

EU Project on Baseline Measurement and Reduction of
Administrative Costs:

Final Report, incorporating report on Module 5.2 – Development
of Reduction Recommendations

Final Version

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1. Introduction

This report is the conclusion of a major process of measurement of the administrative burden facing businesses in the European Union, and development of proposals to reduce that burden. The work addresses thirteen Priority policy Areas identified by the European Commission as part of its Action Programme to reduce the administrative burden for business by 25% by 2012. The report provides an overview of the results of applying a standard methodology to Information Obligations arising from specified legislation in these Priority Areas, i.e. to the obligation for business to provide information to government or third parties.

The first Chapter of the report describes the policy background and the scope of the project, and introduces the methodology. It describes how the methodology was applied in the particular circumstances of this project carried out by a consortium of Capgemini, Deloitte and Ramboll Management. The consortium carried out original measurement in representative samples of EU Member States and also drew upon the results of national administrative burden measurement efforts in a number of EU Member States. The results from these two groups of countries were then extrapolated to the EU as a whole. By focusing in addition on those Information Obligations likely to be producing the highest administrative burden, a robust indication can be arrived at of where the greatest potential for ‘cutting red tape’ lies. The chapter further describes the process used to narrow down a long list of recommendations to those likely to have the greatest impact. It also presents tools for administrative burden reduction developed for use by policy-makers.

Chapter 2 deals with the findings from the mapping and measurement of nearly 10,000 Information Obligations across the EU (including those introduced by Member States above and beyond the minimum EU-level requirements) in 42 pieces of legislation in the 13 Priority Areas: Agriculture and Agricultural Subsidies; Annual Accounts/Company Law; Cohesion Policy; Environment; Financial Services; Fisheries; Food Safety; Pharmaceutical Legislation; Public Procurement; Statistics; Tax Law (VAT); Transport; Working Environment/Employment Relations. To arrive at the measurement of the administrative burden meant first calculating the full administrative cost for the acts in scope of the Action Programme and then deducting the so-called business-as-usual

costs, i.e. the costs which a business would incur anyway as part of its internal record-keeping. The result is the administrative burden. The total administrative costs for the 42 acts in the 13 Priority Areas have been measured as some €127 billion, of which the administrative burden makes up about €102 billion, i.e. more than 80%¹. This Chapter also highlights where most of the costs fall in terms of Priority Area, size of country/economy, size of business, type of Information Obligation etc. It also includes the Consortium's calculations on the extent to which costs can be attributed to the fact that national transposition of EU legislation is not as efficient as it could be.

Chapter 3 moves on to specific and generic recommendations for burden reduction. It quantifies the potential reduction from applying the process described in Chapter 1 for identifying priority recommendations. If all these were implemented, the total burden reduction potential would be 44% of the total, or €45 billion. This demonstrates that it is feasible to achieve the European Union's target of a 25% reduction by 2012. The chapter provides detailed breakdowns by Priority Area by recommendation. It then contains a discussion of generic issues which are relevant to any consideration of how to implement recommendations. These include categories of recommendation, the potential for an SME focus, application of a risk-based approach, and best-practice use of eGovernment.

In the final Chapter, we draw some broad conclusions from the preceding work on how to take the European Commission's administrative burden agenda forward and to maintain momentum.

All published reports from the project are available on the website of the European Commission².

¹ The present study refers to the 42 acts initially in scope of the Action Programme, while the aggregate burden figures in the Commission's October 2009 Communication COM(2009)544 include 30 additional legal acts added in January 2009.

² See http://ec.europa.eu/enterprise/policies/better-regulation/documents/ab_studies_2009_en.htm

2. Background and context of the project

2.1 Policy Context

In March 2000, the European Council in Lisbon adopted an ambitious political objective – the Lisbon Agenda. EU leaders envisaged that the EU would become the “most competitive and dynamic knowledge-based economy” in the world. In February 2005 the European Commission presented a progress report. Echoing the findings of a high-level working group chaired by former Dutch Prime Minister Wim Kok, the Commission identified a number of implementation deficits.

In March 2005, the European Council confirmed that “alongside undeniable progress, there [were] shortcomings and obvious delays”³ and consequently agreed to re-launch the Lisbon Agenda (which has since been known as the Lisbon Strategy) to re-focus more sharply on the key priorities of growth and employment. Fulfilling Europe’s strategy for “Growth and Jobs” was identified as the key to unlocking the resources needed to meet the EU’s wider economic, social and environmental ambitions.

One of the “vital strands” of the re-launch was a new regulatory reform initiative, which would seek to remove burdens and cut red tape unnecessary for reaching underlying policy objectives.

Building on earlier initiatives, the Commission launched a “Better Regulation Agenda” to modernise and simplify the stock of existing legislation. This programme applied to all stages of the policy cycle and focused on:

- improving and extending the use of impact assessment for new proposals, to ensure that all new initiatives are of high quality;
- screening pending legislative proposals; and
- introducing a new method of simplifying existing legislation, through legislative techniques such as recast, repeal, codification or revision.

³ European Council Conclusions, 22–23 March 2005: http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/ec/84335.pdf.

Importantly, conscious of the economic impact of disproportionate administrative costs and further to a request by the European Council, the Commission started to consider a common methodology for measuring administrative burdens imposed by existing legislation. The “EU Standard Cost Model” – which is based on the Standard Cost Model, at present in use by the vast majority of Member States⁴ – was proposed in October 2005.

Unnecessary and disproportionate administrative costs may severely hamper economic activity, and are often important irritation factors in business activity. Committed to the reduction of these unnecessary burdens, the Commission then presented an Action Programme⁵ to reduce administrative burdens on EU businesses by 25% by 2012. The Action Programme was endorsed by the Spring European Council in March 2007.

The Action Programme is not about deregulation, nor does it aim to change policy objectives set out in existing Community legislation. Rather, it promotes a quality regulatory framework and represents an opportunity to streamline and make less burdensome the way in which policy objectives are implemented.

A key part of the Action Programme consists of a large-scale measurement of administrative costs⁶ in selected Priority Areas incurred by businesses in complying with European legislation. In addition to this, the Action Programme included a set of so-called “Fast track actions” – immediate measures likely to generate significant benefits through technical changes in existing rules, which it was felt could be adopted fairly quickly. Ultimately, the Action Programme engages in a process of continuous development of burden reduction proposals.

The “High Level Group of Independent Stakeholders on Administrative Burdens”⁷ (established on 31 August 2007 and chaired by former Bavarian Premier, Dr. Edmund Stoiber) advises the Commission with regard to the Action Programme.

⁴ COM (2009)16 – Reducing Administrative Burdens in the European Union, Annex to the 3rd Strategic Review on Better Regulation – Annex 11: Administrative Burdens measurements at Member State level – State of Play (31 December 2008).

⁵ COM (2007)23 (24 January 2007) – Action Programme for Reducing Administrative Burdens: http://ec.europa.eu/enterprise/regulation/better_regulation/docs/docs_admin_b/com_2007_23_en.pdf.

⁶ The framework contract for this measurement project was awarded to a consortium of Capgemini, Deloitte and Ramboll Management in July 2007 as the result of a tendering process.

⁷ http://ec.europa.eu/enterprise/admin-burdens-reduction/highlevelgroup_en.htm.

The overall 25% reduction target mentioned above was chosen based on experience: several Member States which had already conducted an administrative burden measurement and reduction project concluded that a 25% reduction is ambitious but feasible. Experience in Member States suggests that such targets have provided the right framework and generated the necessary momentum for progress.

The 25% reduction target is a joint effort, which can only be attained on the basis of shared responsibility by the European institutions and the Member States. The joint ownership concept is put into practice through the implementation of reduction efforts at two levels:

- **Sectoral reduction plans** describing the simplification initiatives driven by each of the Commission services in the Priority Area within their competence on the one hand; and
- **National reduction efforts** by Member States contributing to realising the overall reduction target. By October 2009 all 27 EU Member States had committed to a national reduction target.

The EU measurement project has certainly created a new “wave” of national administrative simplification programmes. While certain Member States, such as Austria, Belgium, Denmark, France, Germany, the Netherlands and Sweden already had a strong tradition in the field of Better Regulation, the EU Action Programme has been an incentive for other countries to launch major national burden reduction programmes. National measurement projects which started in 2008–2009 include, for example, Bulgaria, Cyprus, Finland, Greece, Hungary, Luxembourg, Poland, Slovakia, Spain and Romania. These initiatives demonstrate that the Action Programme has created a momentum to drive the Better Regulation agenda forward throughout Europe.

The current economic crisis underlines the need for EU businesses to be competitive. The Lisbon Strategy recognises that better regulation is one of the keys to this, and the Action Programme therefore continues to be high on the political agenda. In its working

document⁸ on Reducing Administrative Burdens of January 2009, the Commission included a list of additional pieces of legislation for measurement and further analysis.

2.2 Scope of the project

This report brings together in one document the results of analysis of the administrative costs and burdens, as well as the reduction recommendations identified, which are associated with 42 pieces of Community legislative acts in 13 Priority Areas selected by the Commission. Those areas are:

- Agriculture and Agricultural Subsidies
- Annual Accounts/Company Law
- Cohesion Policy
- Environment
- Financial Services
- Fisheries
- Food Safety
- Pharmaceutical Legislation
- Public Procurement
- Statistics
- Tax Law (VAT)
- Transport
- Working Environment/Employment Relations.

The Priority Areas (PAs) were selected by the European Commission on the basis of a 2006 pilot study⁹, comparing measurements carried out in the Czech Republic, Denmark, the Netherlands and the United Kingdom, as well as information provided by Member States and stakeholders. The legislative acts selected to form the scope of the project are believed to account for the bulk of administrative burdens of EU origin.

2.2.1 Administrative cost and burdens

This project measures the administrative cost for business of complying with Information Obligations – i.e. requirements to provide governments and other stakeholders with

⁸ Commission Working Document, Reducing Administrative Burdens in the European Union, Annex to the 3rd Strategic Review on Better Regulation; <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0016:FIN:EN:PDF>.

⁹ See Pilot project on Administrative burdens, prepared by WiFo and CEPS for the European Commission, DG Enterprise, under Contract Nr. B2/ENTR/05/091-FC, Vienna, 14.12.2006.

information about their activities – with which they have to comply as a result of EU legislation, either Regulations (which are directly applicable in the Member States) or Directives (which have to be transposed into national legislation). It also calculates any additional cost which arises from compliance with related national obligations that go *beyond* the requirements in the EU legislation. A distinction is then made between that part of the administrative cost (AC) which represents normal operating activity for business, so-called ‘business-as-usual’ (BAU) costs, which businesses would incur irrespective of the legislative obligation. The figure which remains after subtracting the ‘business-as-usual’ costs from the total administrative costs is the administrative burden (AB).

2.2.1.1 A pragmatic approach to measurement of Administrative Cost and Burdens

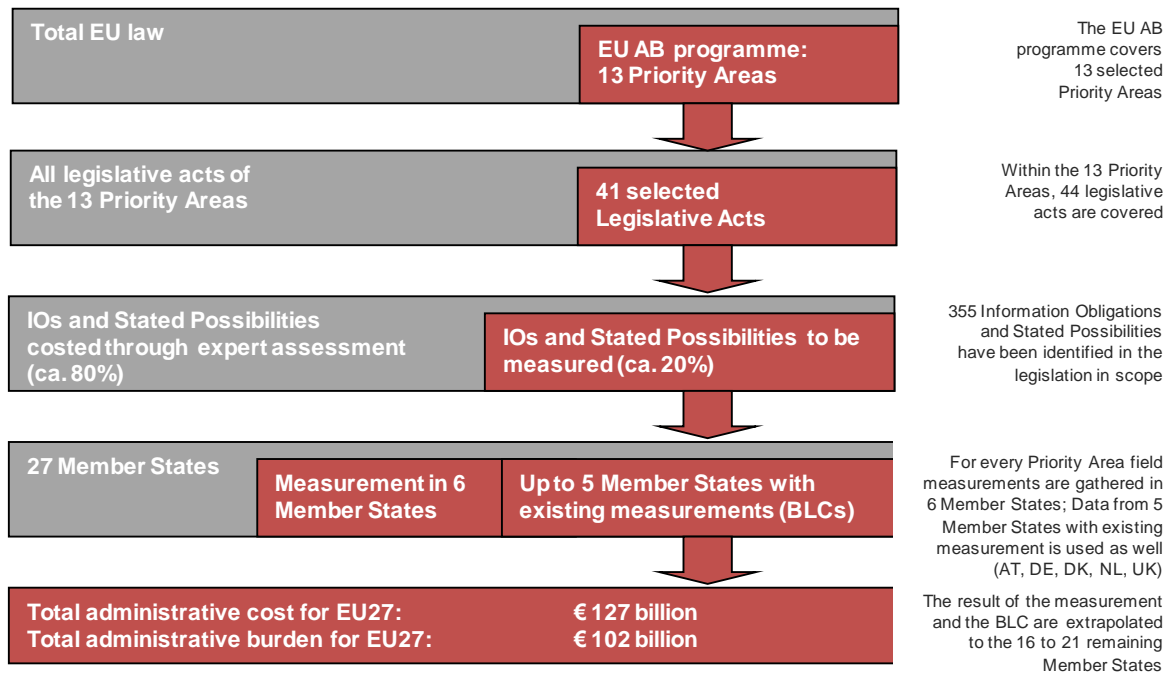
The project measured administrative cost and the administrative burden in each of the areas listed above using the Standard Cost Model (SCM) approach. The methodological approach was based on the EU Standard Cost Model as set out in the Commission’s 2005 Communication on “an EU common methodology for assessing administrative costs imposed by legislation”¹⁰. Drawing on the experience of earlier studies, the methodological approach and design were further developed in order to address the legislative relationship between the EU level and the national level throughout the project.

