IMPLEMENTING ADMINISTRATIVE SIMPLIFICATION IN OECD COUNTRIES:

EXPERIENCES AND CHALLENGES
Introduction – the case for regulatory reform and administrative simplification

1. Regulation is essential for the functioning of society and the economy. The public requires that governments intervene in the areas of health and safety, the environment, social policy and the economy and it is often through regulation that governments meet these wants. However, poor quality regulations can impose unnecessary costs on the community and may not be the most effective way of achieving the public’s objectives. In addition, poor regulations may impede innovation and stifle competitive pressures which are crucial for long-term economic growth and development.

2. The challenge for government is to ensure that the regulations it produces are both effective and efficient. Effective in the sense that they address the problem they were introduced to deal with and efficient in the sense that they minimise both the direct compliance costs borne by those subject to the regulation, and other, often more indirect, costs which may be imposed on the public.

3. Regulatory reform, including administrative simplifications programs, is about creating a framework for promoting regulatory quality, within a broader context of improved governance including transparency, accountability and efficiency of government.

4. There are three necessary elements to regulatory quality: regulatory policies, tools and institutions. All three are complementary and necessary to ensure a successful reform process.

5. Regulatory policy may be broadly defined as an explicit, dynamic, continuous and consistent “whole-of-government” policy to pursue high-quality regulation. Regulatory policy does not refer to the specific regulations within any particular sector, but to the way policy makers draft, update, apply and enforce regulations and foster public understanding of these processes. The growing role of supra- and sub-national levels presents governments with new challenges, to which a suitable regulatory framework could help assure coordination and policy coherence.

6. The experience of OECD member countries has demonstrated that the success of a regulatory reform and administrative simplification program depends on a ‘whole of government’ approach. There must be widespread commitment and support for the program within various government departments and among politicians. Public support is also important if the program is to be successful.

7. There are six main types of regulatory tools available to facilitate regulatory reform and to improve regulatory quality:

   • administrative simplification – simplifying and reducing government formalities and paperwork;

   • regulatory impact analysis (RIA) – a tool to ensure the most efficient and effective regulatory options are chosen;

   • transparency and communication – those subject to regulation must be aware of the regulation and understand what is required of them;

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1 Regulatory quality is defined by a framework in which regulations and regulatory regimes are efficient in terms of cost, effective in terms of having a clear regulatory and policy purpose, transparent and accountable. OECD (2004), Building Capacity for Regulatory Quality: Stocktaking Paper, GOV/PGC(2004)11, Paris, April
• alternatives to regulation – explore the use of alternatives to direct regulation to achieve goals, for example, consider non-regulatory options or market-based approaches;

• compliance and enforcement – essential if the regulation is to achieve its objectives, there is little use having a regulation with a low compliance rate; and

• tools to support administrative justice and accountability – regulators themselves must be accountable, to achieve this, those subject to regulations should have access to clear, open and effective appeals procedures.

**Challenges in cutting red tape: experiences from OECD Countries so far**

8. Administrative simplification is considered by many governments as a key aspect to ensure regulatory quality. It refers to government policies, tools and practices aiming at simplifying and easing the burdens of administrative regulations affecting business, citizens and the public sector.

Administrative simplification in OECD countries has primarily been driven by the objective to improve the cost-efficiency of administrative regulations and improve services to-user. It may also have other effects, or, indeed, be driven by other objectives. Many of the administrative simplification tools and practices applied to improve the efficiency of administrative regulations also lead to, or are supported by measures that improve transparency and accountability, and therefore reduce the risk of corruption

In particular, 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 and businesses and citizens.

9. There is evidence in many countries that the administrative burden imposed on businesses is significant, with small to medium size enterprises particularly affected. It is also important to consider the cumulative effect of all the regulations to which enterprises are subject, not just those that have been introduced recently. Excessive ‘red tape’ adds to business costs, can impede market entry, reduce incentives to innovate and reduce competitive pressures within the economy. In addition, it creates uncertainty which can disrupt business planning and hinder the ability of businesses to respond quickly to new market opportunities. Ultimately, this weakens competitive pressures within the economy and economic performance will suffer.

10. This is not to imply of course that all regulation and administrative measures should be removed. Well designed and implemented government formalities are necessary for the implementation of policy and the attainment of policy goals. An administrative simplification program should focus on poorly designed, implemented or outdated formalities. Reforming these formalities removes a substantial burden from business and allows them to ‘get on with business’ while ensuring that the remaining formalities help, rather than hinder, the government’s policy agenda.

11. Country experiences suggest a number of approaches/techniques, promising practices and experiences that could serve as inspiration for achieving administrative simplification in OECD Member and non-member countries:
• One-stop shops (physical as well as electronic);
• Simplification of permits and 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.

12. The use of one-stop shops is perhaps the most common approach. In general terms, it involves setting up contact points where people and businesses can get all the answers to their query in one location. They are often used for the more efficient provision of business licences. They provide a point where a business can get all the required licence and other information needed to set up and operate their business (box 6).

