



# Quality through Transparency

## Smart Regulation: The Evolution and the Politics behind the German and European Efforts to Promote Better/Fair/Democratic Regulation

Dr. Johannes Ludewig  
Chair of the  
National Regulatory Control Council

Jerusalem, 03 March 2014

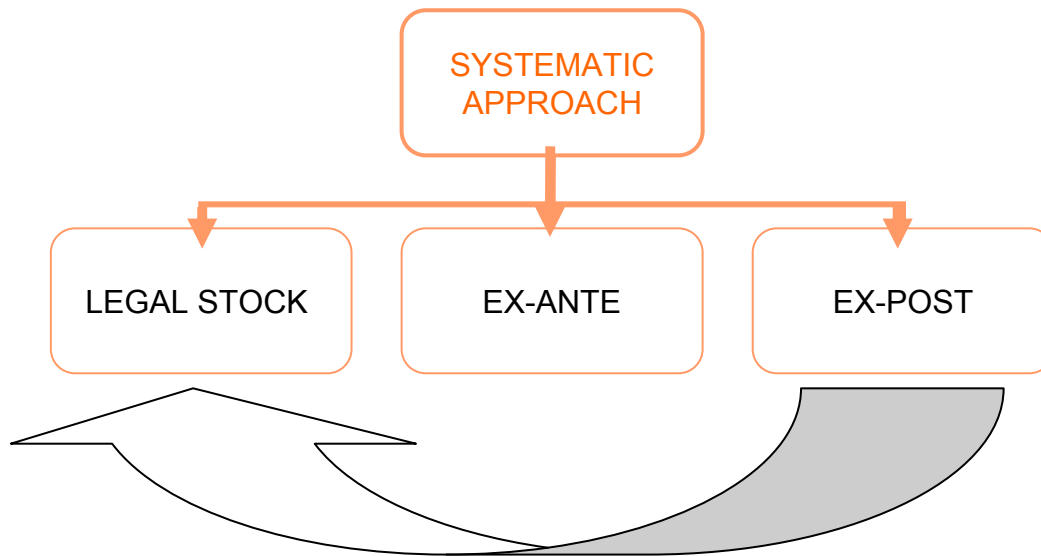


- Regulation is important in society
- Business, citizens and authorities are subject to a range of different obligations imposed by legislation

## What is SMART REGULATION?

**MAKING SURE  
THAT IT IS NEVER MORE COMPLICATED OR  
COSTLY  
THEN IT HAS TO BE**

Germany has a long tradition discussing initiatives for reducing bureaucracy  
(goes back to the 80s)




A **systematic quantitative approach**  
for the first time in 2006:  
„**Reduction of Bureaucracy and  
Better Regulation**“ programme

▶ Setting a net target to reduce  
bureaucracy costs to  
business by 25 per cent

▶ Establishment of an  
independent body of experts  
from various fields to advise  
and support the Federal  
Government

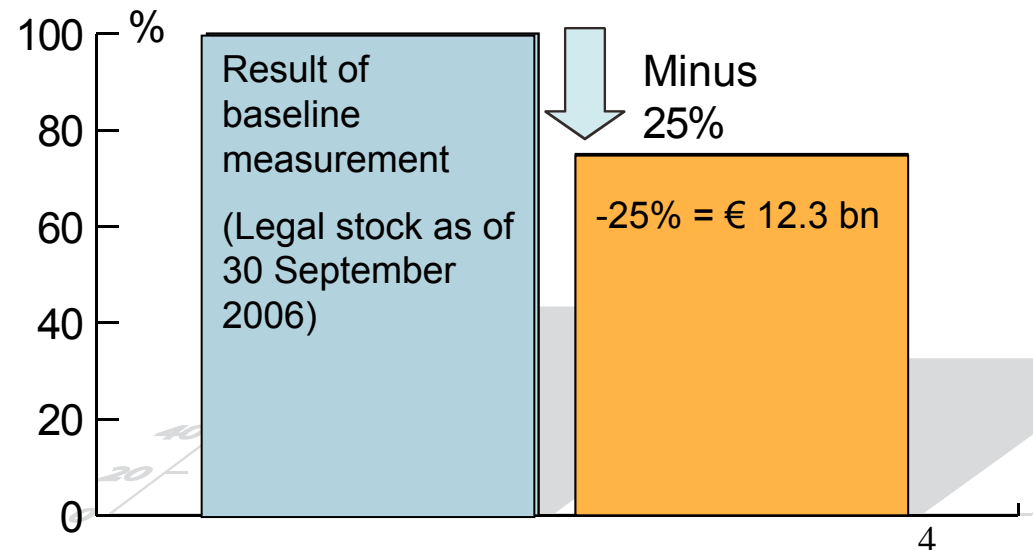
## REDUCING ADMINISTRATIVE BURDEN WITHIN THE LEGAL STOCK

