



Quality through Transparency

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

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Chair of the
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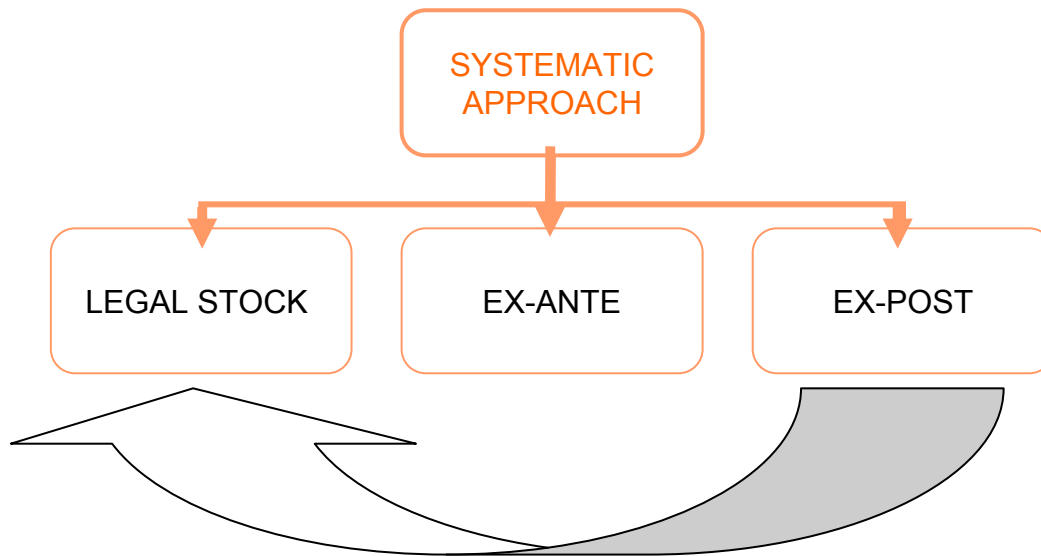


- Regulation is important in society
- Business, citizens and authorities are subject to a range of different obligations imposed by legislation

**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

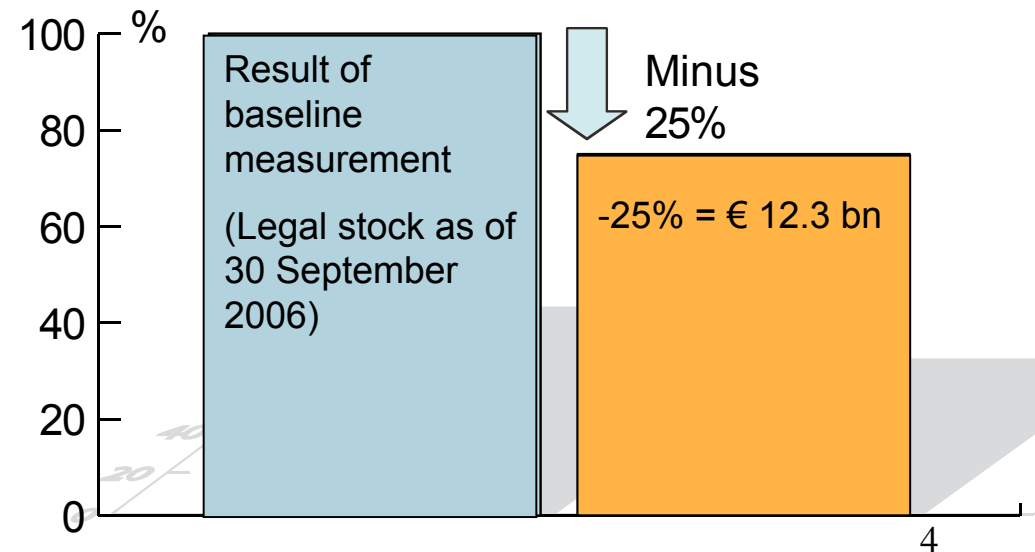
REDUCING ADMINISTRATIVE BURDEN WITHIN THE LEGAL STOCK

