

## Cutting Red Tape: National Strategies

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### Introduction

Cutting red tape is a priority on the political agenda. Businesses and citizens complain that they spend much time and devote significant resources to activities such as filling out forms, applying for permits and licences, reporting business information, notifying changes, etc.

Red tape is costly, not just in time and money spent filling out forms but also in terms of reduced productivity and innovation in business. This is particularly burdensome to smaller businesses and may even discourage people from starting up a new business. These effects are more costly in global markets, where the efficiency of the domestic regulatory and administrative environment can affect business competitiveness.

Governments have tried to cut red tape in recent years, making administrative regulations more cost efficient, and removing the administrative burden from many areas of activity. But now new concerns are emerging.

Attention has shifted to removing barriers to trade, investment and entrepreneurship. Many developing countries are giving priority to cutting red tape. The World Bank's *Doing Business* annual report, which surveys nearly 200 countries, includes administrative burdens as a key variable in competitiveness. Here, cutting red tape is just part of a range of policies designed to enhance performance and productivity, and so cannot be treated as a single, separate issue.

Clearly, a complete halt to regulation is not a viable option. The solution lies in adopting rigorous regulatory quality programmes, to create regulations that meet quality standards. Previous OECD work on administrative simplification focussed on the tools governments could use to cut red tape, but governments are now moving towards more comprehensive programmes to reduce red tape and to measure their progress in achieving it. This Policy Brief looks at the progress achieved so far, and what more governments can do to make their administrative systems simpler and more efficient for all concerned. ■

## How to cut red tape?

Governments have worked to cut red tape in different ways, as is only to be expected given different government systems, differing priorities and different levels of development in reducing the administrative burden of regulatory policy. However, it is possible to identify a number of overall trends in the development of administrative simplification and burden reduction policies across over 20 OECD countries.

Many governments are now embedding programmes to cut red tape within their overall regulatory quality systems. In the past, administrative simplification was often undertaken on an *ad hoc* or sectoral basis. In most OECD countries there is now more of a “whole-of-government” approach to reducing burdens. This contributes the most significant innovation of recent years: a break with the past.

Strategies to simplify regulations focus on two dimensions: examining the administrative burden that will be introduced by new regulations before they are implemented, and reforming existing burdensome regulations.

Although the majority of countries still put greater emphasis on reviewing existing regulations than on reforming them, there is a trend towards examining new legislation or regulation before it is introduced to try to minimise any new administrative burdens. This is mainly done during the Regulatory Impact Assessment (RIA) process – an exercise to determine the likely effect of any new regulation before it is implemented.

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

One of the limits of such attempts to improve rule-making before the event is that prior estimates of the potential burden of regulation sometimes differ from the actual burdens experienced in practice. To address this issue an automatic review process can be introduced under which regulations are reviewed after they are implemented to ensure that they are having the intended effect. This allows the performance of regulation to be checked against initial assumptions.

Some countries have also introduced special procedural measures to assess the impact of regulation on small and medium enterprises (SMEs) in particular, including the assessment of alternatives that might accomplish the stated objectives while minimising the impact on small businesses. Other approaches require specific consultative procedures to be undertaken to ensure adequate representation of the views of small businesses. ■

### Why are quantitative targets increasingly common?

Measuring the burden of regulatory procedures has also become an important part of the burden reduction programmes of many countries. The focus of the measurement exercise (and subsequent burden reduction programmes) tends to be on business, often with special consideration for small and medium sized businesses, but there has also been a trend towards measuring and reducing the burdens imposed on others, including private citizens and the not-for-profit sector.

The sophistication of the measurement techniques varies between countries, but the trend is clearly towards more sophisticated and accurate techniques that allow a very detailed examination of the source of administrative burdens. In 2005, 19 of the 22 countries reporting had a government programme to reduce administrative burdens; 14 had established a system for measuring burdens and 9 had quantitative reduction targets. Specific time-bound targets are likely to become more widespread.