 The entire legal stock was measured

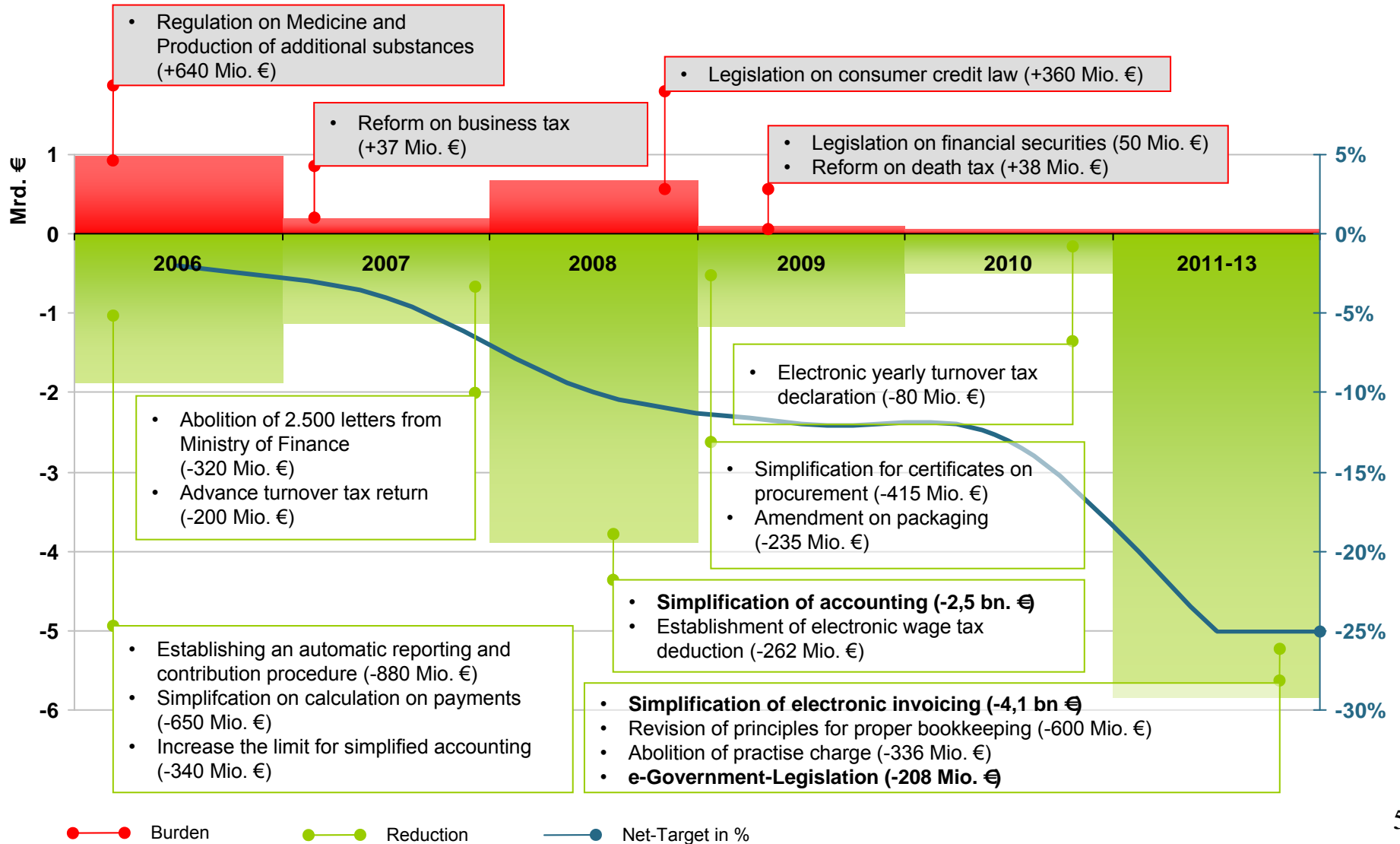
 Identification and adoption of reduction measures