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<th>Box 1. Examples of one-stop shops in OECD countries</th>
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<td>In <strong>Finland</strong>, local government service bureaus have been an integral part of public administration reform since 1993. These service bureaus are ultimately destined to become fully integrated points of service delivery for most public services in the country.</td>
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<td>In <strong>Greece</strong>, there is a specialized 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 the country, 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.</td>
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<td>In <strong>Hungary</strong>, one-stop shops serving foreigners staying in the country, started operation in January 2002. These offices provide information on and handle the applications related to all types of documents that might be required from foreigners, such as short and long-term residence permits, work permits, and citizenship, or simply the compulsory registration of addresses.</td>
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<td>In <strong>Italy</strong>, one-stop-shops have been introduced at the municipal level since 1998 and are widely used to simplify the governments' interaction with citizens and enterprises. One stop-shops for productive activities, are integrated agencies’ where entrepreneurs can obtain a broad range of services from different public authorities. The Government is promoting the use of ICT in implementing one stop shops through specific support programs.</td>
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<td>In the <strong>Netherlands</strong>, 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 is to structure the delivery of public services according to demand patterns, and has funded projects in the areas of citizen registration, welfare, and construction.</td>
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Source: OECD (2003), *From Red Tape to Smart Tape, Administrative Simplification in OECD Countries*, Paris

13. The gains from one-stop shops come from reducing the search and transaction costs otherwise borne by businesses. Rather than expending time and money (and possibly hiring consultants and lawyers) to find out the administrative requirements they must meet, the business person can go to a single point and complete all the requirements quickly and efficiently.

14. However, the experience of OECD countries has demonstrated that the implementation of one-stop shops can entail substantial practical difficulties. They may shift administrative burdens rather
than eliminate them, for example, by creating more work for public officials. There may also be difficulties coordinating various one-stop shops and responding to consumer and business needs. One approach to help meet citizen needs and minimise coordination problems adopted in the United Kingdom is the provision of information on various important stages in a person’s life. For example, it is possible to get all the information a person needs relating to administrative requirements when “having a baby” or “moving house” at a single citizen services bureau.

15. Another approach to administrative simplification is process re-engineering. This involves trying to minimise the number of steps required to meet government requirements and make use of information already collected. The most common form of process re-engineering is reducing the number of licences or permits required to undertake various activities (box 7). Alternatively, it may be possible, for example, in countries with a federal system of government, to implement mutual recognition programs where licences or permits issued in one jurisdiction are recognised in all other jurisdictions. The better use of technology is also an important element of the process.

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<th>Box 2. Reviews of license and permit requirements in OECD countries</th>
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<td>Licence and permit reduction programmes are the most commonly used process re-engineering tool in OECD countries.</td>
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<td>In 2000, Korea initiated a review program covering the most frequently requested documents such as business registrations, resident registrations, real estate titles, car registrations, and tax payment certificates. Under the program, ministries and agencies were asked to closely look at their civil applications to check whether document requirements could be eliminated, and if not, why. As a second step, Korea's Regulatory Reform Committee 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.</td>
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<td>In Mexico, the Rapid Business Opening System (Sistema de Apertura Rápida de Empresas, or 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 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.</td>
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<td>In 1999, Poland launched a review of its business licensing and permits system. As a result of the review, the number of areas and economic activities subject to licensing was reduced from 30 to eight.</td>
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<td>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.</td>
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Source: OECD (2003), From Red Tape to Smart Tape, Administrative Simplification in OECD Countries, Paris

16. The design of license review programs is important in determining their effectiveness. Ministries usually find it difficult to be objective when evaluating their own licenses and administrative requirements. The adoption of an explicit policy for the reform of administrative requirements can be an important driver of efforts to achieve substantial improvements. Establishing an independent oversight body can also be effective, for example, in Korea the Regulatory Reform Committee played an important role in overseeing the reform process in that country.

17. A number of OECD countries have experienced large reductions in the number of licences and permits required as a result of reduction programs. However, care must be taken when examining such
figures. In some cases it is possible that the reductions are not as dramatic as they seem because some of the licences removed were due to be repealed any way or had already become redundant or fallen into disuse. In addition, new licences or permits may have been introduced during the reform period.

18. Countries have also taken advantage of improvements in information technology and the internet to reduce administrative burdens imposed on businesses and the community. Some countries have, for example, introduced systems for internet-based regulatory transactions which allow users to fulfil some requirements over the internet. This may include licence application and renewals, or notification of change of details.

19. Some countries have also introduced internet-based registers of formalities, where citizens can obtain forms online. Registers of legislation and rules can also be made available online (box 8). The value of such internet based approaches to reducing administrative burdens is likely to increase overtime as access to the internet increases.