 The entire legal stock was measured

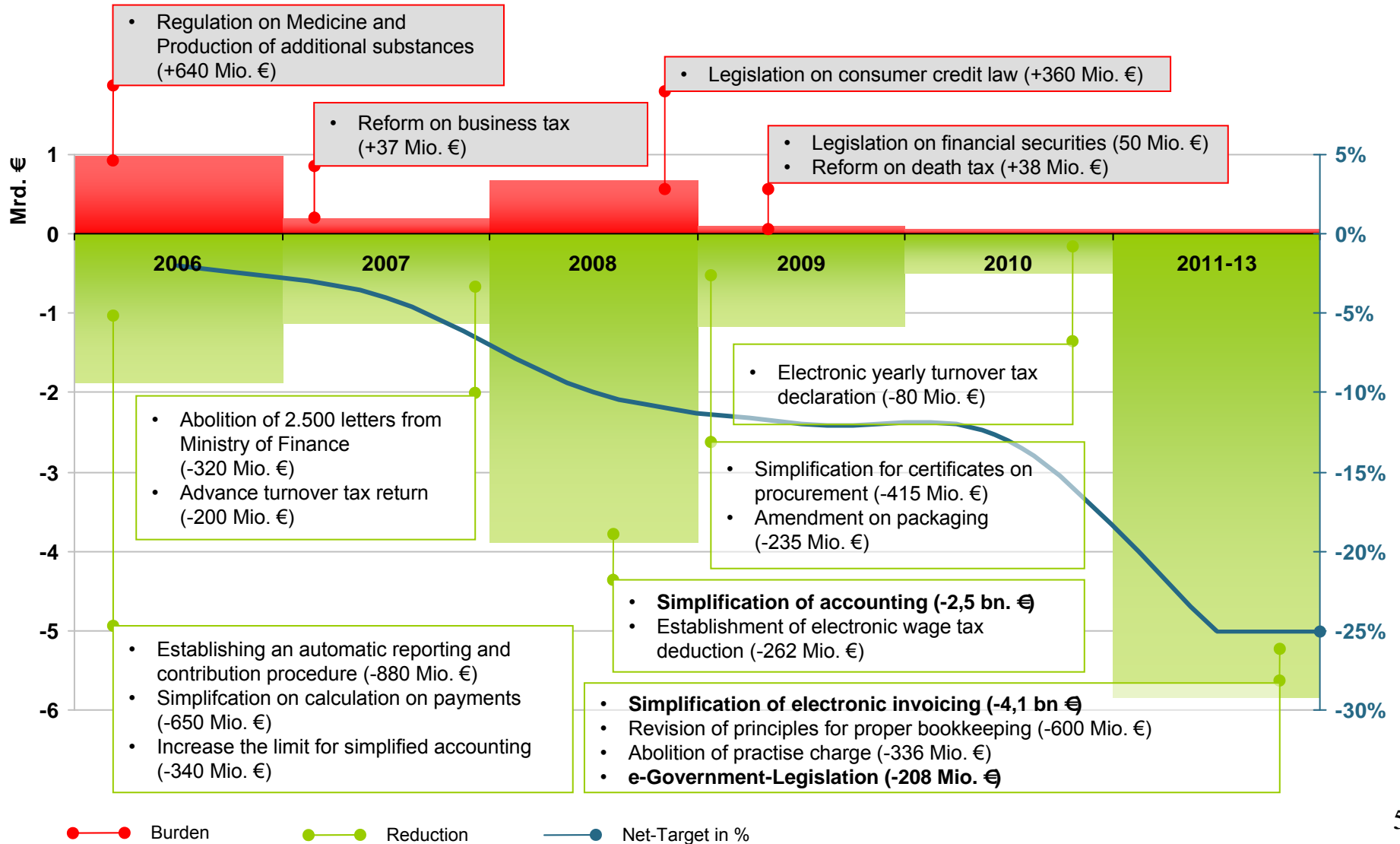
 Identification and adoption of reduction measures