By the end of **2011**, the Federal Government had eased the burden by **€11 bn**.

**In 2012 and 2013, additional measures** were introduced: **objective achieved**.



# Main initiatives for achieving the net reduction target of 25 %





## Simplification on accounting

### Reduction:

- €2.5 bn

### Content:

- **Reduction for business sector:**
- **Simplifying the preparation of annual accounts**
- For instance, the **threshold values** for the **definition of company size** categories „small, medium, and large“ **were raised**
  - -> more companies were categorised as smalls and/or medium-sized
  - -> they can **claim various exemptions** (e.g. with regard to financial statements)



## Simplification of electronic invoicing

### Reduction:

- €4 bn. a year

### Content:

- **Reduction for business sector:**
- The complex **process of electronic data exchange was simplified**
- Before, electronic invoicing was a rather costly method for enterprises
  - For sending electronic invoices enterprises had to comply with burdensome technical requirements



# Reduction of bureaucracy – cross-level examination in various fields: Example „student funding“

## Facilitating the application for students

- Essential for students in order to obtain financial support for studies from government
- **But burdensome procedures:**
  - filling in applications
  - dealing with applications
  - definitive decision on applications

## Results

- **Online application was introduced: The number of applicants benefiting from that simplification amounts to some 500,000**
- **Simplified software and procedures for authorities**
- **Definitive decision by ONE central point (instead of various authorities)**



## Reduction of bureaucracy – cross-level examination in various fields: E-Government



- ▶ aim 1: **reduce legal obstacles for implementing e-gov-solutions** (e.g. alternatives for written signatures, use of digital forms, possibilities of data exchange between public authorities)
- ▶ aim 2: **sensibilize legal professionals for aspects of e-Government**, stimulate the **communication between all users** (legal professionals, administrative users and IT experts)

**Simplified  
execution of laws  
due to  
E-Government**

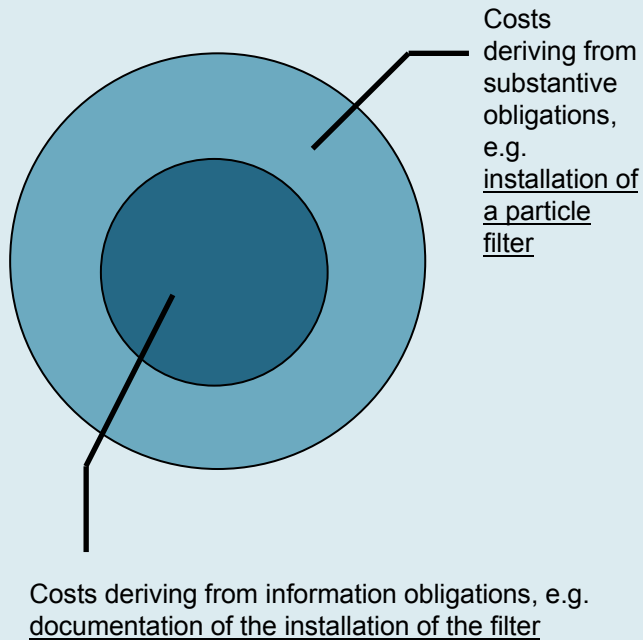
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**Less compliance costs:**

about 50 % of the relief to the business sector from the costs of bureaucracy is attributable to simplifications entailed by the use of digital IT.