The Standard Cost Model breaks down regulation into a range of manageable components that can be measured. It does not focus on the policy objectives of regulation. The measurement and analysis focus only on the administrative activities that must be undertaken in order to comply with regulation, not on the benefits that accrue and not on whether the regulation itself is justified. The methodology is explained below.

For the measurement, a pragmatic and focused approach was adopted based on the experience of previous SCM measurements which have shown that 20% of the Information Obligations (IOs) typically cover 80% of the administrative costs incurred by businesses. Taking this into account, most of the project’s resources were used to collect data on the IOs perceived to be most costly. The approach is illustrated in the Figure below.

¹⁰ COM(2005) 518 final; http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0518en01.pdf

Figure 1: The baseline measurement project in a snapshot¹¹



Within the measurement phase of the project, the data collection covering 20% of the identified EU IOs and any additional IOs created by Member States relied on data collection through interviews and workshops, assessed by experts in the different Priority Areas. The remaining 80% were costed through expert assessments. Given the time and resource constraints, the measurements were conducted in a sample of six Member States per Priority Area ('Measurement Countries') and supplemented with existing data from up to five Member States which had already undertaken SCM baseline measurements (Baseline Countries – BLCs). The data from these (maximum 11 countries) then formed the basis for the extrapolation to the remaining EU Member States. Through this extrapolation, it was possible to estimate the costs for all 27 Member States.

2.3 The nature of the methodology

The methodology is designed to focus on those Information Obligations which are the source of the highest administrative burden for business to enable the European Commission to take a targeted approach to reducing the burden in those areas, or for those types of business, which are the most affected. A change of a very detailed nature in

¹¹ All Figures and Tables in this report – unless otherwise specified – have been prepared or compiled in the course of this project.

the regulation or implementing process can in practice produce major savings for whole sectors, or certain sizes or types of business.

The detailed analysis of the processes for compliance with IOs which is inherent in the methodology also makes it possible to identify ideas for improvements within single activities – for example, adapting an eGovernment reporting system which is not achieving optimal effect because its design is not sufficiently adapted to businesses’ needs and approaches.

The project has also made it possible to identify areas where the issues to be addressed do not lie in the EU legislation itself, or even necessarily in the way it has been legally transposed, where that is required, but in the implementing measures – a topic to which our recommendations on burden reduction pay special attention.

2.4 The nature of the project

This document is the Final Report on the measurement and reduction recommendations of the 13 Priority Areas. It is accompanied by separate reports for all Priority Areas, and a database containing the detailed information on the Information Obligations as well as their cost data.

As noted above, detailed measurement was carried out – generally in six EU Member States (‘Measurement Countries’), with a different selection for each Priority Area. The selection was representative of the differing situations likely to be found for that Priority Area across the EU.¹² It should also be noted that data from Baseline Countries which had already carried out administrative burden measurements of their own was re-used where a careful process of reconciliation and verification had shown that it was comparable. In several cases, however, it was not re-usable and as a consequence, the national data for these Baseline Countries will not always be directly recognisable when compared with the numbers in the national databases.

¹² The selection of EU Member States in each Priority Area represented different population/country sizes within the EU. Furthermore, it ensured that the data collection covered different geographical regions (geographically and in terms of the historical development of the EU).

Based on the results of these processes, data was extrapolated for the remaining countries in order to obtain a picture which at the aggregate level is robust.¹³

This Report presents the findings of that work and an overview of the underlying analysis to accompany our recommendations on how to reduce the administrative burden and simplify EU regulation, and as input into the European Commission’s ongoing work in this area. Findings from the project in the area of Company Law/Annual Accounts, for instance, have already been translated into specific proposals from the European Commission.

2.5 Methods

This section presents the four main methodological deliverables of the project:

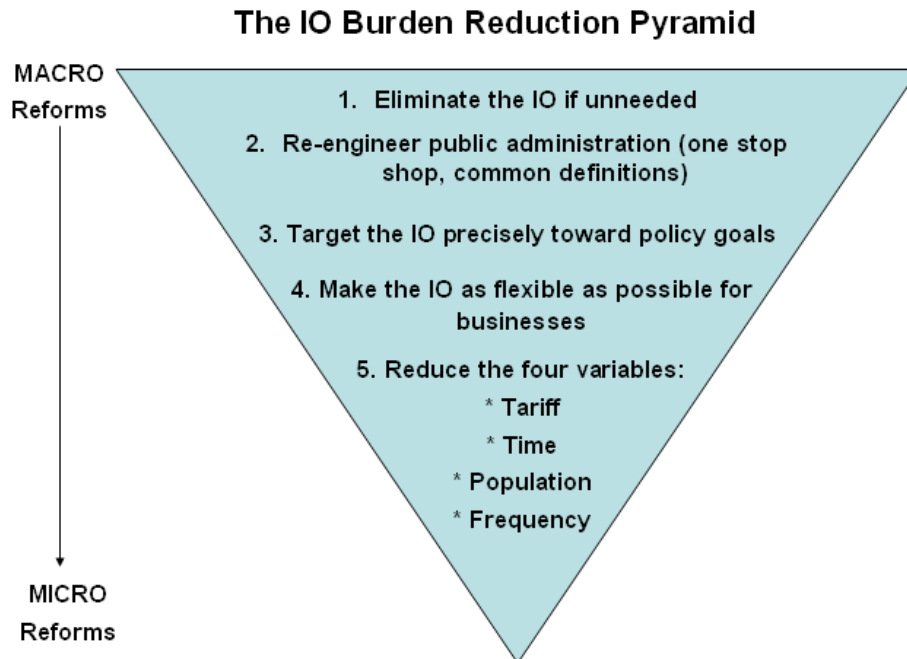
- The so-called External Manual, developed to assist policymakers everywhere in implementing Better Regulation in the administrative burden area;
- The EU Standard Cost Model, used by the consortium in this project;
- The Burden Reduction methodology we used to identify and quantify the recommendations we developed to meet the project’s objectives; and
- The “National Application” for Member States for use in national measurement and burden reduction work.

2.5.1 External Manual

As part of the burden reduction work of the project, the consortium developed an External Manual for burden reduction. The Manual is designed to give government officials a set of a practical tools and pointers to identify and design IOs that achieve public policy goals with the lowest possible administrative burden on businesses. It is designed to help detect bad practices when assessing existing policies and to re-design programs, policies, or regulations around good practices. The core of the manual is a series of “good practices” for policy mechanisms and IO designs that will help government officials identify more innovative options for lowest-cost information obligations. These good practices are organized around five key questions that can be asked by officials and policy makers when designing IOs. These five steps are shown the IO Burden Reduction Pyramid below.

¹³ The combination of these three different approaches creates special challenges when comparing data. Therefore, the figures of this measurement are robust at the EU-27 level but not necessarily for individual Member States, given that the level of detail in the Measurement Countries is much higher than in extrapolation countries. Furthermore, different methodological approaches were chosen in the baseline countries.

Figure 2 – Burden Reduction Pyramid



The five steps move progressively from larger reforms to smaller reforms. Designing an information obligation can be done at a macro level, that is, redesigning the system based on a clearer understanding of how information can be shared and used inside the government, or a micro level, that is, redesigning specific features of an existing IO so that it operates at lower cost. Throughout the Manual, the different types of reforms are illustrated with real examples from EU Member States.

2.5.2 The EU Standard Cost Model

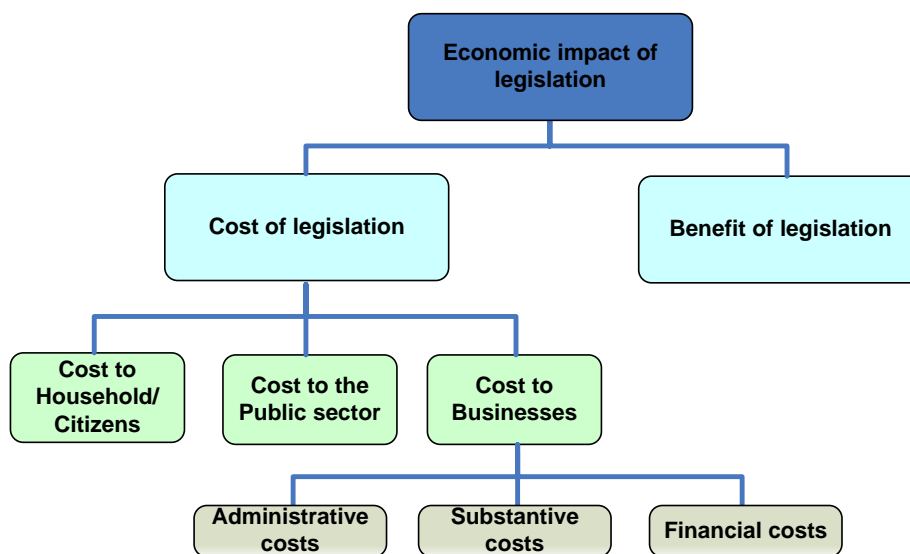
When seeking to reduce administrative burdens for businesses, it is necessary to know from where the burdens stem and how they can be minimised. The EU Standard Cost Model (EU SCM) is a method for determining the administrative burdens for businesses imposed by legislation.

The EU SCM breaks down administrative costs imposed by legal acts into components that can be assessed with reasonable accuracy. The SCM does not aim at producing statistically valid results, but creates credible estimates (i.e. figures based on relatively small samples or expert judgment). To do otherwise would not be cost-efficient (considering the level of detail and the number of parameters involved). This analytical approach facilitates the tasks of:

- locating the most costly obligations and the greatest burden reduction opportunities,
- formulating reduction proposals, and
- determining at which level (e.g. EU or national, all businesses or segments, all or specific sectors) reduction measures have to be adopted.

Legal acts impose costs and bring benefits of different types to different groups (private sector, public sector and households/citizens). Figure 3 expands on the costs to business.

Figure 3: Economic impact of legislation and measurement of administrative costs



For businesses, complying with legislation could, as illustrated in Figure 2, mean having to:

1. make direct payments, mainly to the public authorities (“financial costs”¹⁴);
2. change the nature of their products and/or production processes – mainly in order to meet new economic, social or environmental standards (“substantive” or “generic costs”¹⁵), and
3. provide information (“administrative costs”¹⁶).

¹⁴ For instance, having to pay taxes or duties.

¹⁵ For instance, meeting a pollution threshold may require a substantive change to the production process, the nature of the end-products or the treatment of emissions (for instance the installation of new filters).

¹⁶ For instance, providing information on VAT transactions or keeping a register of pollutant emissions.

The EU SCM does not address or question the benefit of each piece of legislation. As such, the measurement and analysis focus only on the administrative activities that must be undertaken in order to comply with regulation, not on the benefits that accrue and not on whether the regulation itself is justified. The focus here is on the administrative costs placed on businesses.

Administrative costs are defined as the costs incurred in meeting legal obligations to provide information on their action or production, either to public authorities or to private parties¹⁷. These legal obligations are called Information Obligations (IOs).

Every Information Obligation has attributes that describe the:

- content of data required or “data requirement” (what must be provided),
- target group (who must provide it), and
- frequency (when it must be provided).

Information is to be construed in a broad sense, i.e. including labelling, reporting, registration, monitoring and the assessment needed to provide the information. In some cases, the information must be transferred to public authorities or private parties. In others, it only has to be available for inspection or supply on request (such as workplace health and safety assessments).

These costs may be incurred by businesses, households/citizens, the voluntary sector, and public authorities. For the purposes of this project, only administrative costs incurred by businesses (defined as entities selling goods or services under market conditions with the objective of generating profits for the owners)¹⁸ were measured¹⁹. All costs that businesses incur in complying with Information Obligations are measured by the EU SCM.

Given that the objective of the Action Programme is to identify opportunities to reduce or eliminate unnecessary administrative burdens, a distinction has to be made between

¹⁷ This definition can be found in Commission Working Document COM (2006)691 – Measuring administrative costs and reducing administrative burdens in the European Union, page 3.

¹⁸ The fundamental concept of a Standard Cost Model analysis is the normally efficient business (i.e. businesses which manage their administrative tasks neither better nor worse than may be reasonably expected).

¹⁹ The only exception is the Cohesion Policy Priority Area where the measurement also covered public authorities since they are among the beneficiaries of Structural and Cohesion Funds.

information that would be collected and processed by businesses even in the absence of the legislation (which generates business-as-usual costs) and information that is solely collected because of the legal obligation (which generates administrative burdens). Added together, the business-as-usual costs and administrative burdens represent the administrative costs.

Within the project the administrative costs were assessed on the basis of specific quantitative parameters (e.g. number of hours required by specific activities), and the business-as-usual costs were assessed as a percentage of these total administrative costs. The overall percentage was determined on the basis of expert judgement and/or qualitative data collected during interviews with businesses²⁰.

