

# **Guide to systematic simplification**

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## The Government wants to reduce the administrative burdens imposed on the business community

It is the objective of the Government to reduce the enterprises' administrative burdens with up to 25 % before 2010.

The government platform *Nye mål (New goals)* of February 18<sup>th</sup>, 2005 states that a systematic check should be made of the areas where simplification or digitalization of existing regulation would be possible.

*"Administrative burdens curb production and growth of enterprises. Therefore, the Government wishes to continue the effort to reduce the burdens for enterprises with up to 25 % by 2010. To do this, the Government maps the administrative obligations which are imposed on enterprises through business regulation. Subsequently, all ministries with business regulation will systematically assess the possibilities for simplification and digitalization."*

Nye mål (New goals) – February 2005, page 69

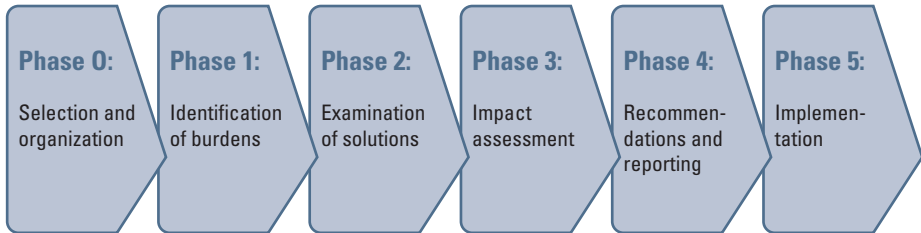
The effort will be based on the Standard Cost Model measurements completed in 2005 which, through mapping of the administrative burdens imposed on enterprises by legislation, will yield comprehensive new knowledge that can be used for the simplification. The Standard Cost Model is explained in more detail in the appendix of the guide.

The purpose of this guide is to introduce a range of tools and methods for how to go about the effort of simplification when the Standard Cost Model measurements have been completed. The guide contains good advice, checklists and templates that can make different choices and considerations during the simplification task easier to handle.

The guide is directed at the employees in ministries and agencies which are to participate in the systematic examination of their regulation – both at the management level as well as project managers and project participants in the working groups that are being formed for the individual legislative areas.

## CONTENTS AND STRUCTURE

The guide is centred on six phases which an ideal simplification task passes through:



**Phase 0** begins when the management of the individual authority has made the decision that a simplification task should be initiated. Phase 0 involves selecting which areas of regulation should be included in the simplification task as well as how the effort should be anchored and organized.

Phase 0 is primarily directed at the management level of the individual authority since it is in this phase the framework for the entire simplification task is defined.

**Phase 1** begins when the framework for the simplification effort is established. Phase 1 involves processing the results from the Standard Cost Model measurements and collecting contributions from enterprises and authorities in order to identify problems in the existing regulation. The purpose is – for use in the subsequent analysis – to get an impression of where the burdens lie in the existing regulation.

**Phase 2** begins when all problems and burdens concerning the selected areas of regulation have been identified. Phase 2 involves examining all possible solutions and uncovering which of the different tools for reducing administrative burdens would be relevant.

**Phase 3** begins when possible solutions have been identified for how to reduce the administrative burdens imposed on enterprises. Phase 3 involves weighing and assessing which positive and negative consequences the different solutions will cause.

**Phase 4** begins when all important consequences have been assessed. Phase 4 involves reaching conclusions from the analyses in the preceding phases, reporting on the results and recommending final decisions. Some solutions can be implemented purely by administrative means, while others demand a political decision. Accordingly, phase 4 also involves finding the right format for the report.

**Phase 5** begins when the management or the political level have decided which simplification initiatives should be carried out. Phase 5 involves making sure that the solutions are put into effect and that changes are communicated to the outside world, including the affected enterprises.

Phases 1-5 are directed particularly at the employees who are engaged in the actual simplification task.

## **HOW TO READ THE GUIDE**

The guide contains a section for each phase. Each section describes the intended product of the phase and ideas for how to carry out the task. At the end of each section, there is a checklist that can help to ensure that everything has been considered.

The guide can be used as step by step guide for carrying out the ideal simplification task, but it can also be used as reference, for example by using the checklists or a certain template.

## **ABOUT THE BACKGROUND**

As can be seen from the six phases, simplifying regulation is a demanding task. On the other hand, experience shows that it is a good idea to take a systematic approach.

The recommendations in this guide are based on experience from a pilot project on systematic simplification carried out by The Danish Ministry of Taxation, The Danish Ministry of Economic and Business Affairs and The Danish Ministry of Finance. The purpose of the project, which was completed in 2004-2005, was to carry out analyses of three burdensome areas of regulation (the Danish Financial Statements Act, the Danish Value Added Tax Act and the Act on Statistics Denmark) with the aim of reducing the enterprises' administrative burdens. Furthermore, the purpose of the project was to test the ability of the Standard Cost Model to measure the administrative burdens imposed on the business community.

The result of the project was that – based on a systematic examination of the Standard Cost Model measurements – significant reductions in the administrative burdens imposed on the enterprises were identified within these three areas. On average, the simplification effort is expected to cause a 20 % reduction in the identified administrative burdens within these areas. Moreover, additional reductions will follow since a range of areas has been chosen for further analysis.

### **ADDITIONAL INFORMATION**

Additional information can be found at [www.regelforenkling.dk](http://www.regelforenkling.dk). This serve as an inspiration during the individual phases. As an example, this includes additional guides or examples.

Enquiries concerning this guide can be made to:

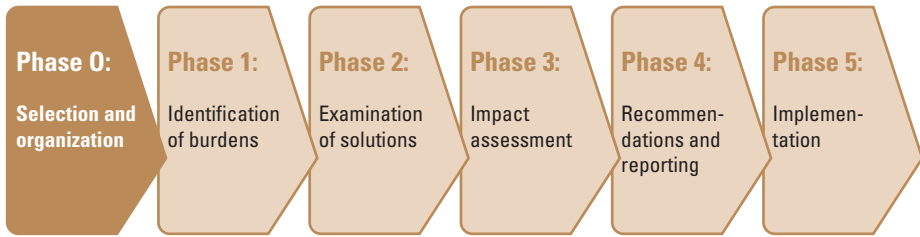
- Danish Ministry of Finance, the 14th division:  
[deprkkt@finansministeriet.dk](mailto:deprkkt@finansministeriet.dk), phone: 33 95 18 42
- The Division for Better Business Regulation in the Danish Commerce and Companies Agency (CKR): [ckr@eogs.dk](mailto:ckr@eogs.dk), phone: 33 30 75 22.
- The Ministry of Taxation's Simplification Unit: [ledse@skm.dk](mailto:ledse@skm.dk).

# **Phase 0:**

## **Selection and organization**



## Phase 0: Selection and organization



With the Standard Cost Model measurements available, phase 0 involves defining the framework for the subsequent simplification task.

### PHASE 0 IS OVER WHEN

- the areas of regulation which should be included in the simplification task have been selected
- clear objectives for the effort have been set and
- the actual process has been organized and manned

### PRIORITIZING THE SIMPLIFICATION EFFORT

The simplification task is defined according to whether the task should involve an entire ministerial area or whether the focus should be on a single law or a few laws. Furthermore, the organization of the simplification effort should reflect the desired short-term and long-term results. In other words, the effort must be prioritized since the desired 25 % reduction will probably not be achieved in one single process.

Ministries with considerable regulation of enterprises can form several working groups in order to divide the simplification process/task in the case when several large legislative areas are not directly connected to each other.

### WHICH AREAS OF REGULATION SHOULD BE

**SIMPLIFIED?** There are two primary sources that can be used when selecting areas of regulation and when determining the level of ambition, cf. box 1.

### **BOX 1. Sources for selecting areas of regulation for simplification**

#### **The Standard Cost Model measurements**

Top 10 lists, irritation burdens and identification of legislation that are closely connected to each other

#### **Mixed committees**

Simplification suggestions and wishes from enterprises and trade organizations

The Standard Cost Model measurements of the business legislation within the ministries provide a complete overview of the size of the administrative burdens and the distribution across the individual ministerial areas. **The Standard Cost Model reports** will thus be a natural starting point for an overall strategy for reducing administrative burdens imposed on the enterprises.