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**

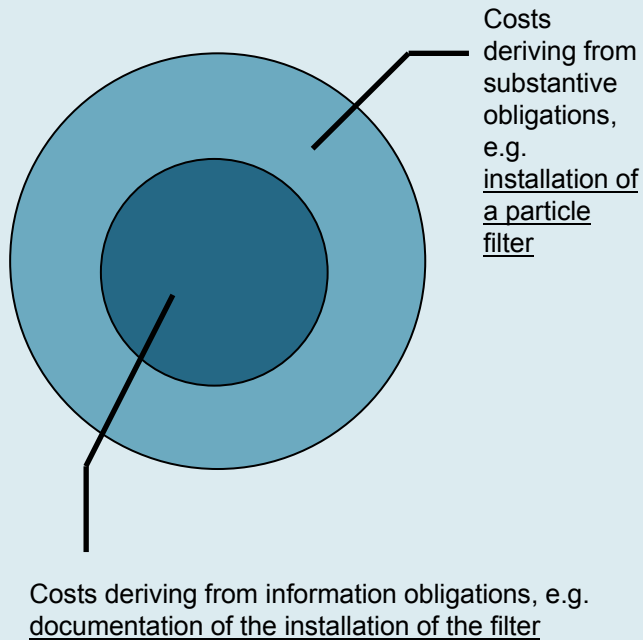
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Less compliance costs:

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

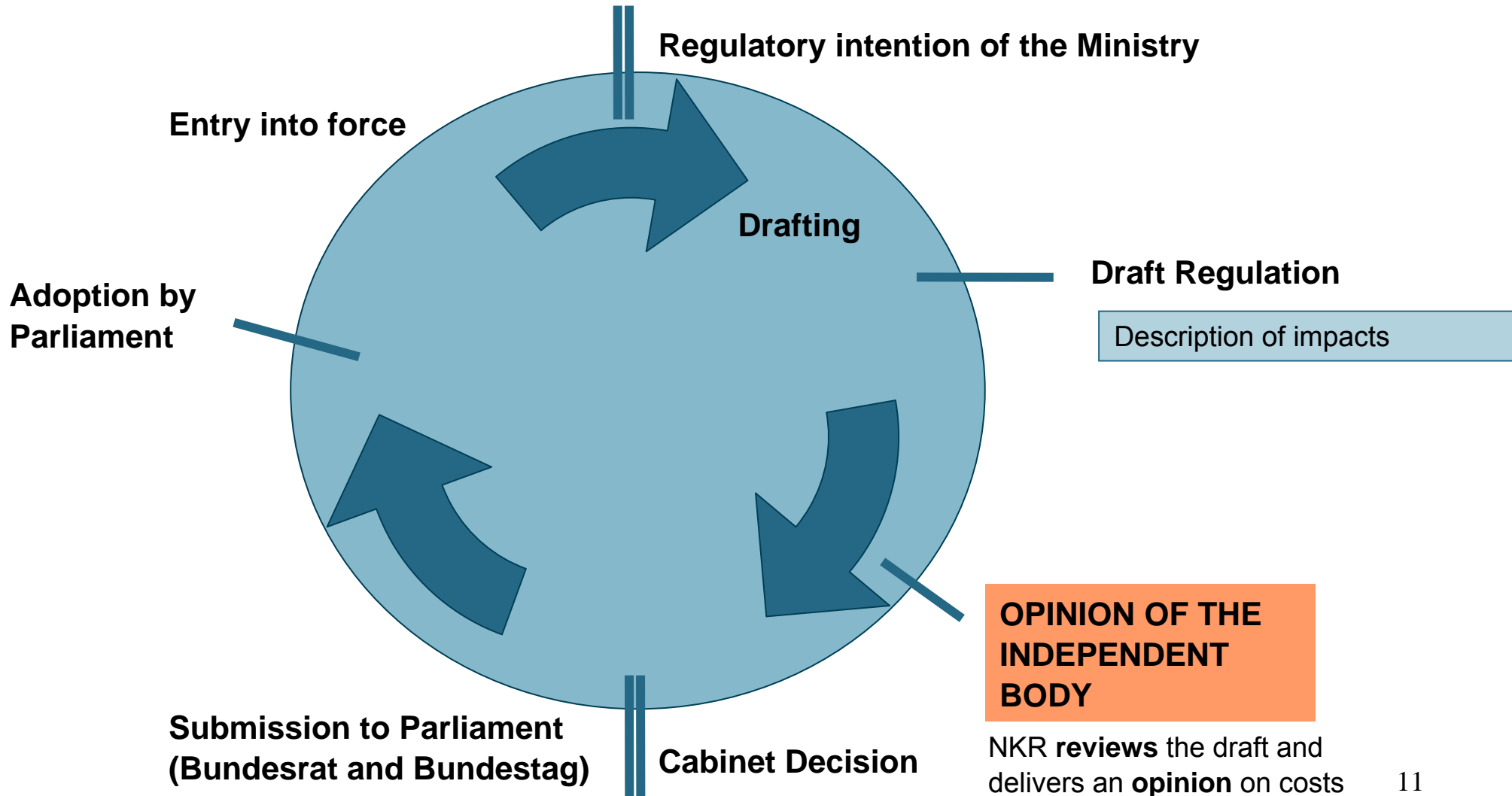


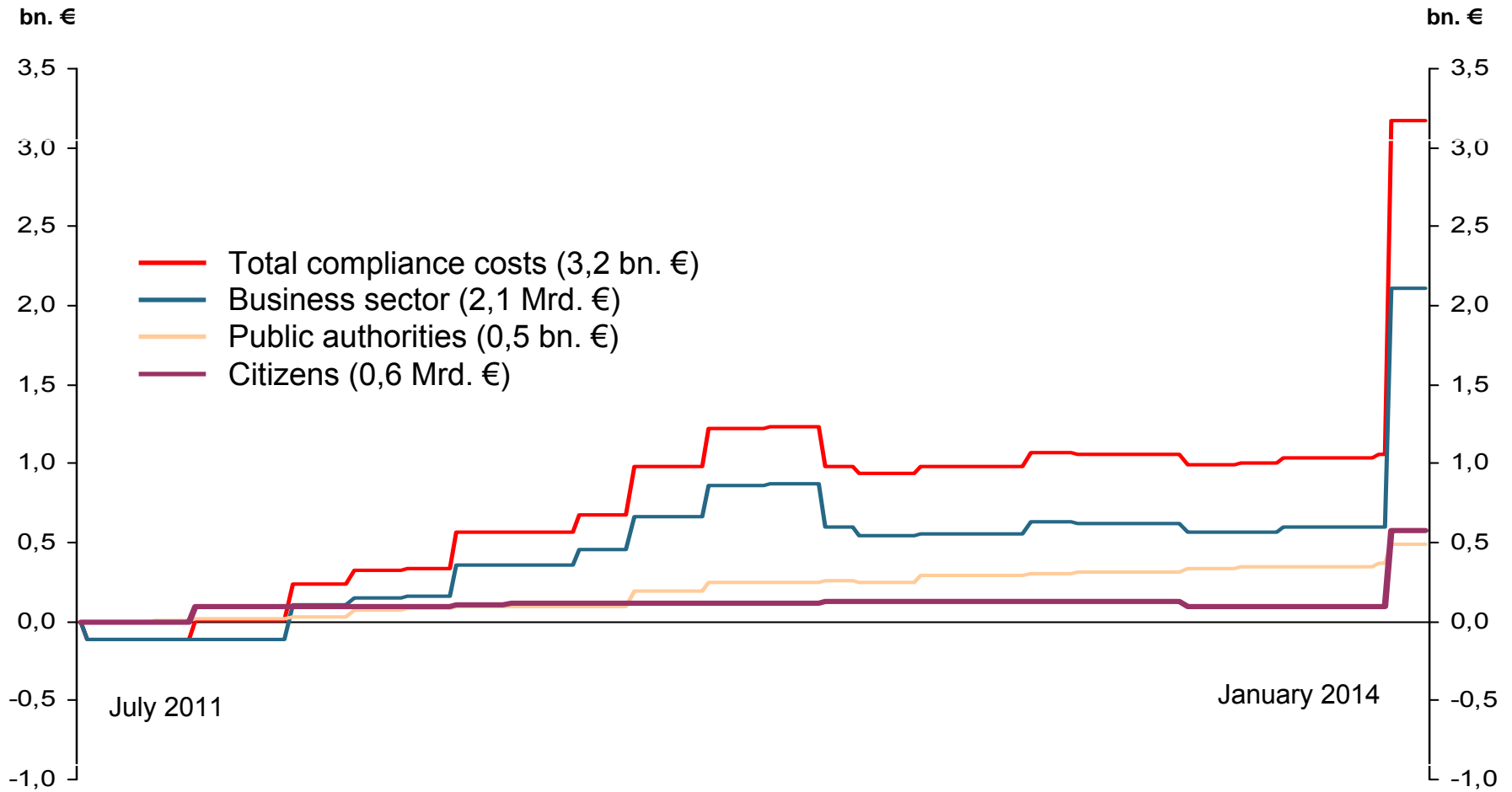
Since July 2011 independent body assesses the **compliance costs** of each new proposal