## EX – ANTE: CONTROL THE FLOW

### What is part of compliance costs?



**Since 1 December 2006:** independent body assesses the **administrative burden** of each new proposal

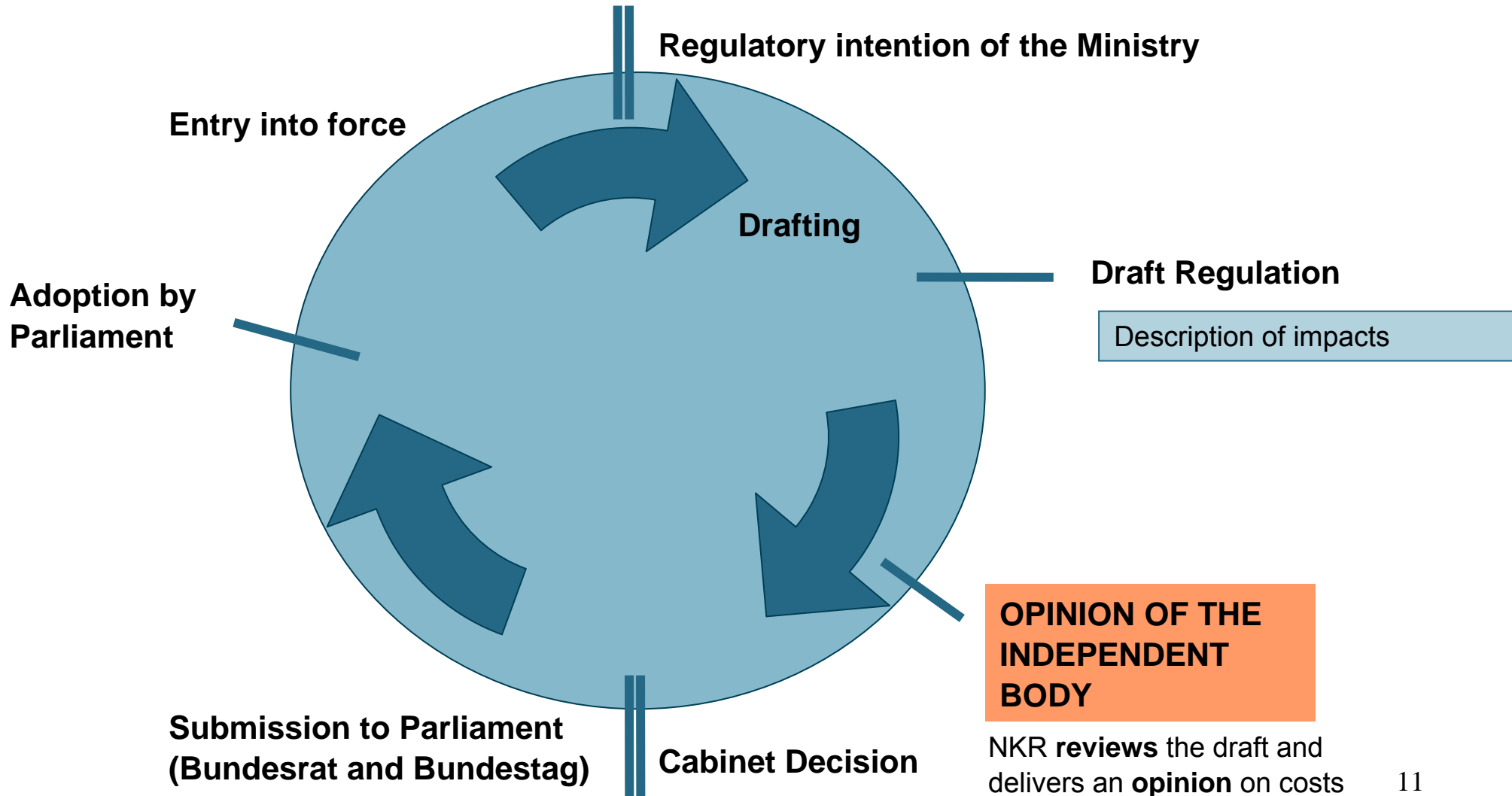


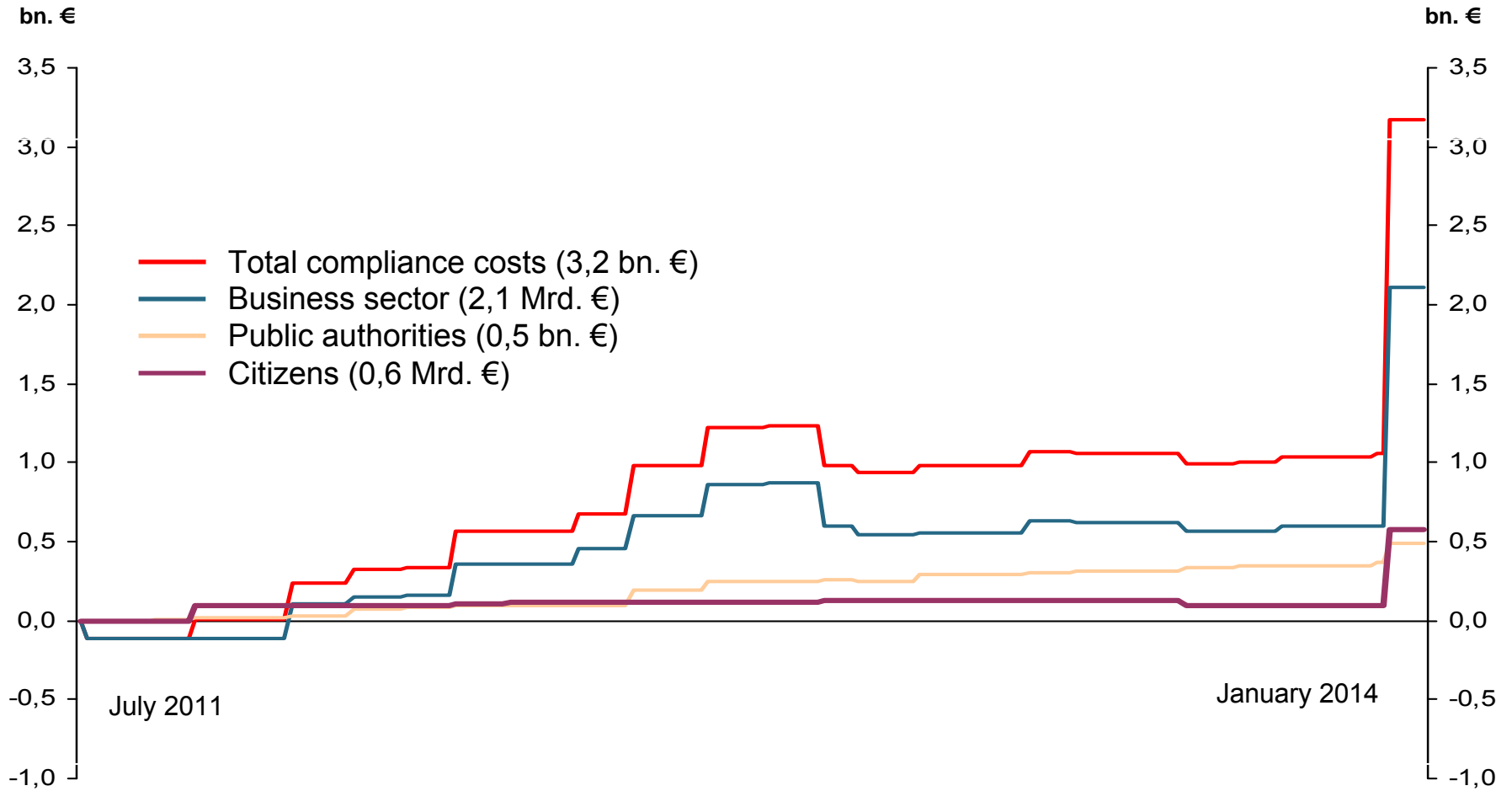
**Since July 2011** independent body assesses the **compliance costs** of each new proposal