According to the EU SCM, administrative costs should be assessed on the basis of the average cost of the required action for a business in meeting the legal Information Obligation (known as P – for Price) multiplied by the total number of actions performed per year (known as Q – for Quantity). The average cost per action is estimated by multiplying a tariff (based on average labour cost per hour including prorated overheads²¹) by the time required per action. Where appropriate, other types of cost, such as the cost of equipment or supplies, are taken into account. The quantity is calculated as the frequency of required actions multiplied by the number of entities concerned.

$$\Sigma P \times Q$$

where P (for Price) = Tariff x Time + Equipment and supplies' costs
and Q (for Quantity) = Number of entities concerned x Frequency.

The whole methodological concept of the EU SCM is based on the EU SCM Manual which was developed by the Consortium's methodology team in close collaboration with the Commission.

²⁰ Quantification of business-as-usual costs is an assessment of the hypothetical situation of which business processes would be put in place in the absence of legislation.

²¹ The overhead covers a number of costs related to the individual employee and represents costs in addition to direct pay costs. The overhead covers costs in connection with fixed administration costs, such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment, etc. An overhead percentage of 25% has been applied.

2.5.3 Burden reduction approach

The standard SCM methodology applies to the mapping and measurement of administrative costs and burdens. The overall aim of administrative burden programmes is, however, to bring about a reduction in administrative burdens. The SCM methodology is not in itself a methodology for achieving this. For the identification, description and calculation of reduction recommendations, the Consortium therefore developed and applied a tailor-made burden reduction approach. The approach took as its point of departure the various existing methods for administrative burden reduction and redesigned these for the purposes of the EU Administrative Burden Reduction programme and the structure of the SCM mapping and measurement data of the EU project.

The approach and processes for the burden reduction work of the project were divided into two main steps:

1. the identification and selection of reduction recommendations;
2. the description and quantification of the reduction recommendations selected.

The overall aim of the burden reduction segment of the project was to focus on reduction recommendations which together would produce a reduction in the administrative burden measure of at least 25%.

The scope of the recommendations developed and presented was limited to the Information Obligations mapped and measured by the project. The recommendations covered both:

- new and existing²² recommendations, and
- recommendations directed to the EU as such (Type 1) and recommendations directed to Member States (Type 2).

The value of processing and presenting "existing" recommendations lies in the quantification of these recommendations based on the measurement data.

²² "Existing" recommendations refers to proposals developed by the Commission or other stakeholders and included by the consortium in the overall body of recommendations.

Recommendations directed to the EU as such – Type 1 recommendations – are recommendations that require changes at EU level by the EU institutions. Typically, this would mean changing the EU legislation from which the Information Obligation stems. However, it could also be achieved via a “soft” instrument, such as changing EU-level guidelines or changing the administrative practices or tools of EU-level implementation bodies.

Recommendations directed to Member States are recommendations that require changes to national (or sub-national) legislation, administrative practices or tools.

Many recommendations were a mix of Type 1 and Type 2 recommendations – e.g. a change to the EU legislation (Type 1) which facilitates the implementation of an eGovernment solution at Member State level (Type 2).

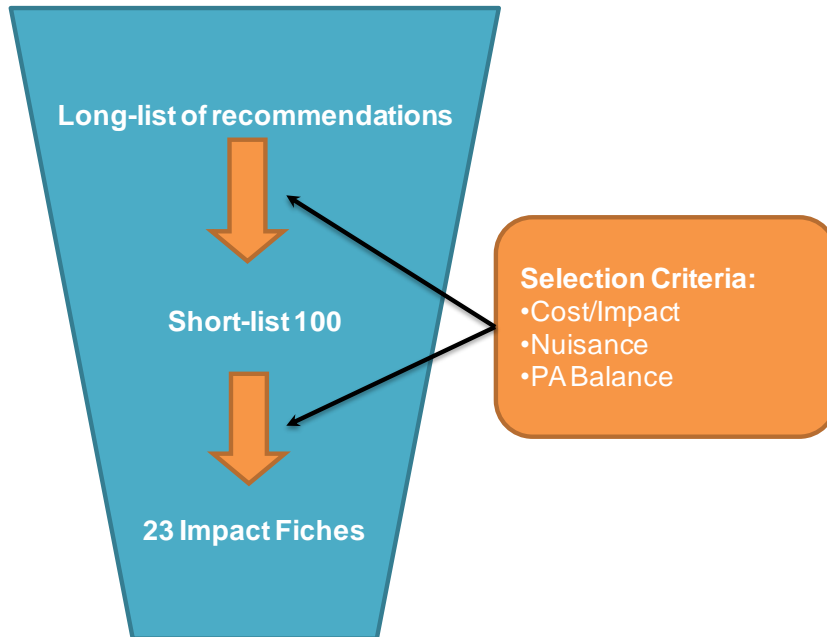
2.5.3.1 Step 1 - Identification and selection of reduction recommendations

The first step in the burden reduction process was to narrow the potential list of reduction recommendations to a manageable short-list of approximately 100 recommendations for subsequent detailed description and quantification (Step 2). Of these approximately 100 recommendations, 23 were further selected for an in-depth description and assessment of the assessment burden reduction in so-called Impact Fiches.

As illustrated in Figure 4, the selection criteria used for the short-list were:

- the administrative burden of the relevant Information Obligation(s) and hence the potential contribution to the overall reduction target;
- The "nuisance" factor of the Information Obligation as recorded in interviews with businesses during the measurement phase;
- A balance of reduction recommendations between the different Priority Areas, with at least one recommendation for each Priority Area.

Figure 4 : Selection of recommendations



The sources of potential reduction recommendations were many and included:

- Results and information from the mapping and measurement phase of the project: absolute costs and cost composition of Information Obligations, feedback from the businesses interviewed, etc.
- Changes already proposed by different stakeholders;
- Qualitative information gathered by the Consortium on how the EU Directives and Regulations in scope of the measurement have been transposed/implemented by the Member States, including information on national Good Practices for each Priority Area;
- New ideas generated through the application of existing and new methodologies for identifying burden reduction opportunities (cf. Table 1 below)

The methodologies applied for the identification of new reduction ideas were structured around the components of the SCM model. Basically, the methodologies provide a set of questions to be asked and focal points to be analysed for the legislation and Information Obligations in scope. The Table below provides an overview of the different analytical questions that were used for identifying reduction opportunities.

Table 1: Analytical questions for burden reduction

Model	Legislation	Enforcement & Compliance
Analytical questions	Analyse possibilities for: <ul style="list-style-type: none"> Reducing frequency Eliminating overlap between IOs Introducing thresholds for target groups Reducing/eliminating obsolete IOs Removing, reducing, merging, improving legislation 	Analyse possibilities for: <ul style="list-style-type: none"> ICT - solutions and services? Data-sharing by public authorities? Better guidance and information? Risk-based approach, IOs targeting specific operators?
Capgemini Four Blocks Model Focal Points	<ul style="list-style-type: none"> Purpose/Policy – WHY is IO necessary? Target Group – WHO is subject to compliance with the IO? Legislation – WHAT is the IO imposing on enterprises? 	<ul style="list-style-type: none"> Enforcement – HOW is the IO made operational?
SCM focus	Possibilities for changing: <ul style="list-style-type: none"> IO or data requirements Frequency or target group (population) 	Possibilities for changing: <ul style="list-style-type: none"> Time and tariff
EU/Member State focus	EU level in focus (legal source of Information Obligation)	MS level in focus (implementing legislation and administration)

2.5.3.2 Step 2 - Description and quantification of reduction recommendations

The reduction recommendations selected for detailed descriptions were subjected to a "3i Assessment" – assessing **I**mpact, **I**mplementability and **I**mage.

Impact assessment calculation

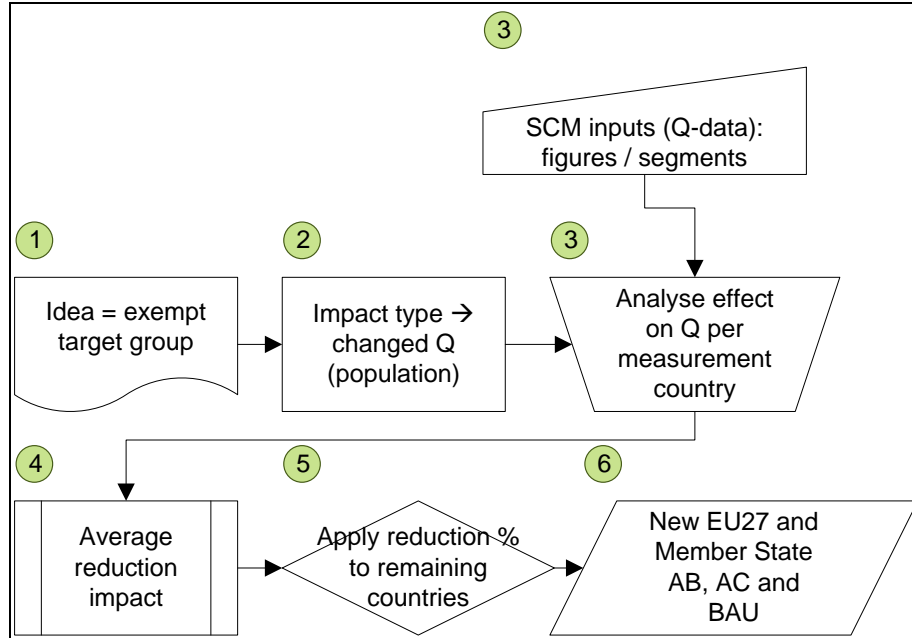
Impact is the quantified administrative burden impact expressed in euro. The impact calculation was carried out in accordance with a stringent simulation method based on the mapping and measurement data. Data on the SCM parameters from the mapping and measurement phase provided a unique laboratory for simulating and quantifying the reduction impact of any given recommendation. Figure 5 and

Figure 6 below illustrate step-by-step how the simulation was carried out for two types of recommendation:

- Example 1: exemption of a target group. This is a typical Type 1 recommendation requiring a change to the EU legislation which defines the target groups for Information Obligations;
- Example 2: an eGovernment solution. This is a typical Type 2 recommendation working via the introduction of eGovernment solutions in the Member States to ease the flow of information from businesses to government.

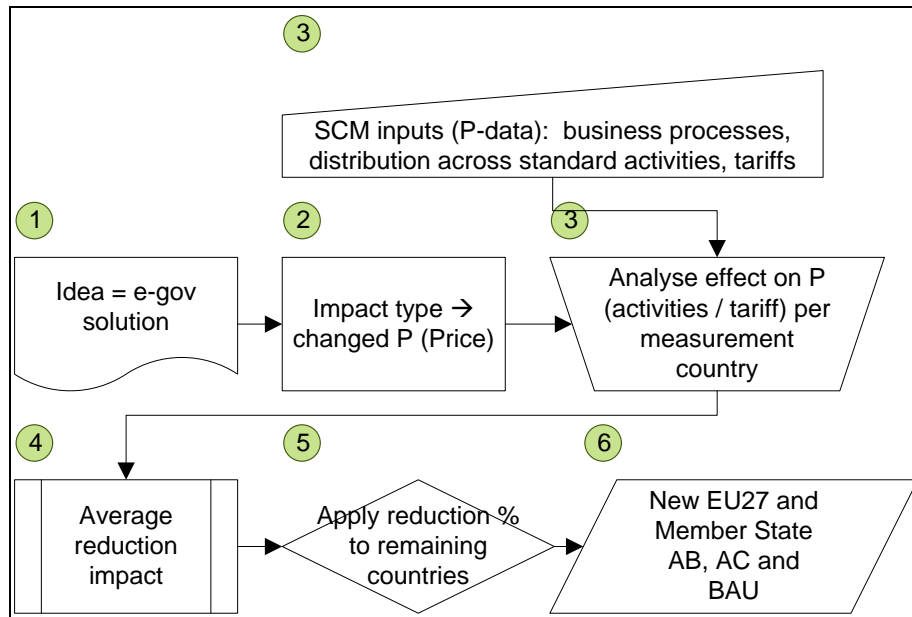
For all calculations, measurement data from the countries used as the extrapolation basis²³ were considered in the "laboratory" in which the impact of the recommendations was simulated. The average percentage reduction impact from the "simulation laboratory" was then applied to the remaining countries to arrive at the overall calculated impact for the European Union.

Figure 5: Impact calculation example step-by-step: Exempt target group



²³ The Measurement Countries and the relevant Baseline Countries, i.e. the countries with existing data that were reused for the EU administrative burden measurement.

Figure 6: Impact calculation example – eGovernment solution



Implementability Assessment

The implementability assessment carried out for each recommendation was mainly concerned with the technical implementability – a form of "reality check" of the reduction recommendations. The checks carried out included considering whether the recommendation:

- is in line with policy objectives and the EU treaties;
- implies prohibitive investment costs for the public or private sector;
- comprises technological uncertainties/obstacles;
- involves excessive complexity;
- would encounter known political opportunities/barriers;
- has a short or long time frame for implementation.

Image Assessment

The objective burdens as measured in euro are not always commensurate with the burdens as these are *perceived* by businesses. For this reason, Standard Cost Measurements are often supplemented by a parallel measurement of the "irritation" or "nuisance" factor of the IOs. Likewise, it makes sense to assess reduction recommendations for whether they correspond to particularly irritating burdens and whether they are expected to reduce the nuisance factor among target group businesses.