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

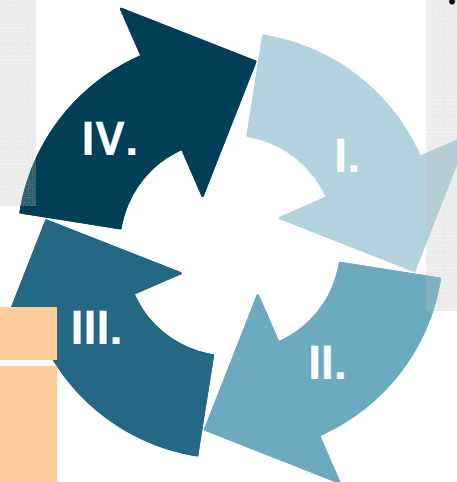
III. Evaluation

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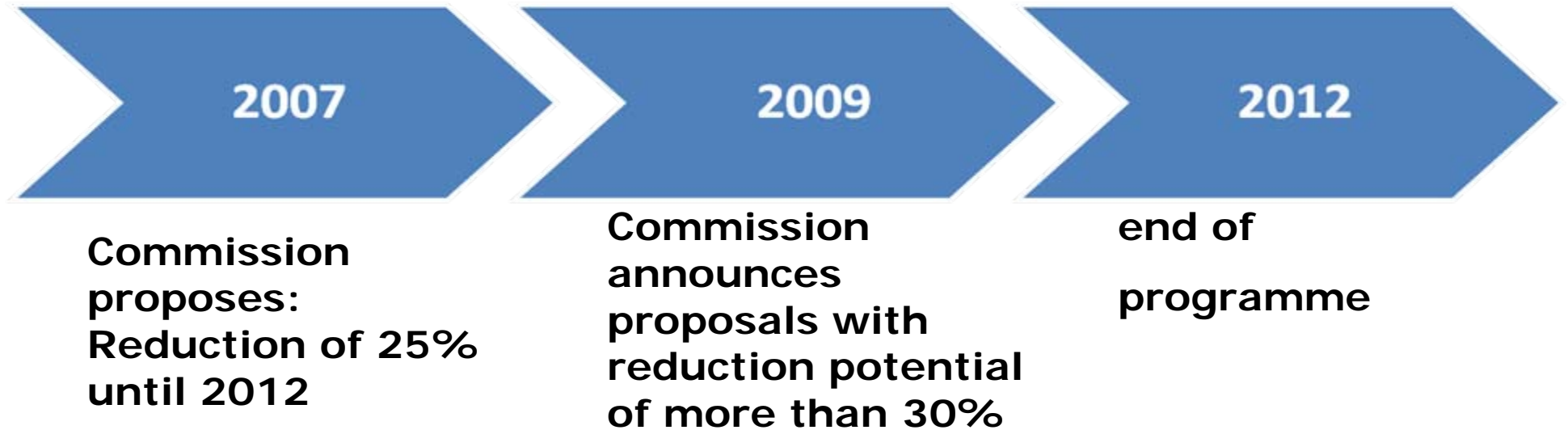
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Cornerstones of the EU programme Admin Burden Reduction HLG as an advisory board