The Standard Cost Model reports include lists of the most burdensome legislative acts and ministerial orders and express which obligations and requirements that the enterprises themselves find difficult or irritating. The exact problems and burdens concerning the regulation are identified and further analyzed in phase 1.

It is important to notice that administrative activities for enterprises in one area might be regulated in several different laws – even across ministerial areas. Accordingly, when simplification of a given area is initiated, it is necessary to examine whether the selected legislative acts or ministerial orders are connected to legislation in other areas. If so, changes in one set of rules might have consequences for the enterprises' handling of other obligations and requirements imposed by the authorities. If the administrative burdens are distributed across two or more legislative acts or executive orders, this will be evident from the Standard Cost Model measurements.

It is always relevant to ensure coordination of the effort in relation to other areas of legislation. It is also relevant to select areas of regulation which professional organizations or enterprises single out as areas in the need of simplification. Accordingly, the **mixed committees** that are to be formed by the ministries will be a suitable forum for receiving input from trade organizations and representatives for the enterprises. The mixed committees are described in the appendix at the end of this guide.

## HOW TO ORGANIZE AND MAN THE SIMPLIFICATION TASK?

A satisfactory and successful simplification effort puts great demands on organization and manning. Experience from previous simplification shows that anchorage at the highest level of management is crucial for the success of the simplification task. This ensures that the simplification task will be supplied with sufficient resources and granted the necessary authority for subsequent realization of the results. In addition, the management has a special responsibility to ensure that the goal of the simplification task is clearly communicated to the entire organization in order to give the effort the necessary support. Finally, several different competences are required during the task, and this is why the individual working groups should be varied in its composition. Box 2 gathers a range of good advice concerning organization and manning.

### BOX 2. Good advice for organizing the simplification task

- **The simplification effort should be anchored at the highest level of management within the authority – preferably at the manager and permanent secretary level**
  - the management approves the terms of reference/project description
  - sufficient resources are set aside for the simplification task
- **A project description for the effort is prepared which:-**
  - contains a clear description of the delegation of responsibilities
  - sets measurable goals for the effort
  - defines deadlines for handing in intermediate results and the final goal
- **The project is manned with the appropriate competences, including:**
  - experts on the area with knowledge and experience of the specific area of regulation
  - generalists and staff with executive functions within the appropriate departmental area, for example members of the management or the like
  - new staff members who will pose new/different questions
  - staff with knowledge of impact analysis
  - involvement of other people, for example from other ministries or individuals with knowledge of the Standard Cost Model measurements and the administrative processes within the enterprises.

Previous experience shows that it is important to involve people who have knowledge of the different impacts the suggestions will have. The potential impact ranges from the authority's internal budgets (for example expenses for the development of own IT systems) and the state expenses to any additional considerations regarding the existing regulation on the area. If these people are not directly part of the project group, an alternative would be to involve them regularly when needed. If this is the case, sufficient time should be allocated for validation by relevant staff members since experience shows that this job is demanding (cf. the description in phase 3).

Besides the permanent members of the working group, it could be a good idea to draw on a range of other competences during the process. For instance, this could be individuals from other legislative or appropriate departmental areas – especially if there is a close connection between the area to be simplified and different adjoining legislation – or staff with knowledge of the Standard Cost Model measurements. It is also important to involve people with knowledge of the work processes in the enterprises (for example representatives from enterprises and trade organizations) since they possess actual knowledge of which solutions will cause improvements for the enterprises. Likewise, the opinions of the business community can be considered through the mixed committees that will be formed in 2005.

## CHECKLIST FOR PHASE 0

Below is a list of questions that can be used to check whether everything has been considered before the transition to phase 1.

1. Has a clear goal been set for the specific simplification effort, and is the goal connected to the Government's overall goal of reducing the burdens for the ministerial area with up to 25 % before 2010?
2. Have the purpose and goal for the effort been clearly communicated to all members of the staff who will be involved in the simplification task?
3. Has the effort been clearly defined with respect to the legislative acts and executive orders that should be further analysed?
4. How much weight do these legislative acts carry in the Standard Cost Model measurements of the administrative burdens of the enterprises?
5. Has the connection between the selected legislative acts and other pieces of regulation been considered?
6. Have the special interests of the enterprises and the line of business regarding the selected areas of regulation been considered?
7. Has the way the different parts of the business community should be involved in the process been considered?
8. Does the staff who will be in charge of the task possess the necessary qualifications and competences (knowledge of the specific area of regulation, knowledge of the administrative processes in the enterprises, experience with impact analysis, knowledge of the Standard Cost Model measurements and experience from simplification tasks)?
9. Have sufficient time and resources been allocated for the simplification effort, including time for internal and external coordination?
10. Has a proper project plan or terms of reference been prepared for the effort in the individual working group including indications of intermediate deadlines, delegation of responsibilities and the final goal?

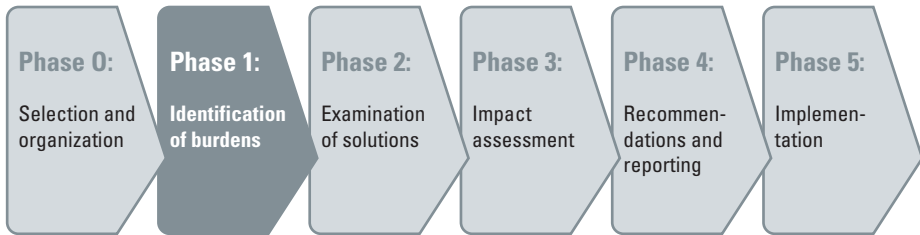


# **Phase 1:**

## **Identification of burdens**



## Phase 1: Identification of burdens



Phase 1 begins when one or several areas of regulation have been chosen for simplification and working groups have been formed for the analysis of the areas. In this phase the task is to identify the enterprises' administrative burdens which subsequent tasks should attempt to reduce.

The definition of administrative burdens indicates that the focus is on the administrative workload imposed on the enterprises by regulation. This can be both tasks that are very time-consuming and tasks that for different reasons are considered pointless or frustrating by the enterprises.

### PHASE 1 IS OVER WHEN

- a gross list has been drawn up of the administrative burdens and "irritation burdens" that should be further analysed and
- any uncertainty of the cause of the burdens has been clarified

During this phase a premature attempt should not be made to assess whether the problems are big or small or whether there are possible solutions. These assessments are made in subsequent phases.

### SOURCES FOR THE IDENTIFICATION OF BURDENS

Overall, there are three primary sources that can be used to identify administrative burdens in existing regulation – and as a result the parts of the regulation that should be systematically examined in preparation for simplification, cf. box 1.1.

#### BOX 1.1. Sources for the identification of burdens

1. The Standard Cost Model measurements
2. Enterprises and organizations
3. The authorities

The following describes in more detail how these sources can be used.

## **1. THE STANDARD COST MODEL MEASUREMENTS**

The Standard Cost Model measurements of the enterprises' administrative burdens represent a significant tool in this phase. The measurements include a range of information that can be put to use when prioritizing the simplification effort.

### **Burdensome information obligations and data requirements**

It emerges from the Standard Cost Model measurements how time-consuming or expensive the different information obligations and data requirements are. In general it should be relevant to proceed with the most burdensome information obligations and data requirements – both for the business community as a whole and for the individual enterprises.

By also examining the distribution of the burdens across the activities in the enterprises, it should be possible to gather additional input for focusing the effort. As an example, the distribution across the activity level will be able to show whether the gathering of information in the enterprises or the actual report is the most resource demanding activity for the enterprises.

Some of the most burdensome information obligations and data requirements will be evident from the Standard Cost Model report that has been drawn up on the legislation within the specific ministerial area. However, the greater part of this detailed information (the information obligation, data requirements and activity level) can be found only in the Standard Cost Model database. The ministries will be able to extract detailed information from the shared database that holds all the Standard Cost Model measurements, cf. box 1.2.

### **BOX 1.2. Searching the Standard Cost Model database**

Extracts from the Standard Cost Model database can give detailed information on the composition and distribution of the burdens.

In the database, a range of standard reports has been defined in advance for the simplification process in the ministries. The standard reports will for instance include detailed information on:

- Administrative burdens per legislative act or executive order
- The distribution of burdens across information obligations
- The distribution of burdens across data requirements
- The distribution of burdens across administrative activities in the enterprises
- The distribution of burdens across different enterprise segments
- The amount of administrative burdens due to subsidy schemes, certificates and regulation requirements
- The distribution of burdens across manual and digital reports
- The distribution of burdens in relation to international (including EU) or national regulation
- The amount of enterprises affected by the individual obligations

In addition to the standard reports, it will also be possible to order special extracts with specific information.