### 2,5 years after ex-ante-procedure:

- **Assessment** of more than **750 legislative drafts**
- **Yearly costs** on average: **1,2 bn €**
- **On average: 49%** of costs from **EU Directives**

## EX ANTE PROCEDURE FOR EACH NEW PROPOSAL







## EX – POST

### IV. Conclusions

- Against the backdrop of reducing unnecessary financial consequences:
  - Adjustment of rules > new legislative procedure
  - Optimisation of the administrative process

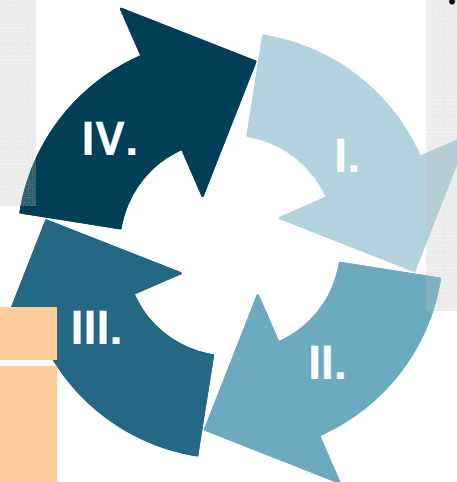
### III. Evaluation

- Usually takes place 3 to 5 years after a regulatory initiative has become effective
- Review of the evaluation criteria
  - Target attainment
  - Cost efficiency

### I. Legislative Procedures

- Federal Government Decision
  - Ex-ante stipulation of evaluation criteria in regulatory initiatives and/or the explanation relating thereto
  - For all essential projects (above a threshold of € 1 million for compliance costs)

### II. Implementation/Application of the Legislative Act



- For the first time a systematic approach has been introduced
- Study available on best practises on evaluation (UK, Sweden, Canada as well as the system of the EU-COM)

## EU System – Pillars of the smart regulation agenda

In 2002 the Commission established a method for impact assessment which assesses the **potential economic, social and environmental consequences of legislative initiatives**

### **Before the EU takes action,**

- the Commission publishes **roadmaps describing planned initiatives**
- Carries out **impact assessments** based on studies and stakeholder consultations

### **After EU action,**

- following implementation, **initiatives are evaluated** to check their performance
- **REFIT** (Regulatory Fitness and Performance Programme) identifies opportunities to reduce regulatory burdens and simplify existing laws
- **High Level Group of independent stakeholders** advises EU Commission to reduce administrative burden