In many cases, measuring systems are based on the Standard Cost Model (SCM) developed in the Netherlands, which has been introduced or adapted by a number of other countries. The SCM consists in breaking down legislation into “information obligations” to measure the burden that a single obligation imposes on business. The strength of the model is not only its high level of detail in the measurement of administrative costs, but also the fact that the numbers obtained are consistent across policy areas. Moreover, the model allows governments to set numerical targets for burden reduction and to measure progress towards these targets over time.

In 2003, some European countries formed an informal network – The SCM Network – committed to using the same methodological approach when measuring administrative burdens. The network consists of Austria, Finland, Germany, Ireland, Latvia, Luxembourg, the United Kingdom, Norway, Sweden, Denmark, Belgium, Flanders (Belgium), the Netherlands, France, Hungary, Italy, the Czech Republic, Poland and Estonia. ■

### What tools can help?

There are tools that governments can use to cut through red tape, and to ensure that they manage their requests for information and regulatory requirements in a way that minimises the time and resources needed to comply by those affected by the regulations. Such tools or mechanisms not only help ensure that governments can fulfil their aim to cut red tape; they also improve the transparency and accountability of administrative regulations.

The basic tools used for administrative simplification, such as one-stop shops and process re-engineering, have remained effective and are still being used in OECD countries. One-stop shops offer a place where businesses and citizens can obtain all the information necessary for their query, or can process different transactions, such as filling out an application. Process re-engineering, as its name implies, refers to simplifying an administrative process, such as applying for a licence, and is principally used in cutting red tape for business.

What has changed in recent years is the increasing use of technology in cutting red tape. One-stop shops, whether for filling out a tax form or applying for a business licence, are increasingly offered online rather than in a physical office, for example. This raises issues of co-ordination among ministries and government agencies. E-government services may be increasingly linked in future to provide a “whole-of-government” access point.

Many of the tools and programmes developed in OECD countries have focused on reducing administrative burdens imposed by the central government. But there has also been an increasing trend towards considering the burdens imposed by lower levels of government and to adapting and using the simplification tools that have been developed and tested at the central government level at lower levels as well.

The focus is not entirely on the use of electronic methods of achieving burden reduction, however. Process re-engineering, including the simplification of licensing procedures, continues to play an important role in reducing administrative burdens in member countries, and this applies to the content of the forms to be filled in, rather than whether they are distributed on paper in an office or via a website. Here too, the focus is often on the central level of government; more could be done to reduce burdens imposed by lower levels.

Making it less burdensome to comply with regulations is another important objective. Innovations in this area include adopting risk-based approaches, so that low-risk businesses can be identified, thus reducing unnecessary inspections or data requirements; or modifying thresholds, for example the minimum turnover requiring a business to register for VAT, to reduce the burdens on small and medium sized businesses. Other measures include providing more advice to firms on how to minimise burdens; and ensuring

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### Box 1.

#### KEY POINTS FOR CUTTING RED TAPE

- Reducing administrative burdens should be a part of making good laws. This objective also contributes to making administrative cultures more responsible and service-oriented.
- Policy trends include:
  - ❖ A focus is generally on burdens imposed on businesses (often with a particular focus on small and medium size businesses) but there is increasing consideration given to the burden imposed on citizens and others in the community; and
  - ❖ Quantification of burdens and evidence-based approaches to burden reduction are becoming increasingly important – and the techniques are increasingly sophisticated and detailed. Measurements are being used to trace burdens to their source.
- In terms of administrative simplification tools there is a trend towards greater use of electronic and web-based platforms to support traditional tools such as one-stop shops.
- Reducing the number of licenses – especially those required by business – continues to be an important tool used in many countries to reduce administrative burdens.

that there is adequate notice before new legal and regulatory measures come into effect. ■

