements in the registration process by identifying performance drivers and to identify examples of best practices related to administration of new business entities. The following two country examples originate from the project report available online at *europa.eu.int/comm/enterprise/entrepreneurship/support_measures/start-ups/benchm_summary_2002_en.pdf*
10. See OECD (2002).
11. See OECD (1999a), pp. 165-167.
12. See OECD (1999b), p. 140.
13. See OECD (2000b), p. 154.
14. For examples of international benchmarking of business licenses see for example BIE (1996) and the European Commission (2002).
15. See OECD (1997a).
16. OECD (2001), p. 53.
17. The US Office of Budget and Management, *Information Collection Budget*, annual yearbooks.
18. See OECD (2002).
19. See also van der Burg *et al.*, p. 276.
20. See also OECD (2002) for a discussion of these roles related to regulatory oversight bodies.

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Appendix

Federal information collection burden in 1987-2001

In burden hours

Agency	1987	1992	1995	1996	1997	1998	1999	2000	2001
Agriculture	67 700 000	71 600 000	131 091 022	107 248 206	89 290 439	71 950 000	67 680 000	75 190 000	86 720 000
Commerce	5 400 000	4 100 000	8 239 828	7 960 779	8 210 119	13 490 000	7 210 000	38 570 000	10 290 000
Defense	279 700 000	215 200 000	205 847 538	152 490 315	138 511 139	119 000 000	111 730 000	93 620 000	92 050 000
Education	34 500 000	23 100 000	57 554 905	49 111 300	43 725 057	40 900 000	42 070 000	41 980 000	40 490 000
Energy	14 200 000	8 700 000	9 187 531	4 656 053	4 478 981	4 460 000	4 480 000	2 920 000	3 850 000
Health and human services	163 200 000	156 700 000	152 615 502	137 540 947	137 008 078	139 310 000	164 350 000	173 710 000	186 610 000
Housing and urban development	13 300 000	30 300 000	33 769 554	37 245 148	32 210 600	18 480 000	19 750 000	12 460 000	12 050 000
Interior	3 700 000	4 900 000	4 165 429	4 357 370	5 194 780	4 570 000	4 360 000	5 640 000	7 560 000
Justice	40 400 000	32 600 000	36 670 323	36 162 128	39 130 642	26 820 000	36 590 000	36 820 000	40 530 000
Labor	72 600 000	51 800 000	266 447 906	241 077 975	216 810 705	198 990 000	195 960 000	181 590 000	186 110 000
State	1 000 000	2 000 000	8 678 480	596 789	30 557 876	28 900 000	28 850 000	29 190 000	16 560 000
Transportation	75 600 000	65 100 000	91 022 665	66 167 487	111 375 978	138 750 000	140 000 000	117 650 000	80 340 000
Treasury	**852 200 000**	**5 743 700 000**	**5 331 298 033**	**5 352 845 430**	**5 582 121 203**	**5 702 240 000**	**5 909 070 000**	**6 156 800 000**	**6 415 850 000**
Veterans	5 400 000	6 400 000	11 133 887	94 345 522	6 230 103	2 640 000	5 270 000	5 980 000	5 310 000
EPA	68 900 000	60 700 000	103 066 374	107 655 255	115 671 113	119 180 000	118 910 000	128 750 000	130 770 000
Fed. Acquisition Reg. System			22 146 676	23 445 460	24 523 313	24 420 000	23 420 000	n.a.	n.a.
Fed. Communications Comm.			22 644 046	23 879 914	27 805 236	30 340 000	32 490 000	n.a.	n.a.
Fed. Deposit Insurance Corp.			8 502 121	8 633 670	8 536 375	7 560 000	7 970 000	n.a.	n.a.
Fed. Emergency Mgmt. Admin.			5 175 501	4 802 093	5 061 582	4 680 000	4 970 000	n.a.	n.a.
Fed. Energy Regulatory Comm.				5 157 268	5 233 893	5 540 000	3 980 000	n.a.	n.a.
Fed. Trade Comm.	7 100 000	200 000	146 149 460	146 148 091	146 161 341	126 980 000	126 560 000	n.a.	n.a.
NASA			9 561 494	9 228 714	9 087 758	7 710 000	7 340 000	n.a.	n.a.
Nat. Science Foundation			5 691 560	5 760 203	5 794 805	4 730 000	4 740 000	n.a.	n.a.
Nuclear Regulatory Comm.			8 726 244	9 942 882	10 271 588	9 670 000	9 510 000	n.a.	n.a.
Agency	1987	1992	1995	1996	1997	1998	1999	2 000	2001
Securities and Exchange Comm.			191 527 284	142 105 083	148 933 539	75 680 000	76 560 000	n.a.	n.a.
Small business admin.			2 355 150	2 288 365	1 492 925	3 070 000	1 670 000	n.a.	n.a.

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Federal information collection burden in 1987-2001 *(cont.)*

In burden hours

Agency	1987	1992	1995	1996	1997	1998	1999	2000	2001
Social security admin.			25 307 594	25 679 475	24 783 842	22 080 000	21 220 000	n.a.	n.a.
All others	123 600 000	119 900 000							
GRAND TOTAL	1 828 500 000	6 597 000 000	6 898 576 107	6 806 531 922	6 978 213 010	6 952 140 000	7 176 710 000	7 361 720 000	7 651.42
TOTAL excluding treasury	976 300 000	853 300 000	1 567 278 074	1 453 686 492	1 396 091 807	1 249 900 000	1 267 640 000	1 204 920 000	

1. These figures are derived from Office of Management and Budget, Office of Information and Regulatory Affairs, *Information Collection Budget of the United States Government Fiscal Year 2002* (and preceding volumes for FY 1998-2000), and General Accounting Office, *Paperwork Reduction – Reported Burden Hour Increases Reflect New Estimates, Not Actual Charges*, GAO/PMED-94-2 (Dec. 1993).

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