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

Germany

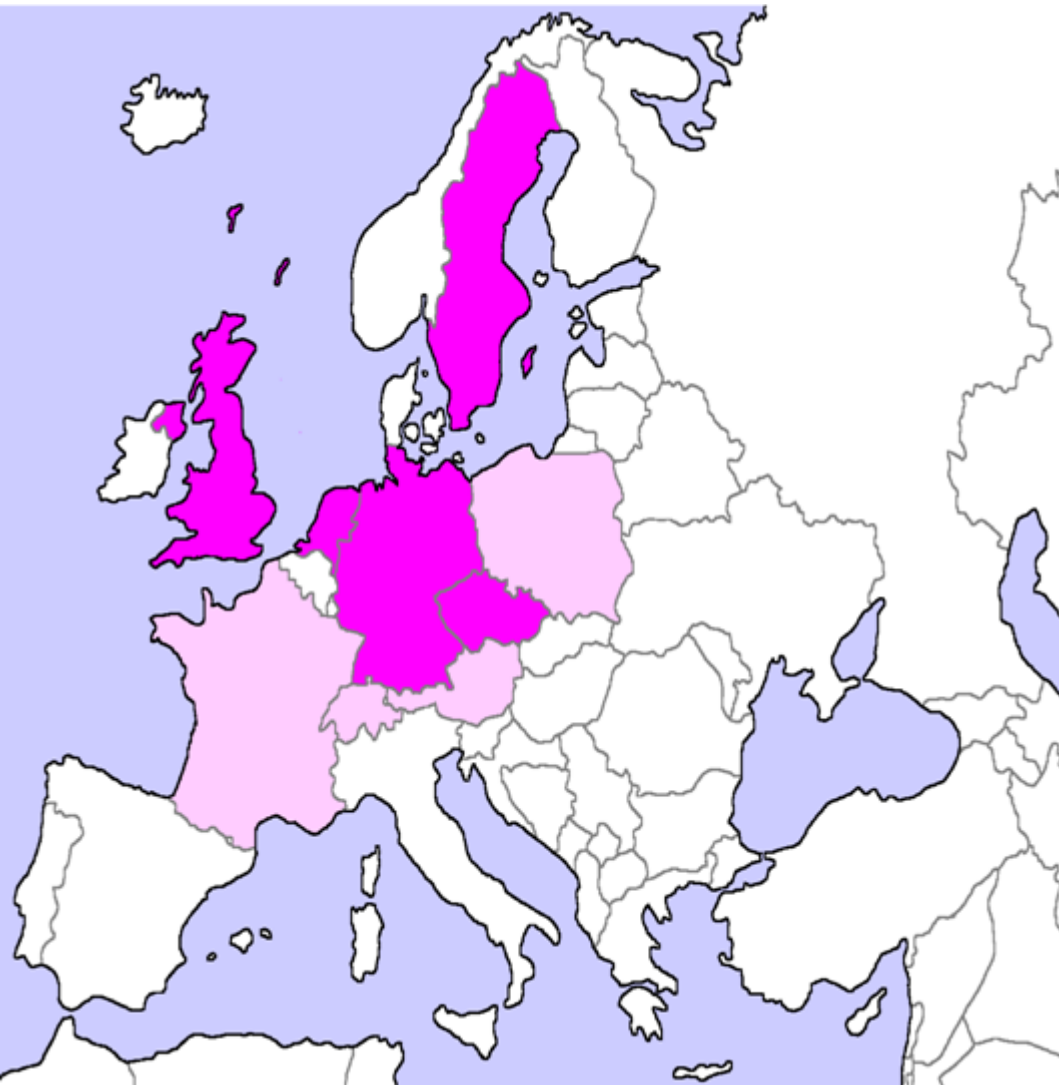
Public consultation **on the legislative draft**

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“**



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