This is achieved through the Image Assessment. The Image Assessment basically answers three questions:

- Does the recommendation target Information Obligation(s) with a particularly high "irritation score"? The irritation scores were recorded during the measurement phase of the project based on six generic image questions asked for each IO and scored 1–4 (4= high nuisance);
- Is the cause of the nuisance actually addressed by the reduction measure?
- What is the likely impact of the reduction measure on the nuisance factor, i.e. will businesses really appreciate the reduction in burden?

2.5.4 "National Application" for Member States

The EU Action Programme is part of a shared objective of the European Union and Member States to reduce burdens by 25% by 2012. To support Member State efforts, a so-called National Application was developed as part of the project. The National Application aims to support Member States when setting up their own Administrative Burden Reduction programmes.

Many challenges face those responsible for administrative burden reduction programmes in the EU Member States:

- which regulation and Information Obligations should be examined as a matter of priority;
- how to measure the administrative costs imposed by these rules;
- how to set reduction targets;
- how to set up the project organisation;
- how to ensure that sectoral teams work in a consistent manner across ministries and policy areas;
- how to prepare and conduct interviews with businesses;
- how to store, standardise and analyse the data collected;
- how to draw on experience from other countries.

The National Application helps address these challenges efficiently by providing *inter alia* a sample reporting document, progress reporting templates and a list of standard tariffs per level of qualification and per Member State.

The National Application was developed by the Consortium and will be made available for the Member States.

2.6 Interaction with Stakeholders

Interaction with a broad group of stakeholders is critical to the success of a programme aiming at reducing burdens on European businesses by billions of euro through EU and Member State action. At the project level, the stakeholder interaction took place throughout the project via several channels:

- Member States' "Single Points of Contact" (SPOCs – officials responsible in each Member State for coordinating the interaction of all national ministries with the consortium):
 - input for mapping and measurement data e.g. transposition data, population figures, etc.
 - consultation on key deliverables of the project including burden reduction ideas.
- High Level Group of Independent Stakeholders on Administrative Burdens:
 - Consultation on key deliverables of the project in particular the burden reduction recommendations.
- Awareness-raising activities for a broader audience:
 - Conference and seminars for business and government representatives:
 - EU "Cutting Red Tape for Europe" Conference;
 - 19 communication events in Member States.
 - Communication material:
 - revised administrative burden website of DG Enterprise;
 - e-magazines on the status and preliminary results of the Action Programme.
- Commission Services – close co-operation and dialogue throughout the project with the DGs responsible for the different Priority Areas in scope of the project.
- Businesses, business associations and business representatives:
 - Factual information, e.g. population data;
 - Source of ideas for burden reduction.

Member State consultations

For the purpose of the Action Programme each Member State designated a "Single Point of Contact" (SPOC). The SPOCs were the main interlocutor for Member State involvement in the project. The SPOCs were consulted by the Consortium in different ways:

- formal SPOC meetings in Brussels organised by DG Enterprise;
- written consultation on key project deliverables;
- bilateral contact between the Consortium and the SPOCs for Member State-specific issues;
- SPOC-facilitated contact with line ministries in Member States.

High Level Group of Independent Stakeholders on Administrative Burdens

The High Level Group of Independent Stakeholders on Administrative Burdens or "Stoiber Group" was set up to advise the Commission on the Action Programme, by commenting on burden reduction measures proposed by the consortium and other stakeholders, and by proposing additional reduction measures as well as items of legislation that could be included in the measurement exercise²⁴.

The Consortium presented its work to the High Level Group to facilitate the adoption by the Group of detailed opinions on each Priority Area.

Awareness-raising activities

A dedicated module of the project organised a series of 20 public events to promote the EU Action Programme and to collect stakeholders' views throughout the EU.

The activities under this part of the project aimed to secure:

- early promotion of the Action Programme and the project at EU and Member State level;
- buy-in from European and national stakeholders to the Action Programme and the overall project;
- early input into the reduction process and approach to the project.

²⁴ Commission Decision 2007/4063 of 31st August 2007.

The consortium organised a series of 19 communication events at Member State level in Spring 2008 and the "Cutting Red Tape for Europe" Conference in June 2008. More than 400 stakeholders participated in the "Cutting Red Tape for Europe" Conference held in the European Parliament on 20 June 2008.

The basic programme for the communication events included both a series of presentations held in a plenary setting and one or two workshop sessions to gather reduction ideas from the participating stakeholders – business and government representatives. A number of e-mail campaigns targeting the same stakeholders were organised in Member States where no events were held. In addition, the Consortium carried out support activities directly for DG Enterprise, such as the update of the DG Enterprise administrative burdens website, and the preparation and publication of three issues of an e-magazine.

The communication events held in the Member States engaged more than 1000 stakeholders directly and opened channels of communication to a broad group of stakeholders through the involvement of business organisations, individual entrepreneurs and sometimes the media. Especially for Member States that have just embarked on their national Administrative Burden programmes, the timing of the events was ideal for bringing home the message of a joint EU–Member State effort and mobilising national stakeholders. In many countries, the EU event was the first time that these stakeholders had been brought together to discuss the administrative burden topic systematically.

The interaction during the country events resulted in stakeholders expressing their ideas on how red tape can be reduced. The input provided by stakeholders included highly detailed suggestions at Information Obligation level as well as more general suggestions as to how administrative burdens could be reduced in Europe. The reduction ideas gathered during the country events were taken into account for the reduction work carried out during the subsequent phases of the project.

In many Member States, national business representatives expressed the wish to remain involved in the process of developing burden reduction recommendations.

Involvement of Commission Services

The Commission's DG Enterprise and Industry (DG ENTR) manages the Action Programme. DG ENTR and the Consortium liaised intensively with the policy Directorates-General (DGs) responsible for the different Priority Areas of the project.

Table 2 below provides an overview of the DGs involved for each Priority Area.

Table 2: Priority Areas and Commission Directorate-General responsible

Priority Area	Commission Directorate-General (DG) responsible
Agriculture	DG Agriculture
Cohesion Policy	DG Regional Policy
Company Law	DG Internal Market and Services
Environment	DG Environment
Financial Services	DG Internal Market and Services
Fisheries	DG Maritime Affairs and Fisheries
Food Safety	DG Health and Consumer Affairs
Pharmaceutical Legislation	DG Enterprise and Industry
Public Procurement	DG Internal Market and Services
Statistics	DG Eurostat
Tax Law (VAT)	DG Taxation and Customs
Transport	DG Energy and Transport
Working Environment/Employment Relations	DG Employment, Social Affairs and Equal Opportunities

For their Priority Areas, the policy DGs were in particular involved in:

- helping the Consortium teams understand the nature and state of play for the Priority Areas and legislation in scope of the project;
- mapping the EU Information Obligations;
- providing data on population figures;
- selecting the Measurement Countries;
- providing the overview of existing burden reduction initiatives;
- commenting on the burden reduction recommendations put forward by the Consortium.

Involvement of business associations and representatives

There were two ways in which businesses affected by the legislation in scope were mainly involved.

First of all, selected individual businesses were involved in the actual SCM measurement by participating in interviews or workshops. In this way, the project interacted with several thousand businesses at interviews and workshops throughout the EU. In addition to cost data, the interviews gathered information on business processes, national implementation models, perceived burdens (nuisance factor) and bottom-up ideas for reduction as proposed by the businesses themselves.

Second, the Consortium engaged business associations as part of the stakeholder management of the project. The engagement of business associations served different purposes:

- access to individual businesses to be interviewed;
- sources of information for population data;
- business views on the administrative burdens and ideas on how to reduce them.

The involvement of business associations was secured through the Member State awareness-raising seminars, the "Cutting Red Tape for Europe" event and not least through bilateral contacts, especially during the reduction phase of the programme.

3. Mapping and measurement – main results

In this chapter we present the main findings of Modules 1 to 4 of this project. The main purpose of these Modules was to map and measure the administrative cost and burden stemming from the EC legislation in the thirteen Priority Areas in scope of the project.

Mapping and measurement results refer to the 42 legal acts in scope at the time of the measurement exercise. They therefore differ from the aggregate figures presented by the Commission in its Communication of 22 October 2009 COM(2009)544 which covered the 30 legal acts added in January 2009 as well.

3.1 Mapping of the thirteen Priority Areas in scope – summarised results

The scope of the project was determined by the number of EU IOs, Stated Possibilities and Non-Stated Possibilities²⁵ identified in the selected pieces of legislation.²⁶ This section provides an outline of the results of the mapping.

Information Obligations

- A total of 314 EU Information Obligations (IOs) and 42 Stated Possibilities were identified. The implementation or transposition of these Information Obligations led to the adoption of more than 9,800 national obligations across the 27 Member States.

3.1.1 European Information Obligations and Stated Possibilities

A total of 314 EU IOs and 42 Stated Possibilities were identified in the 42 EU acts²⁷ in scope.

²⁵ Information obligations (IOs) are requirements to provide information imposed on businesses by the Directives and Regulations; Stated Possibilities are created where a Directive gives the Member State discretion to introduce additional requirements above and beyond the IOs (i.e. "...Member States may ... require the inclusion of other statements in the annual accounts in addition to the documents referred to in the first sub-paragraph ..."). In many cases the possibility for Member States to ask for additional information also exists even though it is not stated in the EU legal text. Such non-Stated Possibilities are new IOs or additional requirements which go beyond EU Requirements, and are adopted by the Member States when transposing EU Directives.

²⁶ The baseline date for the EU SCM project was 9-07-2007. A specific baseline date was set for the measurement so that only legislation in force on or before that date was taken into account in the SCM mapping. Subsequent baseline updates or baseline reviews on later dates can then be used for monitoring progress in administrative cost reduction.

²⁷ In addition to the project integrated the results of an existing Common Agricultural Policy/Single Payment Scheme administrative burden measurement (see footnote no.33). The two Acts in scope of the existing CAP/SPS measurement are not counted in the 42 acts in scope of the project

Table 3: Results of mapping of EU Acts

Priority Area	No. of Directives/ Regulations in scope	No. of EU IOs mapped in EU Acts	Number of Stated Possibilities in EU Acts
Agriculture and Agricultural Subsidies	2	29	0
Annual Accounts/Company Law	8	45	24
Cohesion Policy	1	6	0
Environment	5	42	3
Financial Services	3	49	4
Fisheries	1	11	1
Food Safety	7	38	0
Pharmaceutical Legislation	2	37	0
Public Procurement	2	6	1
Statistics	6	8	0
Tax Law (VAT)	1	28	9
Transport	2	8	0
Working Environment/Employment Relations	2	7	0
Total	42	314	42

Not all legal acts contained Stated Possibilities. Stated Possibilities were identified only in six Priority Areas. The Annual Accounts/Company Law Priority Area is the area with the highest number of Stated Possibilities.

3.1.2 National Information Obligations per Priority Area

Table 4 below shows the breakdown per Priority Area of the national Information Obligations that were mapped.

Table 4: Overview of number of national IOs (including Stated Possibilities and Possibilities not stated in the EU legal act) per Priority Area

Priority Area	N° of National IOs
Agriculture and Agricultural Subsidies	923
Annual Accounts/Company Law	1,819
Cohesion Policy	169
Environment	1,313
Financial Services	1,345
Fisheries	262
Food Safety	1,123
Pharmaceutical Legislation	1,096
Public Procurement	194
Statistics	269
Tax Law (VAT)	868
Transport	200
Working Environment/Employment Relations	234
TOTAL	9,815

The implementation or transposition of the 314 EU Information Obligations and 42 Stated Possibilities has led to the adoption of 9,815 national obligations across the 27 Member States. Of these 1,013 are requirements that go beyond the obligations imposed by the EU legal acts.

For countries with relevant regional legislation, regional IOs linked to IOs at EU level were taken into account. During the measurement phase, these regional IOs were measured in one region, which was assumed to be typical of the overall national situation.

Obligations arising from purely national or sub-national legislation, i.e. with no link to an IO set at EU level, are not considered as (originating in) EU legal obligations and were therefore excluded from this measurement.

3.1.3 National Information Obligations across Member States

The following table shows the number of IOs identified in the Member States. It distinguishes between EU Requirements, Stated Possibilities and Not-Stated Possibilities.

Table 5: Number of Information Obligations across Member States

Member State		EU requirements		National obligations going beyond EU requirements		
				Possibility stated in the EU Act		Possibility Not Stated in the EU Act
		EU IOs	Corresponding national IOs identified ²⁸	EU IOs	Transposed by Member State ²⁹	Implemented
AT	Austria	314	296	42	22	2
BE	Belgium	314	303	42	21	37
BG	Bulgaria	314	310	42	17	18
CY	Cyprus	314	292	42	24	9
CZ	Czech Republic	314	305	42	21	30
DE	Germany	314	601	42	21	47
DK	Denmark	314	310	42	16	16
EE	Estonia	314	328	42	22	4
EL	Greece	314	323	42	25	24
ES	Spain	314	461	42	26	7

²⁸ A single Information Obligation at EU level may be sub-divided into several separate obligations at national level, so that the total per Member State can be higher than the number of underlying EU IOs.

²⁹ To be law in a Member State, a Directive has to be transposed into national legislation. In the case of Possibilities Not Stated in the EU Act, the Member State has used the discretion to go beyond what is expressly permitted to implement additional Information Obligations.