### How to identify best practice in cutting red tape?

OECD countries have adopted a wide range of tools and approaches to reduce administrative burdens, depending on the history and culture of the individual country as well as the government's main aim in cutting red tape. However, it is possible to draw up a list of "best practice" tools that have been found to be useful by most governments in battling administrative burdens:

- measuring the likely burden of new regulations before they are implemented and using this information to trace burdens to their source (however, there are different measurement methodologies available);
- information about the extent of estimated administrative burdens is increasingly being included in Regulatory Impact Analysis prior to the introduction of new regulations;
- targets for burden reduction are being set and used to promote simplification in the first place and to monitor progress and maintain the momentum for further simplification and burden reduction;
- political oversight of very burdensome measures;
- codification (grouping together existing regulations in a particular area in a single regulation) remains an important tool for simplification;
- information technology is an important tool for reducing burdens, for example, through data sharing, and simplifying licence procedures; and
- results must be communicated. Measurement can help show that progress has been made. ■

#### Box 1. (cont.)

#### KEY POINTS FOR CUTTING RED TAPE

- There has been less innovation in terms of the institutional and organisational structures used to achieve administrative simplification. However, consistent with the overall trend towards embedding simplification within broader regulatory quality systems, there is a trend for administrative simplification to be included as a responsibility of the body responsible for overall regulatory quality.
- Business sees administrative burdens as part of regulations as a whole. The challenge for governments is to communicate results of efforts to cut red tape, which may represent only a fraction of total compliance costs.
- The trends and developments observed in this report raise some key considerations for the future development of administrative simplification programmes:
  - ❖ How long does it take to show results? What are realistic targets?
  - ❖ How will governments evaluate resources required and allocate them between administrative simplification programmes and broader regulatory quality objectives?
  - ❖ How can simplification efforts be extended to lower levels of government, to regulation of government by government?

### Who is responsible for cutting red tape?

Once governments have decided to cut red tape, someone has to be responsible for actually carrying out the work to reduce the administrative burden. There are essentially four organisational models in use in OECD countries to cut red tape.

*Single purpose entities* promote one particular aspect of simplification, such as plain language or cutting red tape for particular groups or sectors. *Administrative simplification agencies* promote simplification across the board, for businesses, citizens and the public sector, rather than focussing on one particular tool. *Regulatory reform agencies* include cutting red tape as part of their work on improving the quality of regulations, and *external committees* are bodies set up by government to cut red tape, usually made up of a majority of non-government representatives such as academia and business organisations.

No single model is appropriate in all countries – the institutional structure chosen will depend on the political and legal structures in each country and the objectives and priorities of the government. However, a number of trends over recent years show how the process is developing.

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

### Where do we go from here?

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

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

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

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

Governments also need to consider ways in which sub-national levels of government can be incorporated into the administrative simplification and regulatory quality process. Administrative simplification programmes have focused primarily on regulations emanating from the central government. However lower levels of government can be responsible for imposing significant administrative burdens and requirements on businesses and citizens. Communicating actions and results is a major challenge: public understanding and support are critical given that the push for change often comes from outside government, not from within. ■

For more information about the OECD's work on cutting red tape and other aspects of regulatory reform, please contact Flemming Norling Olsen, e-mail: [flemming.olsen@oecd.org](mailto:flemming.olsen@oecd.org), tel.: +33 1 45 24 18 68.

**For further  
information**



### For further reading

OECD (Paris, 2002), **Regulatory Policies in OECD Countries: From Interventionism to Regulatory Governance**, ISBN 92-64-19893-8, price € 48, 196 pages.

OECD (Paris, 2003), **From Red Tape to Smart Tape: Administrative Simplification in OECD Countries**, ISBN 92-64-10067-9, price € 69, 264 pages.

OECD (Paris, 2006), **Cutting Red Tape: National Strategies for Administrative Simplification**, ISBN 92-64-02978-8, price € 30, 108 pages.

OECD (Paris, 2005), **OECD e-Government Studies: e-Government for Better Government**, ISBN 92-64-01833-6, price € 35, 206 pages.

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