## EU System – Reduction of admin burden in legislative stock

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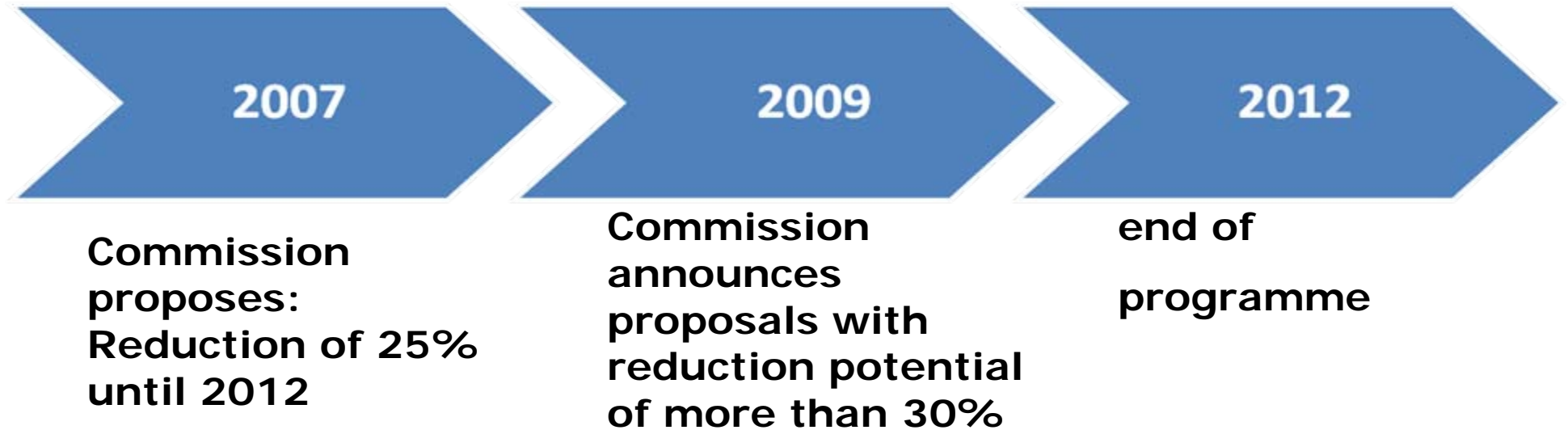
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- **HLG: High Level Group of independent stakeholders** advises EU Commission to reduce administrative burden

## Cornerstones of the EU programme Admin Burden Reduction HLG as an advisory board



Information obligation for enterprises

13 priority areas, 72 legislative acts

EU institutions to adopt respective proposals

RESULTS:

-> SEE NEXT SLIDE



## Results - EU programme Admin Burden Reduction

	Proposed by COM	In total
Value (Mio. €)	- 40 875	- 37 462
Value (in %)	- 33%	- 30%

### EXAMPLES

#### Two main reduction proposals by HLG:

-VAT e-invoicing which saved businesses **EUR 18,4 billion**

-Company law: Exemption of micro-enterprises from accounting rules, which could result in **EUR 6.3 billion** in savings



## Smart regulation - Main characteristics of different systems

### Germany

Ministries draft Impact Assessment for **all** proposals

Impact Assessment **based on the legislative draft, including impacts on**

- **budget**
- **sustainability**
- **compliance costs**

### EU

EU Commission drafts Impact Assessment for all proposals with **„significant impacts“**