Standard reports and special extracts can be obtained on application to The Division for Better Business Regulation in the Danish Commerce and Companies Agency (CKR) which house the complete database containing the Standard Cost Model measurements.

In the long term, the aim is to let the ministries themselves extract a range of information from the database directly from the home page at [www.amvab.dk](http://www.amvab.dk)

### **Suggestions from the enterprises for simplification and improvement**

The Standard Cost Model measurements will include suggestions for simplifications and improvements made by the enterprises during the interviews. The suggestions are included in the Standard Cost Model report and can both provide a source of inspiration for actual suggestions for solutions (cf. phase 2) and indicate the areas which should be investigated further in relation to existing regulations.

In some cases the suggestions from the enterprises or their description of burdens are based on misunderstandings. Naturally, a systematic simplification analysis of the area should not be conducted in these cases, but it should be considered whether the misunderstanding is the result of a general need for better information and guidelines.

### **"Irritation burdens"**

The problems pointed out by the enterprises are not necessarily the same as those described as expensive in the Standard Cost Model measurements. This may be because of a conflict between the legislative requirements and the normal workflow in the enterprise or some other reason that makes the administrative obligations a source of irritation – for example if the enterprises are unaware of or unable to understand the purpose of the regulation. In general it should be relevant to investigate whether regulation within these areas could be simplified in a way that also reduces the *perceived* burden.

## **2. ENTERPRISES AND ORGANIZATIONS**

Additional input from the enterprises or their trade organization also represents an important source of information for the identification of problems within existing regulation. In particular, the mixed committees formed by the ministries in 2005 will represent a valuable source of inspiration (cf. appendix).

### **Complaints from enterprises**

An examination of the complaints received by the authorities from enterprises regarding the specific field (e.g. about rulings) might contribute to the identification of problems within the area. The number of complaints could reflect the vagueness of the regulation or that it is difficult to understand or apply in the daily workflow in the enterprises.

### **Enquiries from organizations and enterprises**

Occasionally, the authorities receive enquiries from the organizations in the business community or the individual enterprises. The enquiries are received in the form of responses to hearing requests, letters from the public and the like, and they can contain suggestions for simplifications or draw attention to problematic regulation. An examination of such enquiries and suggestions can contribute to the identification of the problems which would be relevant to include when continuing the simplification task.

At the business portal virk.dk, enquiries can be sent to a mailbox for burdens in which enterprises can report their experiences with difficult and poor regulation. The comments are forwarded to the relevant ministries and they can represent a source of information to the identification of relevant problems.

### 3. THE AUTHORITIES

Often, individual authorities are actually able to single out the areas where existing regulations need to be investigated – this knowledge has been obtained through experience with the actual administrative procedures and administration of the regulation. There might also have been conducted prior examinations of the area which have identified possible problematic issues.

#### Comparison

It is always interesting to conduct a close comparison of areas where administrative burdens imposed on Danish enterprises at first sight appear to differ from the level of burdens in countries to which we tend to compare ourselves. A close analysis of such areas might provide new knowledge and inspiration for the simplification of an area. There is a trend toward a rising number of European countries to map the enterprises' administrative burdens using methods which resemble the Danish Standard Cost Model. This facilitates a comparison of the level of burdens for the same regulation, cf. box 1.3.

#### BOX 1.3. A comparison of administrative burdens within the VAT area in Denmark and Sweden

The table shows the results of a comparison between the administrative burdens when complying with the regulation on VAT declaration in both Denmark and Sweden respectively

	Time per report (min)		Number of annual reports		Administrative costs at community level (mill. Dkr.)	
	DK	S	DK	S	DK	S
VAT payable	11	6	1.096.514	4.281.372	47	105
VAT receivable	18	32	1.096.514	4.281.372	78	559
EU purchase of goods	12	6	210.121	554.856	10	14
Sales to countries outside of EU	5	6	170.270	390.972	3	10
EU purchase of goods	5	6	130.551	281.868	3	7

Continued on the next page

### BOX 1.3. Continued

	Time per report (min)		Number of annual reports		Administrative costs at community level (mill. Dkr.)	
	DK	S	DK	S	DK	S
- The buyer's VAT identification number	10	30	130.551	107.036	5	13
- List information	41	30	73.168	107.036	12	13
Mixed business	60	42	3.355	955.092	1	164
Letting of property	45	60	10.864	302.052	2	74
Handling						
3 VAT rates		240	0	220.536	0	216
Handling						
2 VAT rates		120	0	608.112	0	298
Logistics	11	30	1.096.514	4.370.496	49	535

The example shows that the same underlying EU regulation has been implemented differently in Denmark and Sweden and that this leads to different levels of burdens for the enterprises in the two countries. The Swedish enterprises suffer heavy burdens when administrating as much as three different VAT rates. Similarly, a range of Swedish enterprises pay and report their VAT more frequently than Danish enterprises of the same size. In this way, these differences can draw attention to areas where a possible change in the regulation will reduce the enterprises administrative burdens.

The comparisons can also be made between authorities that have fairly uniform regulation. As an example, it would be relevant to compare across areas to gain knowledge of which administrative systems work well or cause fewer burdens than similar systems.

### NEED FURTHER CLARIFICATION?

A closer investigation of some of the issues raised can be necessary in order to arrive at a concrete description of the conditions that should be changed. This will ease the task of finding relevant solutions. If the Standard Cost Model measurements reveal that a given data requirement is very burdensome for a specific group of enterprises, it might be difficult for the authority to know how the amount of time used can be reduced. In such cases it would be relevant to contact some of the affected enterprises (or representatives of the industry) to get a clearer picture of the problem.

## CHECKLIST FOR PHASE 1

The following checklist can be used to make sure that all tasks in phase 1 have been solved.

1. Does the gross list of problems contain both the heaviest burdens imposed on the business community as a whole and the heaviest burdens at the enterprise level?
2. Has the Standard Cost Model database been checked for data requirements and activities that are particularly burdensome?
3. Has the qualitative input from the enterprise interviews in connection with the Standard Cost Model measurements been examined?
4. Has input been gathered for identification of problems from a mixed committee on the area, and have invitations been sent to additional relevant interested parties to help with the identification of problems?
5. Have complaints and enquiries from the citizens concerning this area been examined, and has knowledge from case officers and the like been gathered?
6. Have comparisons been conducted to the administration of similar regulation in other countries (including any possible results from the Standard Cost Model measurements in other countries)?
7. Have comparisons been made with corresponding information obligations and data requirements or adjoining legislation within other areas of regulation in Denmark?

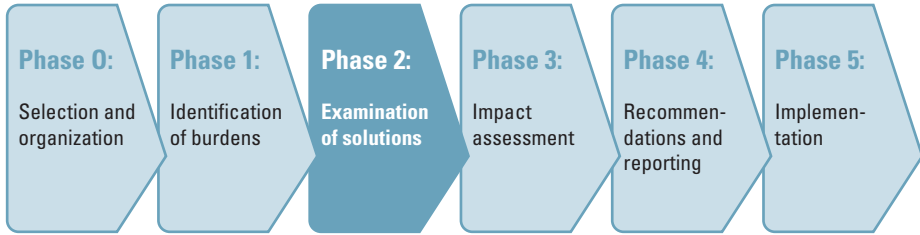


# **Phase 2:**

## **Examination of solutions**



## Phase 2: Examination of solutions



When the administrative burdens have been closely identified and analysed during phase 1, phase 2 consists of an examination that should identify the changes that could reduce the administrative burdens imposed on the enterprises when complying with the regulation.

### PHASE 2 IS OVER WHEN

- an appropriate amount of screening forms for scanning solutions to the individual problems and burdens which were identified during phase 1 have been filled out, and
- a gross list has been made of solutions which should be investigated further in the following phases

In this phase it is important to consider all possible solutions. The focus should be on creativity and generating ideas to ensure that possible solutions are not discarded because of considerations of the impact of the suggestions.

### IS THE REGULATION NECESSARY?

The first question the working group should try to answer is whether the regulation on this area is necessary at all. In some cases it might be relevant to use alternative kinds of regulation, cf. box 2.1.