Member State		EU requirements		National obligations going beyond EU requirements		
				Possibility stated in the EU Act		Possibility Not Stated in the EU Act
		EU IOs	Corresponding national IOs identified ²⁸	EU IOs	Transposed by Member State ²⁹	Implemented
FI	Finland	314	294	42	23	18
FR	France	314	314	42	33	14
HU	Hungary	314	303	42	18	21
IE	Ireland	314	345	42	19	9
IT	Italy	314	321	42	15	41
LT	Lithuania	314	314	42	22	7
LU	Luxembourg	314	291	42	28	11
LV	Latvia	314	322	42	15	3
MT	Malta	314	344	42	15	1
NL	Netherlands	314	311	42	20	21
PL	Poland	314	304	42	22	7
PT	Portugal	314	351	42	24	10
RO	Romania	314	319	42	18	30
SE	Sweden	314	319	42	24	6
SI	Slovenia	314	301	42	33	20
SK	Slovakia	314	282	42	16	1
UK	United Kingdom	314	325	42	33	6

3.2 Administrative costs and burden – high-level results

This section provides an outline of the results of the measurement conducted in the thirteen Priority Areas including the results of the Pilot Project on Annual Accounts/Company Law³⁰.

The total administrative costs for the 13 Priority Areas were measured as some
€127 billion.

The administrative burden accounts for 80.2%
of these total administrative costs, or nearly €102 billion.

³⁰ The Priority Area of Company Law was mapped and measured in a fast-track pilot project of the programme. The pilot project served to test and refine the methodology of the project.

- The administrative costs of the legislation in scope amount to about 1.1% of EU-27 GDP.
- The 42 legislative acts in scope of the measurement consist of 29 Directives and 13 Regulations. About 90% of the total Administrative Costs relate to the Directives and the remaining 10% to the Regulations.³¹
- The concentration of costs is significant: Tax Law (VAT) accounts for €79.5 billion, or 62.7% of the total costs; the costs related to Annual Accounts/Company Law amount to €25.5 billion, 20.1% of the total. The high costs are a logical consequence of the large number of companies affected by the legislation in these areas. The single most burdensome IO, for example, is “VAT bookkeeping in sufficient detail for inspection by tax authorities”, which affects most of the 22 million enterprises in Europe and imposes very frequent action on them.
- The vast majority of the total administrative costs stem from regulation of EU origin and their implementation (92.8%). International origin, Stated and Not Stated Possibilities represent relatively minor additional costs (4.1%, 1.8%, and 1.3% respectively).
- Consultancy costs are a particularly large component of overall administrative costs in four Priority Areas: Annual Accounts/Company Law, Tax Law (VAT), Environment and Pharmaceutical Legislation. Two Priority Areas – Food Safety and Transport – are characterised by high equipment costs.
- Business-as-usual costs account overall for 19.8% of the administrative cost. The Priority Areas with the highest share of business-as-usual costs are Financial Services (47.3%) and Annual Accounts/Company Law (45.3%).
- The measurement data generally supports the notion that micro- and small companies face disproportionately high administrative costs.
- The Priority Areas with the highest irritation factor are Public Procurement, Statistics and Fisheries. The Priority Area with the lowest irritation factor is Financial Services.

³¹ This distribution of costs is influenced by the fact that the measured legislative acts in the most burdensome Priority Areas Tax Law (VAT) and Company Law are Directives. One cannot draw the conclusion that Directives are more burdensome than regulations.

- Two IO types account together for a significant proportion of total cost: “Cooperation with audits and inspections by public authorities” and “Submission of (recurring) reports”.
- Generally, countries with a high GDP and a larger number of businesses have the highest Administrative Cost.
- Approximately 28% of all costs can be described as being at a level above those which would be expected from Normally Efficient Transposition³². This leaves significant room for a reduction of the administrative burden at the national level.

These findings are described in further detail below.

3.2.1 Costs and burden per Priority Area

The Priority Areas with the highest costs and burdens are Tax Law (VAT) and Company Law/Annual Accounts. Taken together they account for more than 80% of the total administrative costs of the Priority Areas in scope. The costs of Tax Law (VAT) are largely due to three IOs relating to VAT bookkeeping, to the submission of periodical VAT returns and to the issuing of VAT-compliant invoices. The costs of Annual Accounts/Company law are largely due to IOs relating to the drawing up and publication of annual accounts and annual reports.

The driving factor behind the costs of these IOs and therefore of the two Priority Areas is the high number of enterprises affected. The Information Obligations cited above have in common that they apply to all sectors of industry and affect up to 22 million enterprises in Europe. Furthermore, they impose frequent, in certain cases even daily, action on enterprises (e.g. ensuring that they issue VAT-compliant invoices). The high costs linked to these IOs were therefore expected and are, in a certain sense, a logical consequence of the degree of harmonisation at EU level.

In descending order of magnitude behind Tax Law (VAT) and Annual Accounts/Company Law come the Food Safety, Working Environment/Employment Relations,

³² The definition of ‘Normally Efficient Transposition’ refers to the efficiency of the system put in place by public authorities in the Member States to implement or transpose EU IOs and is discussed in detail at the end of this chapter.

Agriculture/Agricultural Subsidies³³, and Transport Priority Areas. These six areas account for some 96% of the total costs.

As the programme did not cover all legal acts in each Priority Area, the administrative costs detailed in this report do *not* represent all administrative costs for these Priority Areas.

The following table provides a detailed overview of the total administrative cost, the business-as-usual costs (BAU) and administrative burden distribution across the Priority Areas measured³⁴.

³³ The figures for Agriculture/Agricultural Subsidies cover both the mainstream measurement and additional work done by the Consortium to assess the Single Payment Scheme (SPS) and Single Area Payment Scheme (SAPS). For this extra deliverable, data were based on an extrapolation of figures from five Member States, each of them corresponding to one typical SPS option. Most of these figures were retrieved from an early application of the EU SCM (Ramboll Management, *Study to assess the administrative burden on farms arising from the CAP*, October 2007, <http://ec.europa.eu/agriculture/analysis/external/burden/fulltext.pdf>).

³⁴ For an explanation of these terms, see Chapter 2.1.

Table 6: Administrative costs, business-as-usual costs and administrative burden per Priority Area

Priority Area	Admin. Costs (AC)		Business-as-usual (BAU)		Admin. Burden (AB)	
	AC (€ x 1,000)	Share of Total AC (%)	Cost (€ x 1,000)	Share of AC (%)	AB (€ x 1,000)	Share of AC (%)
Tax Law (VAT) ³⁵	79,512,106	62.7	10,275,756	12.9	69,236,350	87.1
Annual Accounts/Company Law	25,509,877	20.1	11,551,369	45.3	13,958,508	54.7
Food Safety	5,501,385	4.3	1,573,480	28.6	3,927,905	71.4
Working Environment/Employment Relations	4,260,634	3.4	474,243	11.1	3,786,392	88.9
Agriculture and Agricultural Subsidies	4,007,998	3.2	184,924	4.6	3,823,074	95.4
Transport	3,104,506	2.4	77,694	2.5	3,026,812	97.5
Financial Services	1,357,720	1.1	642,477	47.3	715,243	52.7
Cohesion Policy	929,125	0.7	0	0.0	929,125	100.0
Pharmaceutical Legislation	920,403	0.7	75,360	8.2	845,043	91.8
Environment	727,372	0.6	105,369	14.5	622,003	85.5
Statistics	628,881	0.5	76,630	12.2	552,252	87.8
Public Procurement	234,223	0.2	17,917	7.6	216,306	92.4
Fisheries	79,696	0.1	5,833	7.3	73,863	92.7
Total	126,773,929	100.0	25,061,051	19.8	101,712,878	80.2

As illustrated above, the administrative burden accounts for by far the largest part of the administrative cost, with 19.8% of the total costs across all Priority Areas being considered business-as-usual costs. The occurrence of business-as-usual costs differs significantly between the Priority Areas.

3.2.2 Origin of legal requirements

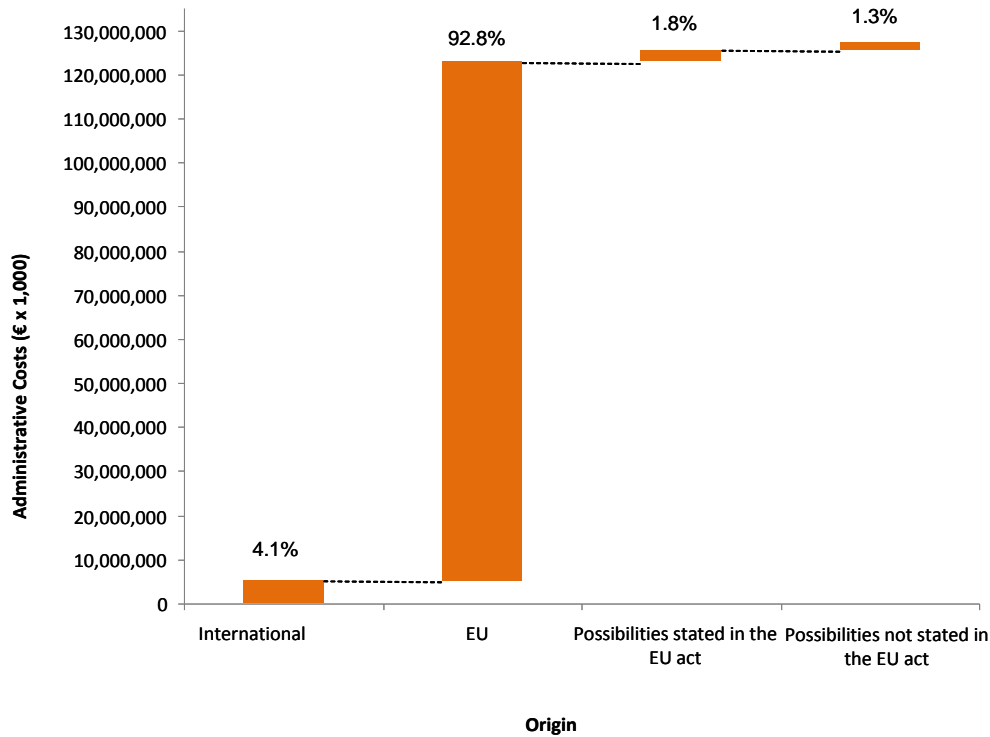
It is possible to distinguish between four different types of legal origin for requirements linked to EU legal acts:

- EU Requirements with international origin (e.g. United Nations agreements);
- EU Requirements of EU origin;
- Possibilities Stated in the EU act: optional requirements for Member States when transposing EU Directives;
- Possibilities Not Stated in the EU act: new IOs or additional requirements which go beyond EU Requirements, and are adopted by the Member States when transposing EU Directives.

³⁵ The BAU-ratio in the Priority Area Tax Law (VAT) is influenced by the fact that for the Information Obligation VAT bookkeeping BAU costs were excluded a priori.

Figure 7 below gives an overview of the cost share of the four different origins of EU requirements, including – for each type – the costs linked to the implementation of the requirements:

Figure 7: Share of total administrative cost per origin (%)



The following Table 7 provides the details of the breakdown of the origin of the costs per Priority Area.

Table 7: Administrative costs and share (%) by Priority Area and by origin

Priority Area	Total Admin. Cost (€ x1,000)	EU Requirements				National obligations going beyond EU Requirements			
		International Origin		EU Origin		Possibility Stated in the EU Act		Possibility Not Stated in the EU Act	
		Admin. cost (€ x1,000)	Share of total AC (%)	Admin. cost (€ x1,000)	Share of total AC (%)	Admin. cost (€ x1,000)	Share of total AC (%)	Admin. cost (€ x1,000)	Share of total AC (%)
Agriculture and Agricultural Subsidies	4,007,998	0	0.0	4,007,998	100.0	0	0.0	0	0.0
Annual Accounts/Company Law	25,509,877	0	0.0	24,996,312	98.0	145,886	0.6	367,679	1.4
Cohesion Policy	929,125	0	0.0	922,634	99.3	0	0.0	6,491	0.7
Environment	727,372	165,244	22.7	504,085	69.3	28,037	3.9	30,006	4.1
Financial Services	1,357,720	0	0.0	1,350,165	99.4	4,052	0.3	3,504	0.3
Fisheries	79,696	0	0.0	72,583	91.1	5	0.0	7,108	8.9
Food Safety	5,501,385	741,812	13.5	4,758,780	86.5	0	0.0	793	0.0
Pharmaceutical Legislation	920,403	89,567	9.7	822,046	89.3	0	0.0	8,790	1.0
Public Procurement	234,223	23,154	9.9	206,349	88.1	4,420	1.9	300	0.1
Statistics	628,881	0	0.0	618,291	98.3	0	0.0	10,590	1.7
Tax Law (VAT)	79,512,106	0	0.0	76,306,817	96.0	2,063,545	2.6	1,141,744	1.4
Transport	3,104,506	0	0.0	3,104,475	100.0	0	0.0	30	0.0
Working Environment/ Employment Relations	4,260,634	4,199,353	98.6	28,866	0.7	0	0.0	32,416	0.8
Total	126,773,929	5,219,131	4.1	117,699,402	92.8	2,245,945	1.8	1,609,451	1.3

A number of the IOs identified in the EU legislation stem ultimately from *international origin*, which has been translated into EU legislation by the Directives and Regulations in scope of the project. Each EU IO was analysed in relation to the relevant international regulation, and in cases where legally binding international regulation had an analogous content to the EU IO, the EU IO was categorised as an EU IO of International Origin. Overall, of the total administrative costs, 4.1% have an international origin.