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<th>Box 3. Internet-based registers of laws and regulations</th>
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<td>In Norway and Denmark, the full text of all primary and secondary legislation is available on free 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 on line free of charge with an archiving system going back to 1945.</td>
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Source: OECD (2003), From Red Tape to Smart Tape, Administrative Simplification in OECD Countries, Paris

Implementation

20. High-quality regulation requires an appropriate set of institutions to ensure regulations are successfully put into practice and the regulatory agenda moves forward according to plan. Regulatory policy needs to find its place in a country’s legal and institutional architecture: this is a major challenge for governments. Because the context in which governments work to improve regulatory quality is complex and remains fragmented, some form of central mechanism is needed that goes beyond the simple coordination of existing bodies scattered across government areas.

Central oversight body

21. Best practice amongst OECD countries suggests that a central oversight body is probably essential to the success of the reform program. In many cases these bodies are located in the Prime Minister’s Department or President’s office. In other, often smaller, countries a more decentralised approach has been adopted. But in either case there needs to be co-ordination on regulatory policy issues within government (see Box 12).

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<th>Box 4. Regulatory oversight bodies: the OECD experience</th>
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<td>The strongest central units to promote and oversee regulatory quality are in three countries with presidential systems: Korea, Mexico and the United States. All of them have established powerful bodies independent from the regulating bodies, with a variety of legal, procedural, and managerial authorities (Korea and Mexico have created high-level commissions, the United States has built regulatory quality management into its central management and budgeting institutions). Presidential systems have the capacity for cross-cutting, top-down policy reforms, and have a tradition of institutional structures to carry out presidential policies.</td>
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In countries with relatively weak centre of government co-ordination and management functions, this trend is less apparent. However, increasing attention has been paid to co-ordination between agencies with responsibilities for particular aspects of the regulatory reform programme. In the Netherlands, the Ministries of Justice, Environment and Economic Affairs now co-operates in providing “helpdesk” service that is at the heart of attempts to improve RIA standards across the administration. Many countries, including Germany, Japan and Portugal have also created independent high-level commissions to assist in determining the shape of regulatory reform policy.

Source: OECD (2000), Regulatory Policies in OECD Countries, Paris

22. In some OECD countries, like France and Italy, Administrative Simplification Agencies having the promotion of administrative simplification policies as its sole or primary objective has been created. Following other organisational approaches, 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 (Single Purpose Entities).

23. Adequately resourced (in terms of funding and trained staff) central oversight or co-ordination bodies can play a number of key roles in the reform process, including:

- ensuring a ‘whole of government’ approach is taken to reform;
- acting as an advocate of quality regulation and good regulatory governance; and
- providing technical support to those applying regulatory tools.

24. The role of government ministries and their support is also crucial, but coordination is difficult to achieve when ministries are in separate ‘stove pipes’, that is, horizontal links between them are not strong. Regulatory reform is a horizontal policy which cuts across all ministries which formulate and implement government policy. Central oversight or co-ordination bodies may help overcome this problem, to some extent, and encourage increased dialogue and interaction between the different ministries. But ultimately the ministries themselves must commit to regulatory reform and ensuring regulatory quality.

25. In addition, advisory councils – including representation from business and consumer interests – can help maintain momentum, provide advice and make information more widely available. They can provide the opportunity for members of the public to participate directly in the reform process and thereby create a sense of ownership in the process and constituency for further progress. They can also play an important role in communicating the benefits of reform to the community, a role that is strengthened when they are considered independent from government.

26. Setting up consultation mechanisms, with the stakeholders as well as with the public at large play an important role in the identification of the sectors and procedures on which simplification programs should be carried out, to survey business and citizens views on red tape, or to measure the administrative burdens.

27. As experiences in OECD countries indicate, consultation mechanisms can help to enhance openness, legitimacy, and participation in the development and implementation of administrative simplification strategies, thus improving their overall effectiveness and efficiency.

Administrative simplification: the way forward

28. Administrative simplification aimed at streamlining administrative procedures, and reducing the bureaucratic burdens for citizens and business should be an identifiable policy integrated within the
broader governance agenda, to promote transparency and accountability in the public sector, which can contribute, at the same time, to improve competitiveness and economic growth.

29. The starting point to introduce changes is not easy to identify, as countries differ in their institutional and cultural constraints, in their public policy goals and in the extent to which they may consider certain economic sectors to fulfil public service functions.

30. The growing devolution of powers to supra and sub-national levels also poses new challenges of assuring regulatory quality and policy coherence, so that vertical coordination mechanisms across levels of government are increasingly recognised as important factors to achieving administrative simplification.

31. Finally, advances in the use of IT can have a strong impact on administrative simplification strategies. Many programmes, such as one-stop shops, burden estimation, paperwork reduction, and mapping of permit requirements are strongly facilitated by computer technology. The 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 and increasingly administrative simplification policies are becoming explicitly integrated and important parts of governments' e-government plans. OECD Countries experiences show how an effective implementation of administrative simplification strategies and tools can contribute to good governance and economic performance.
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For further information

For more information on OECD work on Regulatory Management and Reform, please visit our website at http://www.oecd.org/regreform

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