#### BOX 2.1. Alternative regulation tools

Traditional order and prohibition regulation describes the obligations of the enterprises or citizens and what is allowed and what is not. Traditional legislation will also describe how the authorities should monitor that the regulation is observed.

In some situations it can be an advantage to use alternatives to traditional regulation – for example by using different kinds of financial or non-financial means. The purpose of using alternative regulation tools is that goal fulfil-

*Continued on the next page*

**BOX 2.1. Continued**

ments are based on creating specific incentives or a common interest among the parties involved, e.g. through voluntary agreements. The advantage of alternative kinds of regulation is that it invites more flexible solutions for the affected parties.

The alternatives to traditional regulation will in some cases be able to reduce the enterprises' administrative burdens. In other cases alternative regulation will cause administrative tasks for the enterprises in the same way as traditional obligations and requirements. The extent of the administrative burdens will in such cases depend on how the exact regulation is shaped and which means the enterprises have at their disposition when handling the requirements, e.g. if digital report solutions are available.

If regulation is still necessary, all possible changes that can reduce the administrative burdens should in principle be considered. During this phase, it will be a good idea to check the way actual simplifications and reductions in the administrative burdens have been achieved within other areas by applying different solutions.

In general no solution is better than the next. It will be a combination of the purpose of the legislation, the content of the set of rules, the nature of the affected enterprises and the level of ambition for the simplification effort itself that will determine which simplification tools that are possible and relevant to use in the individual case. However, experience shows that the best results can be achieved by a combination of different tools.

**WHAT ARE THE AVAILABLE SIMPLIFICATION TOOLS?**

Simplification and reductions of the administrative burdens that will be of benefit to the enterprises can be achieved in a number of ways. The most extensive initiative would be to abolish the enterprises' administrative obligations (abolish the information obligations). At the other end of the spectrum are for instance better guidelines about the regulation or a restructuring of paper forms to digital copies. As an example, the latter makes it easier for the enterprises to report information, but the kind of information to be reported is not changed.

Box 2.2 lists a selection of different tools for the simplification and for creation of reductions in the administrative burdens.

## **BOX 2.2. Simplification tools**

### **Simplification of rules**

Material changes in a set of rules, for example the removal of a report obligation or freeing some enterprises from the obligation.

### **Administrative simplification**

Changes in the workflow at the administrative authorities which will be of benefit to the enterprises – for example by gathering information from other authorities rather than gathering information from the enterprises.

### **Digitalization**

Digital solutions, for example reports via the internet using fields filled in advance which reduces the process of gathering information in the enterprises or the use of direct transfer of data from the enterprises' IT systems to the authorities.

### **Better information and service**

The authorities' effort when it comes to providing the enterprises with information on how the regulation should be understood.

### **Connection to other areas of regulation**

The different sets of rules should be coherent in relation to each other, even across appropriate departmental areas.

Note: Examples of the different simplification tools in the screening tool can be found on page 25.

### **Simplification of rules**

Material simplification of rules – in which the requirements imposed on the enterprises are completely removed – is one of the most well-known tools for creating simplifications and reducing the enterprises' administrative burdens. At the same time, it is often a controversial tool since the simplification will often be considered to be done at the expense of the original purpose of the law. It is, however, always relevant to consider whether there is a reasonable relationship between the administrative burdens within a given area and the goal that forms the basis of the legislation.

Besides, there are other options than simply removing the specific information obligation. Freeing groups of enterprises from specific burdens or changing the time for making reports and the basis for calculations can lead to considerable savings for the affected enterprises, cf. the example below.

### **EXAMPLE 2.1. 800 ENTERPRISES ARE FREED FROM SUBMITTING THE INTRASTAT REPORT**

Statistics Denmark gathers information on the enterprises' foreign trade which is used for the European trade statistics, Intrastat. The EU regulation on gathering statistics has been changed so that the statistics should cover 97 % of the total trade instead of the previous 98 %.

Previously, Statistics Denmark had freed enterprises with an export of less than 2.5 mill. Dkr. a year from the obligation. The change in the requirements and an analysis of the previous percentage of the total trade made Statistics Denmark lower the threshold value to 4.6 mill. Dkr. Similar changes have been made regarding import, and the aggregate result is that 800 enterprises will not be required to make the Intrastat report.

#### **Administrative simplification that benefits the enterprises**

When looking at legislation which imposes administrative burdens on enterprises in the shape of a report requirement, it should be considered whether all reported information is necessary or whether the authority would be able to gather the information from a different source. This can reduce the enterprises' administrative burdens which would otherwise tie up time and resources.

Another time-consuming activity for the enterprises is when the authorities' handling of the cases is ineffective which could, for instance, cause long delays in the consideration of administrative procedures. When considering regulation and the planning of the authorities' workflow, it should always be considered whether the existing system contains unnecessary administrative barriers or irritations for the enterprises.

#### **Digitalization**

Digitalization is one of the central tools in the effort of reducing the enterprises' administrative burdens. Digital administration makes new technical tools available which can create better coherence and rational workflows in the administration. The new possibilities provide a chance for coming up with new ideas and comply with the enterprises' wishes of better service and reductions in the administrative burdens. Examinations show that the best digital solutions reduce the amount of time used by the enterprises on administrative tasks considerably while giving rationalization benefits for the authorities as well.

There are many different kinds of digital administrative solutions, and experience shows that there are great differences in the size of the reductions in the administrative burdens and rationalization in relation to the different solutions. The least innovative type involves solutions in which existing paper forms are simply transformed into a digital copy. The most innovative type involves solutions in which the workflow is built from scratch and the result is intelligent and coherent report sequences that are coordinated between authorities. An example of the latter is the digital report of sickness benefits (see the example below).

### **EXAMPLE 2.2. DIGITAL REPORT OF SICKNESS BENEFITS SAVES TIME**

At the business portal [virk.dk](http://virk.dk), a test has been carried out with digitalization of the sickness benefit forms. Through a series of questions to the user, the same sequence automatically fills one or more of the 15 different sickness benefit forms that are relevant. With the use of digital signature a lot of information is filled automatically, and the report is sent digitally to the authority. An examination shows that the enterprises that used this solution during the test period found it to be very advantageous and wishes to use it in the future. The greatest advantage is that on average the time used with the paper forms was reduced by 42 percent. Accordingly, the solution will be implemented nationwide.

### **Better communication leading to reductions in the administrative burdens**

Today, much regulation is complex, and the wordings of the legislative acts are not always easily understood. Accordingly, the enterprises might have difficulties understanding how the legislation affects them. As a result the enterprises get irritated and perceive the administrative obligations as needlessly burdensome. Better information and service is thus one of the means to improve the enterprises' impression of the administrative obligations.

A focused effort to improve the communication to the affected enterprises and a strengthened service effort towards the business community might improve the enterprises' understanding of the legislation. This will also entail a beneficial effect for the authorities. Good and targeted communication of the legislation makes sure that the legislative acts will be complied with when they are put into effect, and the authorities will receive fewer enquiries from

enterprises that are uncertain how the regulation applies to them. Prior examinations have shown that the enterprises are not always aware of the different opportunities they already have to reduce parts of the administrative burdens. For instance, interviews with a range of enterprises as a part of the Standard Cost Model measurements of Statistics Denmark revealed that the enterprises were unaware of the fact that they could simply submit their annual report to Statistics Denmark instead of filling and submitting the separate account statistics to Statistics Denmark. Similarly, a range of enterprises asked for the opportunity of making digital reports of on-the-job injuries – even though this opportunity already existed!

### **Connection to other areas of legislation**

Experience shows that even in areas where it is impossible to make simplifications of the individual obligation that rests with the enterprises, benefits can be achieved by securing a better coherence between the obligations. This can be done by using a common basis of calculations for several reports, by gathering several reports in a joint report or by making common guidelines for the different obligations that are based on the same foundation.

### **THINK BROADLY!**

To ensure variety and creativity when considering possible solutions, it is recommended to always consider how the five abovementioned simplification tools (see box 2.2) can be applied. Experience from previous simplification tasks shows that the largest reductions in the enterprises' administrative burdens are achieved through a combination of the different tools.