The vast majority of the total administrative costs are related to obligations of *EU origin* and their implementation at national level (92.8%). Chapter 2.2.8 gives further details on the issue of transposition and implementation of EU legislation.

The total cost stemming from *national obligations going beyond EU Requirements* is comparatively small according to the measurement data compiled by the Consortium. This amounts to 3.1% of the total administrative cost: 1.8% for Stated and 1.3% for Not–Stated

Possibilities. This confirms the results of the mapping, with a low number of Stated and Not-Stated Possibilities identified in national legislation. The Environment Priority Area has the highest share of costs stemming from Possibilities Stated in the EU Act (3.9%).³⁶ The highest share of costs stemming from Possibilities Not Stated in the EU act is to be found in the Fisheries Priority Area (8.9%).³⁷

3.2.3 The most burdensome IOs

The top five IOs in terms of burden all stem from the Tax Law (VAT) and Annual Accounts/Company Law Priority Areas. The IO “VAT bookkeeping in sufficient detail for inspection by tax authorities” alone accounts for more than a quarter of the total administrative cost and burden of all IOs.

There is a high concentration of costs and burdens: 10% of the IOs account for 92.1% of the total Administrative Cost and 20% of the IOs account for 97.8% of the total Administrative Cost.

3.2.4 Internal versus consultancy and equipment costs

We investigated the use businesses make of external experts (consultants) and/or special equipment in order to comply with IOs (as opposed to using their own personnel to do the work – known as internal costs). The Table below provides an overview of the distribution of the administrative costs in this respect. However, when extrapolating Ps, *no* breakdown was made between internal costs, and consultancy and equipment costs. Therefore, only data for the measurement and baseline countries are taken into account for this calculation of the share of internal, consultancy and equipment costs.

³⁶ Some examples: In Directive 2002/96/EC on waste electrical and electronic equipment (WEEE), there is a Stated Possibility relating to providing information to users of electrical and electronic equipment (Art. 10 par. 1; Art 10 par. 2; Art 10 par. 3; Art 10 par. 4). In Regulation 1013/2006 on shipments of waste there is a Stated Possibility related to keeping records of inputs, outputs and/or balances of waste and dispatch (Art. 10 par. 5).

³⁷ This is mainly due to an extension of the target group in Spain and France. Both countries extended the target group of some obligations to all fishing vessels, whereas the EU legislation only applies to vessels with a length of 10 metres or more. For example, in France, Masters of Vessels of less than 10 metres need to provide the authorities with a monthly report with a similar amount of information as the operations logbook defined by the EU legislation.

Table 8: Share of internal, consultancy and equipment costs in total administrative cost

Priority Area	Internal cost (%)	Consultancy cost (%)	Equipment cost (%)	Total Admin. Cost (€ x1,000)
Agriculture and Agricultural Subsidies	97.4	2.2	0.4	4,007,998
Annual Accounts/Company Law	29.4	69.9	0.7	25,509,877
Cohesion Policy	97.3	2.0	0.8	929,125
Environment	73.9	26.0	0.1	727,372
Financial Services	90.6	8.6	0.8	1,357,720
Fisheries	94.2	0.0	5.8	79,696
Food Safety	62.8	0.1	37.1	5,501,385
Pharmaceutical Legislation	81.5	18.4	0.1	920,403
Public Procurement	79.6	0.4	20.0	234,223
Statistics	100.0	0.0	0.0	628,881
Tax Law (VAT)	47.1	51.6	1.3	79,512,106
Transport	76.1	0.0	23.9	3,104,506
Working Environment/Employment Relations	54.2	45.6	0.2	4,260,634
Total	47.1	49.7	3.3	126,773,929

The Priority Areas with the highest share of internal costs are Statistics, Agriculture and Agricultural Subsidies, Cohesion Policy and Fisheries.

The areas with high consultancy costs are Annual Accounts/Company Law, Tax Law (VAT), Environment and Pharmaceutical Legislation.

Two Priority Areas are characterised by high equipment costs.

- In Food Safety (where 37.1% of the total administrative cost goes on equipment costs), farmers have, for example, to buy ear tags to mark their animals;
- In Transport, the equipment costs (23.9% of the total administrative cost) relate to the purchase of digital tachographs to record driving times.

3.2.5 Costs in relation to company size

Within the Commission's Action Programme, special attention is paid to administrative burden reduction for small and medium-sized enterprises (SMEs). In March 2006 the European Council explicitly recognised the crucial role of SMEs in creating growth and better jobs in Europe and underlined the need for a regulatory environment that was

simple and transparent, and conformed to the principle "think small first". Various studies have indicated that small enterprises are faced with a disproportionately higher administrative burden in comparison with larger businesses.³⁸

In regard to company size, we distinguish between four different segments: micro, small, medium-sized and large companies. Within the measurement discussed here, a breakdown of the administrative cost by company size classes was carried out for selected Information Obligations, in particular in the Annual Accounts/Company Law, Statistics, Tax Law (VAT), and Working Environment/Employment Relations Priority Areas.

The measurement results indicate that smaller companies face administrative costs which are higher relative to turnover and/or number of employees. This can be explained by several factors:

- larger businesses can employ specialists to deal with regulatory obligations more efficiently;
- for larger businesses, investment in computerisation and rationalisation of regulatory obligations will often be worthwhile due to the larger number of cases to be dealt with; in small companies, it will often be the manager/owner who is responsible for taking care of the regulatory obligations.

This implies that burden reduction initiatives in general will be particularly beneficial to SMEs and special attention should be paid to the burden reduction for SMEs (i.e. exempting SMEs from the obligation or targeting an industry segment dominated by SMEs).

3.2.6 Irritation across Priority Areas

The overall objective of the Action Programme is to achieve an administrative burden reduction of 25% by 2012. It is generally acknowledged that reduction efforts will be more successful if the public authorities manage to lower the *perceived* burdens for businesses as well as removing quantifiable burdens.

³⁸ See for example "Models to reduce the disproportionate Regulatory Burden on SMEs", May 2007, http://ec.europa.eu/enterprise/entrepreneurship/support_measures/regmod/regmod_en.pdf.

To obtain an indication of the level of irritation, businesses were asked during interviews and workshops to assess six statements (per IO) on a 1–4 scale. The statements were chosen to reflect factors which are commonly known to cause irritation when they are ignored, such as understanding the need for government to ask for the information, the clarity of the information requirement and the wish that information be only asked for once. The statements used to measure the perceived burden indicate that irritation in relation to IOs that must be complied with can originate in different ways, for example:

- businesses do not see the relevance of the IO to the underlying policy objectives;
- businesses cannot easily comply with the IO since the information required or the procedure to be followed is not aligned with their day-to-day business processes;
- the IO is complex and requires additional training of employees;
- businesses perceive the implementation of the processes by the government authorities as inefficient (e.g. same information to be submitted to different administrations).

Overall, the complexity of the Information Obligation is seen by the interviewees as the main source of irritation. Situations where businesses have to submit the same information to different administrations several times rank second.

The irritation levels of the different Priority Areas show diverse patterns. In areas such as Transport and Working Environment where safety is a high priority, the businesses interviewed do not question the relevance of the Information Obligations. Representatives of financial institutions also accept the importance of strict regulation. In these areas remarks were mainly related to the way the Information Obligations were implemented. In other areas, such as Statistics, Public Procurement and Fisheries, the requirements themselves were considered by the interviewees to be disproportionate to the policy objectives.

Finally, based upon the data collected it was not possible to assess the validity of the intuitive hypothesis that Information Obligations of which a large percentage of the administrative costs can be considered as business-as-usual lead to a lower perception of the burden.

3.2.7 Costs and burden across types of obligation

The following Table illustrates the total costs attributable to the 12 types of Information Obligation of the EU SCM model ranked by the level of the administrative costs.

Table 9: Administrative cost and administrative burden by Information Obligation type

Obligation type	IOs per type (No.)	Admin. Cost		Admin. Burden	
		Admin. Cost (€ x1,000)	Share of Total AC (%)	Admin. burden (€ x1,000)	Share of Total AB (%)
10. Cooperation with audits & inspection by public authorities	56	51,937,757.4	40.97	37,108,232.0	36.48
02. Submission of (recurring) reports	60	38,848,603.9	30.64	32,658,728.0	32.11
04. Non-labelling information for third parties (e.g. financial prospectus)	53	13,419,521.2	10.59	12,854,203.2	12.64
12. Other	34	8,631,702.9	6.81	7,161,029.0	7.04
11. Application for subsidy or grant	24	4,122,879.4	3.25	3,942,893.4	3.88
09. Inspection (e.g. monitoring the conditions for employees)	4	3,081,356.3	2.43	2,867,014.4	2.82
03. Information labelling for third parties (e.g. energy labelling of domestic appliances)	18	2,414,664.9	1.90	928,486.4	0.91
05. Application for individual authorisation or exemption (i.e. authorisation required each time a particular task has to be carried out; e.g. building permits)	22	1,746,807.8	1.38	1,730,962.3	1.70
07. Registration (e.g. entry in a business register or a professional list)	10	894,293.0	0.71	810,239.2	0.80
01. Notification of (specific) activities (e.g. for transportation of dangerous cargos)	60	836,404.6	0.66	811,152.1	0.80
08. Certification of products or processes	6	810,184.4	0.64	810,184.4	0.80
06. Application for general authorisation or exemption (i.e. license granting permission to engage in an activity, such as banking or liquor selling)	9	29,753.2	0.02	29,753.2	0.03

The IO types resulting in the highest costs are “Cooperation with audits and inspections by public authorities” followed by “Submission of (recurring) reports” and “Non-labelling information for third parties (e.g. financial prospectus)”. The first type mentioned is generally costly because it is time-consuming, involves more than one person and requires a physical presence. The second is costly because a report generally requires a great deal of information, for example, compared to the type “Notification of (specific) activities” which normally requires only a few pieces of information. Together, the first two obligation types account for almost 70% of the total administrative cost and burden.

3.2.8 Transposition and implementation of EU legislation across Member States

3.2.8.1 Normally efficient transposition (NET)

As described in the EU SCM manual, a mere reference to the type of EU Act (Regulation or Directive) is not sufficient to determine if the Member States have discretion to implement the act and the IOs in the act or not. In order to determine which authority is responsible for imposing which obligation (regulatory origin) and, as a consequence, which authority has the possibility of and responsibility for influencing the administrative cost and burden, it is necessary to examine the content elements of the EU IO and the national IO implementing/transposing them.

Costs imposed by Information Obligations at national level which correspond strictly to the definition given in an EU legal text or to normally efficient transposition can be attributed to the EU (*what* is required). However, Member States may still be responsible for administrative costs stemming from inefficiency in their implementation/transposition of such EU IOs (*how* the IO is implemented). Implementing approaches often differ widely: for example, prefilled on-line forms in Member State A vs. blank paper-based forms in Member State B; one-stop shops in Member State C vs. several decentralised authorities in Member State D; etc. Some administrative procedures are lighter than others, so the assessment of the origin of the administrative costs should reflect that reality.

The definition of 'normally efficient transposition' refers to the efficiency of the system put in place by public authorities in the Member States to implement or transpose EU IOs. Due to the method chosen in the project (measurement in only a selection of countries), it is important to point out that the quantitative approach to assessing "normally efficient transposition" delivers figures that are no more than an indicative estimate of the efficiency of each Member State's process.

Generally speaking, Member States are responsible for administrative costs resulting from "gold-plating" (costs stemming from national requirements going beyond EU requirements) and for costs stemming from inefficiency in their implementation/transposition of EU IOs. The calculations carried out in connection with this measurement indicate that approximately 28% of administrative costs can be allocated at national level

due to inefficiencies as compared to normally efficient transposition.³⁹ In addition, 4% of costs stem from national obligations going beyond EU requirements.

3.2.8.2 Implementing measures (Qualitative analysis of the differences in implementation)

Qualitative information was collected on a selection of approaches to implementation on the part of the Member States.

There are many reasons for differences in national measures implementing the Information Obligations in scope. They include:

- legal differences, e.g. the presence of additional national requirements;
- differences in the business community involved (homogeneous or heterogeneous group ...);
- differences in the government organisations that are typically responsible for the legislation in scope (national ministry, regional authorities or multiple levels of government).

More information on the implementing approaches of the Member States and the underlying factors in the countries in which measurement was carried out can be found in the Priority Area reports.

To reflect some of the interesting findings in this area, we have selected below a number of examples of both good practice and of divergent practices in some key Priority Areas.

Agriculture and Agricultural Subsidies

The process of applying for import and export licences, and advance fixing certificates comes under Commission Regulation (EC) No 1291/2000⁴⁰. The application process differs from one Member State to another. Article 25 of the Regulation allows Member States to introduce a simplified procedure. This provides them with scope for electronic application systems and information sharing between the awarding authority and the

³⁹ A certain level of inefficiency is inherent in large and complex systems. Inefficiency can never be totally eliminated for various reasons. Thus, the percentage calculated for inefficiency compared to normally efficient transposition should not be considered to be identical to a reasonable administrative burden reduction objective.

⁴⁰ Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products, which has since been codified by Commission Regulation (EC) No. 376/2008 and simplified by Commission Regulation (EC) No 514/2008.

national tax authorities. However, only a very few Member States make use of this possibility. This affects how much activity is required at company level, which again is reflected in the time spent on handling the obligations stemming from the Regulation.