Impact Assessment **assesses various alternatives, including impacts on**

- **economy**
- **environment and**
- **social issues**

## Smart regulation - Main characteristics in different systems

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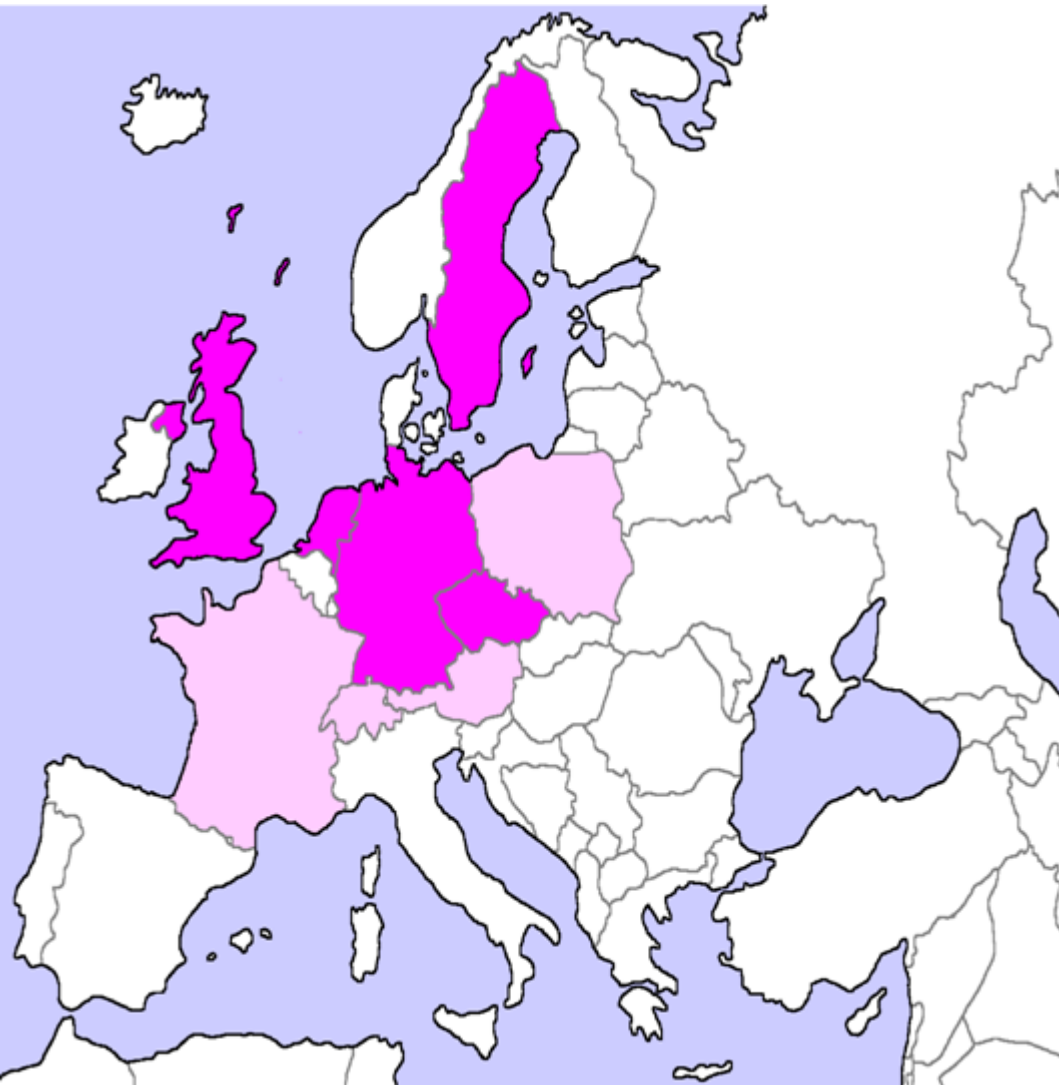
Public consultation **on the legislative draft**

Quality control of Impact Assessment through independent body with **external** experts

### EU

Public consultation **before drafting the legislation**

Quality control of Impact Assessment through body staffed with **internal** high level officials from the EU Commission



## Countries with an operational “Smart Regulation” agenda:

### Countries with independent bodies to advise their Government

UK

Netherlands

Sweden

Czech Republic

Germany

### Countries with internal Government bodies

France

Austria

Switzerland

Poland



## Conclusions on Smart Regulation



- **Agenda on „Smart Regulation“ is well established**
  - in many north-European countries
  - as well as on EU-level
  - also in other countries such as US, Canada, Australien
- **Result:**
  - **Awareness of impacts of laws through transparency**
  - **Improving the basis for decision-making**
  - **Reduction of costs in the legislative stock (setting 25 % reduction targets by some countries as well as on EU level)**

**But there is always scope for improvement - some countries do even more:**

- **For instance: UK with its system „one in – one out“**

## Contact

Nationaler Normenkontrollrat  
Willy-Brandt-Straße 1  
10 557 Berlin

Internet: <http://www.normenkontrollrat.bund.de>  
E-Mail: [nkr@bk.bund.de](mailto:nkr@bk.bund.de)