The relevance of the tools might also differ at different times. In the long run, administrative burdens that are caused by EU regulation can be reduced by a Danish effort to simplify the underlying EU regulations (cf. box 2.3). In the short term, the solution for reducing these burdens might be to increase the use of digitalization and improve the guidelines.

#### **BOX 2.3. SIMPLIFICATION AT THE EU LEVEL**

Not only in Denmark but also in a range of other EU countries there has been an increasing focus on the issue of how regulation can be improved in a way that reduces the enterprises' administrative burdens. On this basis, measures have been taken to make a systematic effort within the EU system to improve the regulation.

*Continued on the next page*

### **BOX 2.3. Continued**

The EU Commission works with the changing presidencies on a continuous simplification program. On the basis of contributions from the member countries a range of EU directives and regulations is selected which invites possible reductions in the administrative burdens through improvements in the regulation.

The program has been strengthened in the past few years. During the summer of 2004 more than 300 suggestions for simplifications have been gathered from the member states – a new high – and now 15 areas of regulation have been chosen in which the opportunities for simplification are to be analysed. The decision has also been made that a collection of suggestions from the member states should be made when a new round of simplifications is to be initiated.

## **TOOL FOR SCREENING THE SIMPLIFICATION POSSIBILITIES**

To ensure that as many simplifications as possible are considered, ideally a screening should be conducted to find out which simplification tools that can be applied and lead to reductions in the enterprises' administrative burdens for each of the problems identified in phase 1.

The chart on page 25 assists during this screening process. In reality the screening process will not be as comprehensive as this tool might suggest since intuition will often decide that a range of the questions are irrelevant in a given case.

In principle, it should be checked for each data requirement which simplification tools might set the problem right. The relevant solutions may vary according to the individual data requirement. For instance, some data requirements might be removed completely and in other cases the information can be collected from other authorities, while other cases might still demand/necessitate the collection of information directly from the enterprises. If the issue is a report form, the development of a digital solution for the area might be a relevant solution for several of the data requirements – i.e. on the information obligation level.

Based on the screening of the simplification possibilities a gross list of solutions should be made. Some of the solutions on the gross list can be considered irrelevant or assessed to have only a limited effect on the problem.

Accordingly, they should be weeded out. However, weeding out possible solutions early in the process should be done with caution.

A lot of suggestions might improve if a closer assessment of pros and cons is carried out instead. Other suggestions need to be made more concrete before they can be assessed more precisely. It might be relevant to include the interested parties in this process to ensure that a good suggestion is not disregarded due to lack of imagination.

The end product in this phase should be a usable list of the different simplification suggestions within the areas that were assessed to contain a reasonable option to remedy a problem in the regulation.

For the areas where initiatives have already been implemented or where simplification has been assessed to be impossible, it might be a good idea to make a form of documentation so that it will be possible to demonstrate in the final report that all simplification possibilities have been considered.

### **TOOL FOR SCREENING THE SIMPLIFICATION POSSIBILITIES**

To ensure variety and creativity when considering possible solutions, it is recommended to always consider the five general simplification tools (no. 1-5). The individual tools contain a range of solutions that should be considered more closely, see below.

**Area/law/information obligation:** \_\_\_\_\_

	Already implemented	Possibility	Impossible	Irrelevant
<p><b>1. Simplification of rules</b></p> <ul style="list-style-type: none"> <li>• The obligation or report can be removed from the regulation</li> <li>• Some groups of enterprises can be freed from the obligation</li> <li>• The basis for the calculations can be simplified</li> <li>• The frequency of the reports can be lowered</li> <li>• The time for the report/payment can be changed or perhaps harmonized</li> </ul>				
<p><b>2. Administrative simplification</b></p> <ul style="list-style-type: none"> <li>• The authorities can collect information and data from other authorities</li> <li>• The authorities can collect information and data from other authorities</li> </ul>				
<p><b>3. Digitalization</b></p> <ul style="list-style-type: none"> <li>• The regulatory framework can be made e-administrable (format requirements, warrant and so on)</li> <li>• The form is available at the internet/virk.dk</li> <li>• The form contains data filled in advance</li> <li>• The form can be sent over the internet</li> <li>• On-line validation of entered information, help functions and so on.</li> <li>• Data can be collected directly from the enterprises' IT systems, e.g. financial systems, and sent electronically to the authority</li> <li>• Knowledge of existing digital solutions can be disseminated</li> </ul>				
<p><b>4. Better information and service</b></p> <ul style="list-style-type: none"> <li>• Providing easier and faster help and guidance from the responsible authorities</li> <li>• Better guidelines can be drawn up for the enterprises</li> <li>• The guidelines and the like can be made available on the internet (for example virk.dk)</li> </ul>				
<p><b>5. Connection to other areas of regulation</b></p> <ul style="list-style-type: none"> <li>• The report can be made together with another report</li> <li>• The basis for the calculations can be harmonized with other reports</li> <li>• The contact to the authorities can be gathered for several reports/obligations (one stop shops and the like)</li> </ul>				

## CHECKLIST FOR PHASE 2

The following checklist can help to make sure that all tasks in phase 2 have been solved before starting on phase 3.

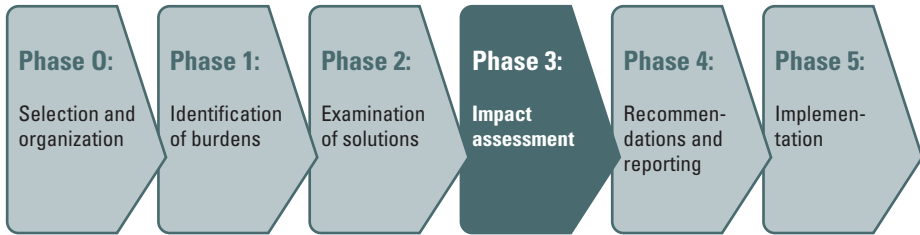
1. Has it been considered whether the regulation in question is necessary and whether there might be alternatives to traditional legislation on the area?
2. Can the enterprises' administrative burdens be reduced by simplifications of rules (material simplifications)?
3. Can the enterprises' administrative burdens be reduced by administrative simplifications?
4. Can the enterprises' administrative burdens be reduced by digitalization?
5. Can the enterprises' administrative burdens be reduced by better information and service?
6. Have the necessary coordination and cooperation between authorities and appropriate departmental areas been carried out to investigate whether there is a possibility of and need for creating a better coherence with other areas of legislation?
7. Have the relevant interested parties been included in the examination of solutions (trade organizations, enterprises, other authorities and so on)?
8. Has the screening of solutions been sufficiently documented?

# **Phase 3:**

## **Impact assessment**



## Phase 3: Impact assessment



Phase 2 produced a list of possible solutions which can reduce the burdens identified during phase 1. Phase 3 is focused on an investigation of the impact that will occur if the individual solutions were implemented. This will provide a basis for making decisions as to which solutions it would be reasonable to implement.

### PHASE 3 IS OVER WHEN

- Positive and negative consequences of the different solutions have been investigated giving an overview of the suggestions that can be expected to have a positive net effect
- An overview chart has been created to summarize the most important consequences of the suggestions that are assessed to have a positive net effect

### METHOD WHEN EVALUATING THE CONSEQUENCES

It can be a comprehensive task to carry out complete impact assessments of a wide range of suggestions. Accordingly, it is recommended that a primary analysis aims to provide an overview of the suggestions that can be expected to have a positive net effect (i.e. suggestions for which the total advantage of implementing the suggestion exceeds the total costs).

The aim of the impact assessment is to give the best possible basis for subsequent decisions as to which simplification suggestions should be implemented. Therefore, it is recommended that the consequences of the suggestions that appear to have a positive net effect are quantified as much as possible. This is a way of making sure that the assessment has the proper quality.

### TYPES OF CONSEQUENCES

The suggestions that appear on the list from phase 2 help to reduce the enterprises' administrative burdens – or they remove a problem in the enterprises' experience of the administrative burdens (the so-called irritation burdens).

Now is the time to consider the additional consequences – positive as well as negative – that will result from an implementation of the individual suggestions. For instance, this could include financial consequences for the enterprises if the suggestion entails that the enterprises have to invest in new IT systems. Furthermore, it should be considered whether an implementation of the suggestion will entail costs for the authorities.