Bulgaria, Denmark and Ireland are examples of good practice, because they are among the countries that have made use of the possibility provided under Regulation 1291/2000 to lodge the licence or certificate with the issuing body or the authority responsible for the payment, thus removing the burden for business of submitting the licence or certificate to the customs office.

Belgium is another example of good practice in the way in which the Belgian paying agency, BIRB (*Belgisch Interventie- en Restitutiebureau/Bureau d'intervention et de restitution belge*) issues the certificates and pays the refunds relating to the import and export certificates.

Food Safety

A good practice example in the Food Safety Priority Area was found in the Netherlands, where the interface between the database for Identification and Registration (I&R) of the Ministry of Agriculture, Nature and Food Safety (Ministerie van Landbouw, Natuur en Voedselkwaliteit-LNV) is particularly user-friendly for the keepers of animals. The I&R database keeps track of: (1) the birth and death of a bovine animal; (2) eartag information and; (3) transport information. The interface is used by keepers of animals, transporters and slaughterhouses. Thanks to this system, keepers of animals, transporters and slaughterhouse keepers only need to enter the information about the bovine animals once and have insight into the logistical progress of the animal. If the wrong information is inserted, the system automatically generates an error message. The interface can also be activated by phone.

Working Environment

The Directives in scope (89/391 and 92/57⁴¹) are in virtually every respect goal-oriented, leaving considerable discretion to the individual Member States to decide how to implement them. This has the disadvantage that the degree of discretion available can lead Member States to design systems which result in low levels of compliance, particularly by micro-, small and medium-sized enterprises.

An example of good practice for this Priority Area is the use of risk-based inspections by the Labour Inspectorates. For instance, in the Netherlands, the Dutch Labour Inspectorate (“Arbeidsinspectie”) has put considerable effort into making use of risk assessments in order to reduce the number of inspection visits while at the same time targeting the sectors that pose the highest health and safety risks and the enterprises that are the least compliant.

3.3 Implicit IOs

EU legal texts contain provisions that create obligations on Member States, without making reference to the provision of information, but where Member States might create national IOs to fulfil the obligation. These obligations are called implicit IOs. The EU SCM methodology defines the concept of the implicit IOs as out of scope for the main measurement project. However, national baseline measurements indicate that such implicit IOs are a source of considerable administrative cost. To illustrate the scope of such costs, it was agreed that a pilot measurement of implicit IOs would be carried out in the Tax Law (VAT) Priority Area—specifically in relation to the following provisions in VAT Directive 2006/112/EC on the common system of valued added tax and the national Information Obligations implementing those provisions:

- Art. 11 regarding VAT groupings/fiscal unity;
- Art. 131 as it relates to Art 143(d) regarding the exempt importation of goods which are moved to another Member State and taxed there;
- Art. 223 regarding the conditions concerning the summary invoice;

⁴¹ Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work; Council Directive 92/57/EEC of 24 June 1992 on the implementation of minimum safety and health requirements at temporary or mobile construction sites (eighth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC).

- Art. 224 regarding the prior agreement and the acceptance procedure for self-billing;
- Art. 273 regarding the collection of VAT and the fight against fraud.

Since this is just a selection of five IOs (of which only four were measured⁴²) the total cost of this measurement does not reflect the total cost of all implicit IOs (in total 20).

The main results can be summarised as follows:

- The transposition of these legal provisions resulted in a high diversity of national IOs across the 27 Member States. This is specifically the case for the IOs resulting from Article 273;
- The total administrative cost resulting from the IOs selected (with the exception of IOs related to Article 11) comes to some €1,405 million spread over 409 national IOs.

Table 10: Information Obligation breakdown by selected provision

IO Description	Article: Council Directive 2006/112/EC	Number of IOs
Obligations linked to a VAT group	Article 11	73
Obligations related to an exempt import followed by an intra-Community supply/transfer	Article 131, in conjunction with Article 143(d)	24
Issuance of a summary invoice	Article 223	31
Conclusion of a prior agreement regarding self-billing	Article 224, 1-2°	30
Acceptance procedure for self billing-invoices	Article 224, 1-2°	26
Other obligations imposed by Member States regarding the issuance of self-billing invoices	Article 224, 3°	17
Article 273	Article 273	208
Total		409

The calculation can be broken down and the amount of overlap per IO can be summarised as shown in Table 11 below.

⁴² The IOs linked to Article 11 were not measured.

Table 11: Breakdown of implicit Information Obligations (IO) costs and overlap with explicit IOs

IO Description	Article, Council Directive 2006/112/EC	Total administrative cost	Cost stemming from implicit IOs	Potential overlaps with explicit IOs
Obligations related to an exempt import followed by an intra-Community supply/transfer	Article 131. in conjunction with article 143(d)	€7,479,877	€6,471,326	€1,008,551
Issuance of a summary invoice	Article 223	€664,446,105	€271,342,243	€393,103,862
Conclusion of a prior agreement regarding self-billing	Article 224. 1-2°	€6,119,619	€6,119,619	0
Acceptance procedure for self billing-invoices	Article 224. 1-2°	€9,183,509	€9,115,599	€67,910
Other obligations imposed by Member States regarding the issuance of self-billing invoices	Article 224. 3	€36,611,244	€2,435,177	€34,176,066
Article 273	Article 273	€681,507,159	€347,167,093	€334,340,065

The Table above shows that there is a significant overlap – and the amount of that overlap – between the cost measurement of certain implicit IOs and the cost measurement performed for the explicit IOs included in the main work stream.

The individual IOs stemming from Article 273 each results in a relatively limited administrative burden per IO, but considering the – often particular and limited – target groups, there is a substantial reduction potential for the target group and businesses affected. Moreover, given that IOs stemming from Article 273 are often implemented in few Member States, their added value in combating fraud is questionable.

4. Reducing Burdens

The overriding aim of the Action Programme is to reduce the administrative burden on European businesses by 25% in 2012 compared to the level on January 2005⁴³. This 25% is a shared objective between the European Union and the Member States – requiring action at both levels.

The final module of the project carried out by the Consortium aimed at developing and calculating reduction recommendations that would contribute to the 25% reduction target of the Action Programme. The burden reduction method applied by the Consortium was presented in Chapter 1 above. This chapter presents the specific results of the burden reduction work – the burden reduction recommendations.

The burden reduction recommendations presented here are recommendations put forward by the Consortium – although the source of the recommendation or elements of it is in many cases stakeholders, existing policy proposals, existing Member State practices, etc. The European Commission was consulted and its feedback taken into account. However, this consultation does not imply an endorsement of the recommendations by the Commission.

The specific deliverables of the burden reduction work of the project were:

- a long list of new and existing reduction recommendations covering the Priority Areas and legal acts in scope of the programme;
- a short-list of approximately 106 burden reduction recommendations selected from the long-list; each recommendation on the short-list is described either in a brief “One-Pager” document or a detailed Impact Fiche⁴⁴:
 - One-Pager: a brief document including the nature of the recommendation, its expected quantitative impact (expressed in monetary terms) and comments on its implementability and image effects;

⁴³ The baseline date for the measurement carried out by this project was July 2007. Reductions achieved between 2005 and 2007 are therefore not taken into account in the measurement or burden reduction figures of this project.

⁴⁴ Some One-Pagers and Impact Fiches cover two or more related recommendations. Hence, the number of One-Pagers and Impact Fiches is lower than the number of recommendations on the short-list.

- Impact Fiche: A more detailed (15–20 page) document describing the recommendation in line with the relevant analytical logic of the Commission’s impact assessment guidelines: the underlying problem, the burden reduction objective pursued, the nature of the proposed recommendation, its quantitative impact, implementability and image effects.
- External Manual: A manual for reducing administrative burdens suitable for external publication and targeted at the broader Administrative Burden community (national governments, Commission services, etc.)

Each of these deliverables was submitted as a separate document:

- A long–list of recommendations, from which 106 priority ‘short–list’ recommendations were addressed in:
 - 66 One–Pagers;
 - 23 Impact Fiches;

Thus, some One–Pagers and Impact Fiches combine two or more recommendations.

- An External Manual for administrative burden reduction.

This Chapter presents an overview of the burden reduction recommendations put forward by the Consortium:

- Section 3.1 highlights the overall burden reduction figures;
- Section 3.2 lists the Top–15 recommendations in terms of absolute and relative impact;
- Section 3.3 and 3.4 provide the overview of the recommendations and their impact by Priority Area;
- Section 3.5 looks at some of the horizontal themes of the burden reduction work of the project.

4.1 Highlights of results

The Box below sets out some salient figures about the impact reduction potential of the recommendations (see Annex 2 for details).

- The total burden reduction potential if all recommendations were adopted and implemented is estimated to be 44% of the measured burden amounting to almost €45 billion in reduced administrative burdens for businesses. This demonstrates that it is feasible to reach the 25 % target.
- In relative terms, the burden reduction potential varies between Priority Areas, ranging from nearly 60% in the Company Law Priority Area to 11 % in the Financial Services Priority Area.
- In absolute terms, the Priority Areas with the highest current burdens are in general also the Priority Areas with the highest burden reduction potential. The Tax Law (VAT) Priority Area alone accounts for €29.5 billion or 66 % of the total burden reduction potential.
- The 89 individual burden reduction recommendations range in impact from €60,000 (clearer requirements for safety reports for railroad operators) to more than €18 billion per year (electronic invoicing and storage within VAT⁴⁵).
- The Company Law Priority Area recommendations were developed separately and account for 7.8 percentage points of the 44% total reduction potential⁴⁶.
- In terms of ownership, the recommendations targeting EU minimum requirements (excluding the Company Law Priority Area) are categorised by addressee. Most recommendations require a joint effort at EU and national level.
- In addition to the recommendations targeting EU minimum requirements, the reduction potential of removing all Information Obligations comprising costs and arising from additional requirements imposed by Member States is:
 - Stated Possibilities: €2.2 billion or 2.7 percentage points of the 44% total reduction potential;
 - Non–Stated Possibilities: €1.5 billion or 1.5 percentage points of the 44% total reduction potential.

The total number of short–list recommendations put forward by the Consortium is 106. These in turn are described in 23 Impact Fiches and 66 One–Pagers – with some Impact Fiches and One–Pagers describing more than one reduction recommendation. The impact

⁴⁵ Departing from the hypothesis that all VAT taxable persons will shift to e–invoicing and e–storage, administrative costs measured in the Priority Area VAT are expected to decrease by €18,414,756,318. Administrative burdens are expected to decrease by €14,384,411,848. The difference between the overall reduction in administrative costs versus administrative burdens is due to the fact that a BAU cost of 25% was taken into consideration for the IO “VAT bookkeeping in sufficient detail for audit by tax authorities”. In principle, only the proportion of costs associated with VAT bookkeeping were included. These costs are incurred only because of the existence of the VAT legislation. The need for precautionary measures, to avoid any and all dangers of ‘over–estimation’ of bookkeeping costs related to the Priority Area VAT only, necessitated the implementation of conservative assumptions.

⁴⁶ The Company Law recommendations were developed and calculated under a pilot part of the project. Hence, the Company Law recommendation are not broken down into the same categories (i.e. Type I/Type II; stated/non–stated possibilities) as the other Priority Areas. Only the total impact of Company Law–related recommendations is used for this Report. For details on the Company Law recommendation, please refer to the Company Law Final Report at http://ec.europa.eu/enterprise/policies/better-regulation/files/abst09_companylaw_en.pdf.

of the individual recommendations ranges widely in terms of both absolute impact and percentage impact, as illustrated in the Table in the next two sections.

4.2 Top 15 recommendations

The top 15 recommendations by absolute impact in euro and percentage impact on the administrative burden from the IO are listed in the Table below. Not surprisingly, the Priority Area Tax Law (VAT) accounts for nine of the top 15 and all of the top five recommendations in terms of absolute impact.

Table 12: Top 15 recommendations, stand-alone impact

Ranking	Priority Area	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
1	Tax Law (VAT)	Enable and facilitate electronic invoicing and (electronic) storage	€18,414,756,318*	47.7%
2	Tax Law (VAT)	Promotion of eGovernment solutions	€3,698,719,988	16.8%
3	Tax Law (VAT)	Harmonise thresholds for special schemes	€3,224,706,808	6.5%
4	Tax Law (VAT)	Reduce/harmonise the frequencies for periodic returns	€1,872,326,713	9.8%
5	Tax Law (VAT)	Abolish redundant returns and listing	€1,807,626,821	100.0%
6	Tax Law (VAT)	Full one-stop shop	€1,172,375,646	2.5%
7	Tax Law (VAT)	Limit the scope of the requirement to issue full invoices	€771,653,493	8.5%
8	Food Safety	Provide an EU-wide eGovernment solution that contains an online database for bovine, ovine and caprine animal life event registration and an online database for the registration of transport of animals	€600,929,546	15.0%
9	Tax Law (VAT)	Implementation of Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services	€462,732,910	0.8%
10	Tax Law (VAT)	Implementation of Directive 2008/9/EC laying down detailed rules for the refund of value added tax	€447,107,631	55.9%
11	Agriculture	Introduce and/or encourage the use of online portals and Geographic Information Systems (GIS)	€385,806,796	8.7%
12	Transport	Integrate the digital tachographs into the on-board computers	€358,145,279	12.0%
13	Working Environment	Provide more and better targeted information of practical use	€346,006,012	12.8%
14	Working Environment	Diminish the need for outsourcing	€271,164,586	10.0%
15	Transport	Make broader use of wireless downloading of driver card data.	€268,608,959	9.0 %

*Please refer to footnote 45

The ranking of reduction recommendations by percentage impact in the table below shows the percentage reduction of the recommendation in relation to the current administrative burden for the IOs targeted by the recommendation. A 100% reduction implies removal of an entire Information Obligation.