Finally, it should be considered whether there will be additional consequences of the suggestion, e.g. in relation to the environment or citizens, and whether the suggestion coheres or is in conflict with the purpose of the regulation and/or the Government's other political objectives concerning fair play, tax freeze and so on.

Box 3.1 below summarizes the different kinds of consequences a suggestion might have.

### **Box 3.1. Possible consequences of simplification suggestions**

1. Consequences for the enterprises' administrative burdens
2. Financial consequences for the enterprises
3. Consequences for the authorities (both administrative and financial consequences)
4. Consequences relating to the purpose of the regulation (including any consequences for other areas of legislation with the same purpose)
5. Additional consequences (environmental consequences, administrative consequences for citizens, the relationship with EU legislation and so on)
6. The relationship with other political objectives, e.g. fair play, tax freeze and so on.

A detailed examination should be made of the extent of the consequences that are assessed to be of a considerable size. Distinction could be made between whether the effects of the suggestion will be direct or indirect. For instance, a suggestion for the simplification of the application for salary subsidies might have a direct positive financial effect for the employer and indirect positive consequences for both unemployment and access to manpower.

Distinction could also be made between short-term and long-term effects. For instance, a negative effect may occur immediately after the implementation of the suggestion while the long-term effects are positive.

This assessment can entail that some of the suggestions have to be abandoned if it is assessed that there is an unreasonable relationship between positive and negative consequences. But if it is estimated that the implementation of the suggestion will entail a positive net effect for the society in general, a more detailed analysis should be made of the consequences of the suggestion.

As far as possible, the final assessment should aim to be quantitative which makes it possible to weigh the different positive and negative consequences against each other. The following advice can be of help when doing the assessment.

### **Using the Standard Cost Model measurements**

The results of the Standard Cost Model measurements can be of use when assessing the suggestion's expected administrative consequences for the enterprises. The data set from the Standard Cost Model measurements indicates the amount of time used by the enterprises on the individual activities connected to the fulfilment of the administrative obligations. This information can be used to form an impression of the size of the potential of a given simplification suggestion.

The Danish Commerce and Companies Agency which carried out the Standard Cost Model measurements can provide help when working with the data set.

### **Using own experts**

When assessing the consequences of a suggestion, it is recommended to involve the ministry's own experts on the given area of legislation if they are not already present in the working group. From their continuous work with the legislation these experts are used to performing assessments of changes in the regulation – primarily in relation to the purpose of the regulation. They will also often be able to tell whether it will be possible to adjust the suggestion so that it will be more appropriate.

Similarly, help can be procured for assessing the financial costs and financial consequences for the state if the ministry's or agency's financial department becomes involved.

### **Involve experts from other departmental ministries**

It will often be useful to seek advice from experts in other departmental ministries when the impact of a suggestion is assessed. This is especially important when there is a risk that simplification in one ministry might have negative consequences elsewhere in the public system – e.g. by increasing the need for checks.

Accordingly, it is recommended to involve the Danish Ministry of Economic and Business Affairs on the business-related area, the Danish Ministry of Finance for assessing consequences for the state finances, the Danish Ministry of Taxation on fiscal matters and the Danish Ministry of the Environment regarding environmental issues.

### **Indicate if there are any uncertainties**

When the consequences of a given suggestion are worked out there will often be a general knowledge of the possible consequences of the suggestion from previous introductions of bills. On the other hand, assessing the consequences of a suggestion can be more difficult in different areas. For instance, new facilities and changes in the authorities' IT systems can cause great costs. Accordingly, it is important to make sure that the consequences have been thoroughly assessed.

If uncertainties of the consequences of a suggestion still remain after the detailed assessment, this should be indicated in the assessment.

### **Influences on other considerations**

When the consequences of the suggestion are described, it is important to assess whether the suggestion will conflict with important considerations in other areas. For instance, this includes considerations of state earnings as well as state spending, the Government's tax freeze or the need for observing international agreements, including not least current EU regulation. Whether suggestions should be weeded out because of this type of consequences requires, however, a political decision, and accordingly, it should not be made as part of the impact assessment. Instead, such circumstances should be evident from the impact assessment in order to provide a complete basis for the subsequent decision.

## **ONGOING SELECTION OF RELEVANT SUGGESTIONS**

Throughout the impact assessment process, an ongoing selection of suggestions is made as the consequences are mapped.

It can, however, be an advantage to include descriptions of the consequences from suggestions that have been rejected during the process. This shows why the suggestion has not been recommended for implementation. It can be an advantage to be able to provide such a reason, if the suggestion comes up again during the dialogue with the business community or in the political debate.

It will also be relevant to consider whether a suggestion which cannot be implemented at first should be subjected to further analysis leading to implementation in the long run – for instance if some of the basic conditions can be expected to change over time. Suggestions of this type can be included in a forward plan of action for the simplification task.

### **DOCUMENTATION OF THE IMPACT ASSESSMENTS**

When the impact assessments have been carried out, it should be ensured that detailed documentation exists for the suggestions for which implementation is considered realistic. There are no specific format requirements for this documentation. The important thing is to be able to reconstruct how the results were produced.

The total impact assessment of all suggestions can be summarized in a chart, cf. box 3.2. This chart should include information on the consequences of the individual suggestions for enterprises and authorities, including both administrative and financial consequences. Furthermore, it should include information on any other important consequences, e.g. if it is assessed that the implementation of the suggestion will affect the possibility of fulfilling the original purpose of the regulation.

#### **BOX 3.2. Chart with important consequences**

Suggestion	Reduction in the enterprises' administrative burdens	Consequences for the state finances (recurrent and one-off costs)	Additional important consequences

### **CHECKLIST FOR PHASE 3**

The checklist below can be used to evaluate whether all necessary considerations have been made in phase 3.

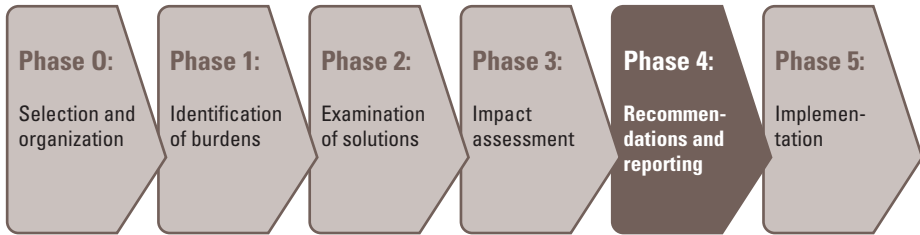
- 1.** Have the possible positive and negative consequences been considered for each of the suggestions?
- 2.** Has a more detailed assessment been made of the different consequences for the suggestions which are likely to have positive net effects, and has the assessment been quantified?
- 3.** Has the relevant expertise – both internal and external – been involved in order to make a qualified impact assessment?
- 4.** Has the assessment been coordinated with other ministerial or appropriate departmental areas to ensure that simplification does not have an unintended impact on a different legislative area?
- 5.** Has evidence been presented to show that impact assessments are helpful to the subsequent decision-making process, and has relevant documentation been produced with the reasons for rejecting suggestions?

# **Phase 4:**

## **Recommendations and reporting**



## Phase 4: Recommendations and reporting



When the burdens from existing regulation have been identified and analyzed and all possible solutions have been assessed based on impact assessments, the simplification task is concluded by reporting the analyses and conclusions produced in the previous phases.

### PHASE 4 IS OVER WHEN

- The simplification analysis has been documented
- Recommendations have been made for decisions about simplification initiatives

### WHAT ARE THE REPORT REQUIREMENTS?

The extent of the report requirements may vary according to the different projects. Should every consideration and analysis be documented – including the suggestions that are not assessed to be realistic – or would a short presentation suffice of the concrete solutions that can be recommended for the decision process?

A copious background report will be useful for ensuring the internal knowledge sharing at the authorities or for documenting the simplification effort to external interested parties – for instance if recurring suggestions or enquiries from the business organizations have been included in the process.

It will often be necessary to prepare a short and summarizing presentation which can be used by the management, the minister in charge or by the Government. This type of presentation should focus on the simplification initiatives which will be recommended for political decision. The recommendation should be clear and unambiguous, and any negative effects should be clearly described. It should be noted that in a lot of cases, it will be necessary to ensure coordination and clearing with other ministries to achieve a joint support of the recommendations.

The recommendation will in some cases state that a given issue or problem should be further investigated before any final decisions can be made as to which solution should be implemented.

The box below contains an example of an outline for a background report.

#### **BOX 4.1. Example of a disposition for a background report**

##### **1. Summary**

The main results from the simplification effort and any recommendations for decisions.

##### **2. Introduction**

The purpose of the project and the delimitation of the area and so on.

##### **3. The main contents of the regulation**

An overall description of the purpose of the regulation on the area, the enterprises' obligations and the developments within recent years (including any previous simplification initiatives).

##### **4. The enterprises' burdens**

- a. The size and the composition of the burdens within the area, including top 10/50 lists
- b. Share of burdens caused by EU regulation (ABC categorization)
- c. Any distribution of burdens across segments (e.g. industry, size of enterprises, etc.) and additional results from the Standard Cost Model measurements and so on.

##### **5. Areas that should be further analysed (legislative acts/executive orders, information obligations and data requirements)**

Overview of the problems selected for further analysis based on section 4.

##### **6. Analysis of the simplification possibilities for each of the chosen areas/legislative acts, including the impact assessments**

- a. A description of the concrete requirements and obligations imposed on the enterprises, including the relationship with EU regulation, purpose of and society considerations behind the regulation, delimitation from related regulation, the enterprises' administrative activities and the authorities' enforcement etc.
- b. A description of the enterprises' administrative burdens
- c. The result of the analysis of the simplification possibilities
- d. Impact assessments (of the administrative and financial impact on enter

*Continued on the next page*

**BOKS 4.1. Continued**

prises, the administrative and financial impact on the authorities, the impact in relation to the purpose of the regulation, the secondary impact such as the effects on the authorities' possibilities for checks, the work environment, the environment, health, competitive power etc. as well as the Government's other policies, e.g. the tax freeze)

- e. The involvement of interested parties
- f. Conclusion: are there any realistic simplification suggestions which will cause positive net effects for the enterprises?

**7. Conclusions and recommendations**

The background report from three previous analyses (of the Danish Financial Statements Act, the VAT declaration and the statistics reports) is available at [www.regelforenkling.dk](http://www.regelforenkling.dk)

#### **CHECKLIST FOR PHASE 4**

The format and the size of the report will vary according to individual simplification analyses. The checklist below can, however, help identify the issues that it would normally be relevant to consider.

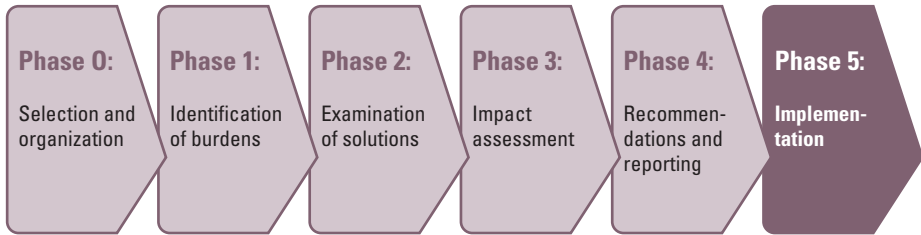
1. Have the background and purpose of the simplification been described?
2. Have the purpose and the detailed content of the regulation examined been described, including the relationship to EU regulation?
3. Have the enterprises' administrative burdens in existing regulation been explained?
4. Have all the investigated simplification possibilities been described?
5. Have the important impacts of the different solutions been explained?
6. Does the report include clear conclusions and recommendations for which solutions should be implemented?
7. Does the report include relevant documentation of the solutions that does not seem feasible, but has been investigated?
8. Does the report mention the most important attitudes of the interested parties towards the solutions that are recommended?
9. Have publication issues been considered and/or has it been considered how the results from the simplification task should be communicated within the authority?

# **Phase 5:**

## **Implementation**



## Phase 5: Implementation



Phase 4 concluded with recommendations from the working group as to which simplification suggestions could be implemented as well as which analyses of additional simplification possibilities that should be considered for further investigation.

### PHASE 5 IS OVER WHEN

- A plan has been formed for how to implement the simplification initiatives that were decided on.

### IMPLEMENTATION PLANS

When a decision has been made based on the recommendations – by the management responsible for the specific area or by the minister – the decisions must be carried out. In some cases, the changes are purely administrative, and in other cases changes should be made to executive orders or legislative acts. All ministries have fixed procedures for how to handle these tasks. It is, however, important to ensure that the process is initiated, and that a deadline for the process is decided on.

This is why it is recommended that the last phase in the task for the working group is to prepare an implementation plan for the initiatives that have been decided on. The plan can include a schedule and division of labour and should also cover areas where no changes should be made to the regulation, but where changes should be made to for instance IT systems or the internal routines.

The implementation plan should be approved by the management after which the management carries the responsibility for following up on the implementation.

### TAKING ENTERPRISES INTO ACCOUNT

The final recommendation in this guide is that the enterprises should also be taken into account when planning the implementation of the simplification suggestions. In the cases where changes to the regulation and changed ad-

ministrative obligations imply that the enterprises need to change their administration – for instance by making changes to their pay or financial systems – it is very important that the enterprises are allowed the necessary time to do so.

Furthermore, it is recommended that it should be considered how the changes in the regulation are best communicated to the relevant enterprises. The enterprises will only benefit from the changes when they are made aware of the fact that the requirements concerning their administration have changed. For example, the enterprises will only benefit from new possibilities for digital reports when they are aware of and use them.

#### **CHECKLIST FOR PHASE 5**

The following checklist can be used to ensure that the full simplification analysis will be completed properly.

- 1.** Has a plan been laid out for the implementation of the decisions concerning the simplification which the analysis has led to – both for changes to the regulation and changes to the internal routines and so on?
- 2.** Does the implementation plan include both delegation of responsibilities and schedule, and has it been endorsed by the management of the authority?
- 3.** Have the enterprises been taken into account in the implementation plan – both by providing sufficient information about changes and by giving the enterprises adequate time for making adjustments?

# **Appendix:**

## **Standard Cost Model measurements and Mixed committees**



# I. Standard Cost Model: Measurements of the enterprises' administrative burdens

In general, the systematic simplification effort will be based on the mapping of administrative burdens that has been carried out using the so-called Standard Cost Model.

The Standard Cost Model measurements are completed for all ministries with business legislation during 2005.

## Central Standard Cost Model concepts

Mapping using the Standard Cost Model is conducted in the following way. For each ministerial area, an examination is carried out of the legislative acts and executive orders which impose administrative obligations on the enterprises. The central concepts in the Standard Cost Model are listed in box I and are further explained in the following.

### BOX I. Central Standard Cost Model concepts

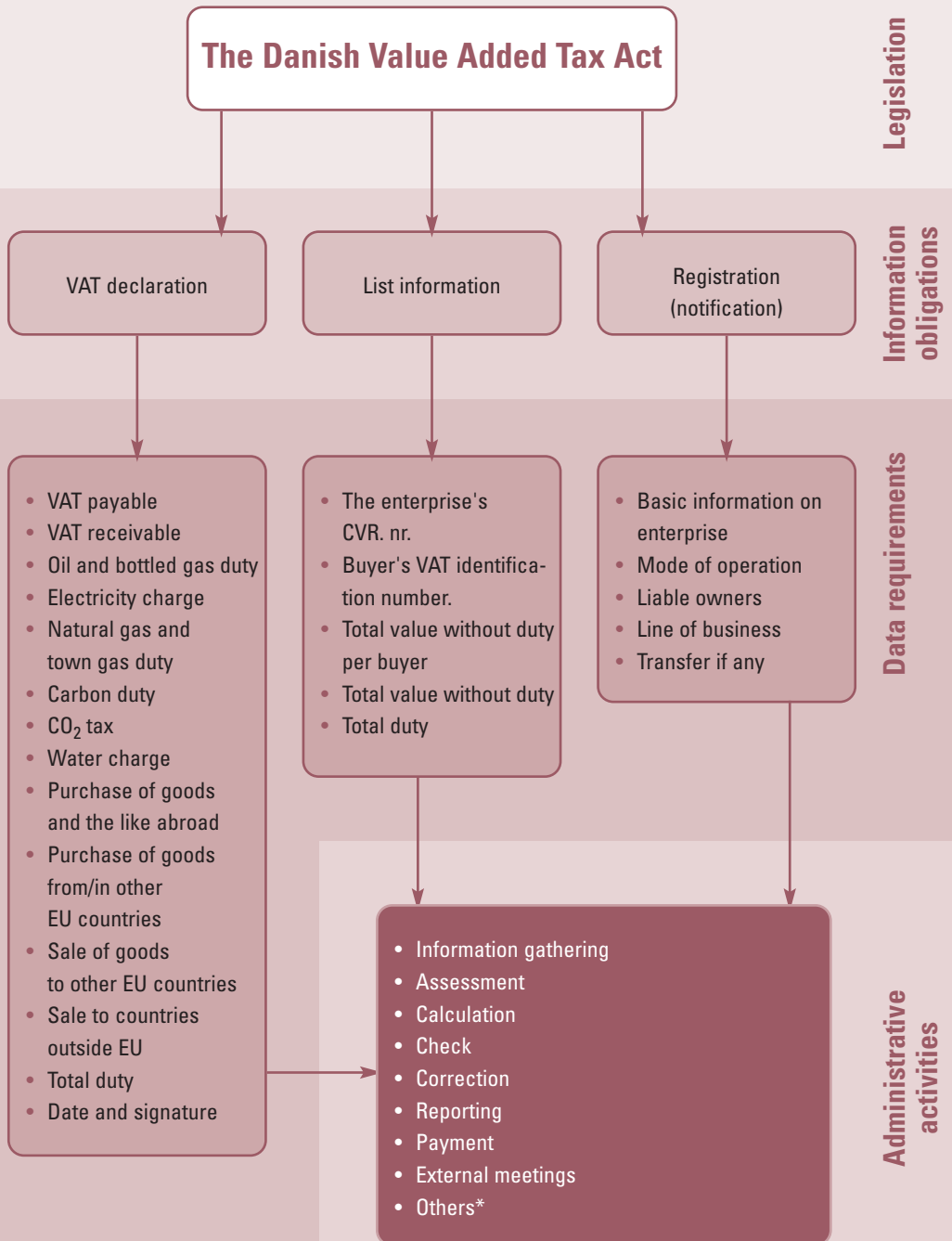
- information obligation
- data requirements
- administrative activities
- the normally efficient business
- ABC categorization of the origin of the burdens
- irritation burdens

Using the Standard Cost Model method, a thorough examination is made of the business related regulation in order to locate the areas where an obligation to provide information to the authorities has been imposed on the enterprises. Such an **information obligation** can be a form or the like which the enterprise has to send to the authority or be able to show if requested to do so – for example a yearly statement to the tax authorities. The obligation can also be in the form of information which has to be provided to a third party, for example the obligation in shops to display the price per unit (price per kilo or litre).

Each of these information obligations consists of a range of information which the enterprises are obligated to provide – they are called **data requirements**. This can be in the form of individual fields on a form, such as the name of the enterprise and CVR number etc. To be able to provide the information in question, the enterprises have to conduct a range of regular **administrative activities** (e.g. collecting information in the enterprise).

These activities imply an internal use of resources (man-hours), but very often also an external use of resources (expenses for accountants, external experts and the like). Seen together the administrative costs of a piece of regulation are the costs that are connected to the completion of the different administrative activities.

Figure 1 on the next page shows the relationship between the basic concepts.



\*In total there are 16 standard activities

Based on individual interviews with relevant employees from the affected enterprises, it is determined how much time a normally efficient business uses to complete a given task. The concept "a normally efficient business" covers an enterprise which handles its administrative tasks in a normal way. In other words, the enterprise does not handle the tasks any worse or better than can be reasonably expected.

When it has been determined how much time it takes to complete a given task, it should be detected how many times a year the **normally efficient business** has to complete the task. Furthermore, it is investigated how many enterprises that are affected by the task a year. The result of the examination will thus be the total administrative costs (in Dkr) for the enterprises when they comply with the existing legislative act or executive order.

As part of the Standard Cost Model measurement it is investigated whether the individual data requirement stems entirely or partially from EU regulation or other types of international regulation or whether the requirement has been laid down nationally. This knowledge is important when the subsequent simplification process of the regulation is carried out since it will determine whether the simplification can be carried out by the individual minister (through executive orders) or through the Folketing (through legislation) or whether it will be necessary to obtain changes in an underlying EU directive or regulation. In this way, a **categorization of the data requirements** will be made according to origin, cf. box II.

## **BOX II. Categorization of the data requirements according to origin**

- A.** Data requirements which are entirely a result of EU regulation and other international obligations
- B.** Data requirements that are caused by EU regulation and other international obligations, but for which the international obligations simply contain a purpose which the individual countries should consider in their own regulation. Thus, it will be up to the individual countries to formulate any data requirements that should be imposed on the enterprises.
- C.** Data requirements that are entirely caused by regulation formulated nationally.

## **RESULTS FROM THE STANDARD COST MODEL MEASUREMENTS**

The results from the Standard Cost Model measurements will be contained in a report for each ministry. A Standard Cost Model report consists of an overview of the most burdensome legislative acts and executive orders on the ministerial area in question. Usually, it will be evident which information obligations are the most burdensome.

The majority of the detailed information (the information obligation, data requirements and activity level) can, however, only be found in a joint database with the complete data material from all Standard Cost Model analyses, cf. box III. The database is described in more detail in the section on phase 1.

### **BOX III. The Standard Cost Model database**

As part of the Standard Cost Model measurements, data will be collected on the enterprises' man-hours and additional costs connected to the execution of the administrative activities which are necessary in order to comply with data requirements and information obligations in the legislation. The data material will be compiled in a database administrated by the Danish Commerce and Companies Agency.

From this database, extracts can be made of for example the ten most burdensome data requirements in a given legislative act or the ten most burdensome legislative acts and executive orders within a given ministerial area. It will be possible to distinguish between the total administrative burdens imposed on the business community as a whole and the burdens on the individual enterprise affected by the legislative act. It will also be possible to obtain information on the number of enterprises which is affected by a given data requirement as well as how their man-hours are distributed on different necessary activities for complying with the requirement.

## **IRRITATION BURDENS AND SUGGESTIONS FROM THE ENTERPRISES**

The Standard Cost Model reports also include information on which obligations and requirements the enterprises find most difficult or irritating. These obligations and requirements are not necessarily the same as those that are calculated to cause the largest costs for the enterprises. This may be because the requirements in the legislation do not harmonize well with the enterprises' regular workflow or because the regulation is a source of irritation for other reasons. Finally, the report contains information on the suggestions for simplifications and improvements made by the enterprises during the interviews.

Additional information on the Standard Cost Model can be found at [www.amvab.dk](http://www.amvab.dk).

## II: Mixed Committees

The Government has decided that mixed committees should be formed through which a dialogue can be held with the business community about the possibilities of reducing the enterprises' administrative burdens.

*"The dialogue with the business community about reducing burdens will be intensified. The Government will form mixed committees (burden committees) for the ministries with much business regulation which will include representatives for the relevant trade organizations and enterprises."*

Nye mål (New goals) – February 2005, page 68

The purpose of the mixed committees is to identify, discuss and make suggestions for reductions in the administrative burdens imposed on the business community within more narrowly defined regulation areas. The suggestions can be related to a definite simplification of the existing legislation, but can also be aimed at digitalization of report forms and other types of simplification. The Standard Cost Model reports are expected to play a significant role for the workflow in the mixed committees.

The mixed committees should consist primarily of authorities (at the management level), representatives from trade organizations and enterprises. The chairmanship and the secretariat functions in the individual simplification group are held by the agency or the like in charge of the area for which the simplification group has been formed.

To ensure clarity in the work of the mixed committees from day one, it is recommended that the groups draw up terms of reference when the group is established in which the task is delimited and deadlines and delivery dates are indicated.

The Government's Cabinet Committee for Coordination initially asked for a status of the work carried out by the mixed committees by June 2005. Furthermore, the aim is that the mixed committees should work out complete plans of action for how the administrative burdens within the given area can be reduced by up to 25 % before 2010.

#### **BOX IV. Examples of existing mixed committees**

Three mixed committees already exist. The groups were formed in October 2004 and are labelled "burden committees".

The groups have been formed for the following areas:

- the financial area
- the energy area
- the construction area

The chairmanship and the secretariat functions in the three burden committees are held by the Danish Financial Supervisory Authority, the Danish Energy Agency and the National Agency for Enterprise and Construction.



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