Table 13: Top 15 recommendations by percentage reduction relative to current burden

Ranking	Delivery ID	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
1	Statistics	Use existing administrative data for the survey on bovine slaughters	213,501	100.0
1	Food Safety	Repeal the provisions regarding the voluntary labelling of beef	360,999	100.0
1	Statistics	Use existing administrative data for the survey on pig slaughters	398,757	100.0
1	Working Environment	Simplify the obligation to report on occupational accidents suffered by workers - Option B	172,267,249	100.0
1	Tax Law (VAT)	Simplify proof of exemption when exporting	204,884,015	100.0
1	Tax Law (VAT)	Abolish redundant returns and listing	1,807,626,821	100.0
7	Agriculture	Introduce an electronic system for data exchange between authorities at national level or at EU level	2,097,945	90.0
7	Food Safety	Exclude SMEs/small shops from the obligation to indicate the unit price on products	80,418,230	90.0
9	Statistics	Lower the imposed coverage rate	237,784,557	75.0
10	Fisheries	Introduce electronic logbooks and online submission	2,853,219	70.0
11	Tax Law (VAT)	Implement Directive 2008/9/EC laying down detailed rules for the refund of value added tax,	447,107,631	55.9
12	Public Procurement	Demand documents only from winning bidder	12,473,403	53.9
13	Agriculture	Reduce the number of products which are subject to a licence	6,024,638	50.3
14	Environment	Integrate WEEE reporting	40,998,208	50.0
15	Tax Law (VAT)	Enable and facilitate electronic invoicing and (electronic) storage	18,414,756,318*	47.7

*Please refer to footnote 45

4.3 Burden reduction impact per Priority Area

The burden reduction recommendations were developed and calculated per Priority Area. This means that all recommendations belong to only one Priority Area, and to the in-scope legislation and Information Obligations within that Priority Area⁴⁷. This section provides an overview of the total impact per Priority Area. The individual recommendations per Priority Area are presented in the next section.

It should be stressed that the total impact per Priority Area is not necessarily equal to the sum of the individual recommendations for an Area. There are two reasons for this. First, recommendations may be interdependent in terms of impact. Adopting one recommendation may reduce the impact of another recommendation⁴⁸. To avoid double

⁴⁷ The need to stay within the scope of the Information Obligations that were mapped and measured follows from the need to calculate the impact of the recommendations in the same way for all recommendations. Only Information Obligations that were mapped and measured are therefore used for calculating the impact of reduction recommendations.

⁴⁸ Example: Recommendation 1 is to exempt a certain target group, e.g. small businesses from an Information Obligation, e.g. a reporting requirement. Recommendation 2 is to reduce the frequency of the same Information Obligation for the entire target group. In this case, the impact of Recommendation 2 would be lower if Recommendation 1 were also implemented (and vice versa), because the target group (the Q value of the SCM formula) and hence the burden to be reduced is already lowered by Recommendation 1. The "combined maximum impact" of Recommendation 1 and 2 is therefore less than the sum of the two recommendations when they are dealt with on a stand-alone basis.

counting, the total impact per Priority Area is therefore calculated as the "maximum combined impact" if all recommendations within that Priority Area were adopted. The impact of the individual recommendations – as presented in the next section – is calculated as "stand-alone impact". Second, the burden reduction potential of removing stated and non-stated possibilities is only counted in the total impact per Priority Area, but not in any individual recommendations.

Table 14: Maximum combined impact per Priority Area and in total

Priority Area	Total Administrative Burden (€)	Maximum combined impact	
		(€)	(%)
Fisheries	73,863,425	46,318,808	62.7
Annual Accounts/Company Law	13,958,508,234	8,320,792,715	59.6
Agriculture and Agricultural Subsidies	3,823,074,223	1,847,191,536	48.3
Tax Law (VAT)	69,236,349,873	29,475,711,194	42.6
Statistics	552,251,954	193,222,007	35.0
Public Procurement	216,306,294	73,604,047	34.0
Cohesion Policy	929,125,490	243,395,718	26.2
Transport	3,026,811,763	763,832,466	25.2
Working environment/ Employment relations	3,786,391,917	903,339,540	23.9
Environment	622,003,272	128,009,785	20.6
Food Safety	3,927,905,012	692,830,383	17.6
Pharmaceutical Legislation	845,043,079	119,339,251	14.1
Financial Services	715,243,103	79,366,770	11.1
Total	101,712,877,638	44,881,992,963	44.1

The table shows that:

- for eight of the 13 Priority Areas, the combined maximum combined impact of the recommendations put forward by the Consortium is above the 25% target of the Action Programme;
- the high burden reduction potential identified for the Company Law (59.6%) and VAT Priority Areas (42.6%) contributes significantly to the overall impact of 44.1% because these two Priority Areas are by far the most burdensome in absolute terms.

Annex 2 provides the detailed overview of the impact per Priority Area and in total.

4.4 Recommendations per Priority Area

This section briefly lists all short-list recommendations⁴⁹ put forward by the Consortium and described as "One-Pagers" ('OP') or "Impact Fiches" ('IF'). The presentation is per Priority Area. It should be noted, as stressed above, that it is the stand-alone impact of each recommendation that is listed. Therefore, the sum of the individual impacts for a Priority Area is not equal to the total burden reduction potential for that Priority Area. For the Priority Area impact, please see Table 14 above.

Table 15: Agriculture Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Agri 11, 15	Impact Fiche	Introduce and/or encourage the use of online portals and Geographic Information Systems (GIS)	385,806,796	8.7
OP Agri 01	One-Pager	Introduce an electronic application system for licences	2,115,437	35.6
OP Agri 02	One-Pager	Introduce an electronic system for data exchange between authorities at national level or at EU level	2,097,945	90.0
OP Agri 03	One-Pager	Reduce the number of products which are subject to a licence	6,024,638	50.3
OP Agri 06, 08, 20	One-Pager	Changes introduced in accordance with the 'Health Check'	250,625,657	5.5

Table 16: Cohesion Policy Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Coh 01, 02	Impact Fiche	Develop central Clearing Houses for Cohesion Policy reporting at national/regional level	236,904,239	13.8

Table 17: Environment Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Env 05	Impact Fiche	Coordinate inspections	1,114,639	3.8
IF Env 11	Impact Fiche	Use electronic notification systems in all Member States	19,348,539	22.0
OP Env 02	One-Pager	Encourage Member States to consider Administrative Burden implications of the process to acquire new permits or apply for updates	5,178,842	22.0
OP Env 04	One-Pager	Set up a website for submitting and changing notifications	1,437,840	35.4
OP Env 07	One-Pager	Integrate WEEE reporting	40,998,208	50.0
OP Env 10	One-Pager	General notifications	0	0.0
OP Env 12	One-Pager	Introduce online system for issuing vehicle destruction certificates in Member States that do not have such systems	8,920,835	16.0

⁴⁹ Recommendations put forward in the area of Company Law/Annual Accounts are not part of the One-Pager and Impact Fiches. The recommendations for Company Law/Annual Accounts were reported separately and in other formats as part of the pilot project reporting of that Priority Area.

Table 18: Financial Services Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Fin Serv 06	Impact Fiche	Introduce harmonised XBRL reporting	29,238,594	22.7
OP Fin Serv 02c	One-Pager	Simplify the provision of pre-contractual information	6,279,459	1.7
OP Fin Serv 03	One-Pager	Improve guidance for application for authorisation	274,051	8.0
OP Fin Serv 04a	One-Pager	Reduce the frequency of reporting to once every six months and harmonise the dates of reporting	36,705,517	29.1
OP Fin Serv 05	One-Pager	Exclude unlisted insurance companies from the requirement to notify authorities of the names of shareholders, members and sizes of holdings	192,048	47.5

Table 19: Fisheries Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Fish 09	Impact Fiche	Introduce standard method for fishing inspection across the EU	360,003	13.0
OP Fish 02	One-Pager	Introduce electronic logbooks and online submission	32,853,219	70.0
OP Fish 05	One-Pager	Inform users on how to complete the logbook	3,072,549	8.2
OP Fish 10	One-Pager	Focus on onshore control	527,782	19.0
OP Fish 11	One-Pager	Introduce a fully automated auction process	1,916,018	18.0
OP Fish 12	One-Pager	Adopt a risk-based approach for top-rated vessels	475,435	5

Table 20: Food Safety Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Food 02	Impact Fiche	Provide an EU-wide eGovernment solution that contains an online database for bovine, ovine and caprine animal life event registration and an online database for the registration of transport of animals	600,929,546	15.0
IF Food 09	Impact Fiche	Exclude SMEs/small shops from the obligation to indicate the unit price on products	80,418,230	90.0
IF Food 14	Impact Fiche	Repeal the provisions regarding the voluntary labelling of beef	360,999	100.0
OP Food 08	One-Pager	Combine all pre-transport inspections at the same time at the location of the start of the transport	4,606,583	20.4
OP Food 08a	One-Pager	Coordinate border inspections between the authorities of different Member States	336,897	25.0
OP Food 13	One-Pager	Introduce an EU-wide eGovernment solution of an online database for registration of plants	5,560,767	30.0

Table 21: Pharmaceutical Legislation Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Pharma 01	Impact Fiche	Introduce evolution of a market authorisation, application and make changes towards a single submission	38,513,074	7.7
IF Pharma 23	Impact Fiche	Move towards more harmonisation and single submission per Member State for Clinical Trial Application and Amendments	24,876,098	8.7
OP Pharma 03	One-Pager	Standardise additional information requests, documents and formats in the context of national procedures	7,249,018	2.2
OP Pharma 05	One-Pager	Enable electronic submission of notification of a change to Member States	6,404,081	4.0
OP Pharma 08	One-Pager	Extend the online submission of the Common Technical Document to all marketing authorisation procedures for new product submissions	10,921,197	3.2
OP Pharma 14	One-Pager	Simplify change reporting	24,975,916	15.6
OP Pharma 18	One-Pager	Enable a single electronic submission of periodic safety report	8,354,494	7.0

Table 22: Public Procurement Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Public 103	Impact Fiche	Increase the acceptance of self-declarations	9,956,210	43.0
IF Public 106	Impact Fiche	Offer central database with all requisite documents and certificates available for use by different procurement authorities ('virtual' company dossier)	57,723,011	27.3
OP Public 101	One-Pager	Demand documents only from winning bidder	12,473,403	53.9
OP Public 102	One-Pager	Submit certificates only once to the same contracting authority	1,157,699	5.0
OP Public 104	One-Pager	Standardise templates and forms for the documents related to exclusion and selection criteria across contracting authorities	63,356,824	30.0
OP Public 105	One-Pager	Provide information and forms by electronic means	48,573,565	23.0

Table 23: Statistics Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Stat 05	Impact Fiche	Enhance eGovernment solutions for Intrastat and explore synergies with the VAT domain	62,331,259	19.7
OP Stat 01	One-Pager	Limit the Intrastat declaration obligation at the most detailed nomenclature code level to the main transactions of a company	15,852,304	5.0
OP Stat 02	One-Pager	Establish a single flow system for avoiding duplicate reporting of exports and imports between EU countries	126,818,430	40.0
OP Stat 04	One-Pager	Lower the imposed coverage rate	237,784,557	75.0
OP Stat 11	One-Pager	Reduce the frequency of the Structural Business Statistics for specific target groups	24,313,190	22.8
OP Stat 15, 18	One-Pager	Develop an eGovernment solution (using XBRL or other appropriate standards) with the benefit of improvement of the exchange of information between the different administrations within the Member States to avoid redundant surveys at national level	14,502,605	6.8
OP Stat 16	One-Pager	Use existing administrative data for the survey on bovine slaughter	213,501	100.0
OP Stat 17	One-Pager	Use existing administrative data for the survey on pig slaughter	398,757	100.0
OP Stat 19	One-Pager	Abolish the statistics on business investments for environmental purposes	533,184	0.5

Table 24: Tax Law (VAT) Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Tax 08	Impact Fiche	Promote eGovernment solutions	3,698,719,988	16.8
IF Tax 10	Impact Fiche	Full one-stop shop	1,172,375,646	2.5
IF Tax 11	Impact Fiche	Abolish redundant returns and listing	1,807,626,821	100.0
IF Tax 12	Impact Fiche	Enable and facilitate electronic invoicing and (electronic) storage	18,414,756,318*	47.7
OP Tax 03	One-Pager	Implement Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services	462,732,910	0.8
OP Tax 05	One-Pager	Limit the scope of the requirement to issue full invoices	771,653,493	8.5
OP Tax 09	One-Pager	Reduce/harmonise the frequencies for periodic returns	1,872,326,713	9.8
OP Tax 16	One-Pager	Simplify proof of exemption when exporting	204,884,015	100.0
OP Tax 17	One-Pager	Abolish obligation to file 'nil' intra-Community supplies listings	11,140,283	2.1
OP Tax 18	One-Pager	Attribute VAT number during general business registration	53,218,147	22.6
OP Tax 19	One-Pager	Implement Directive 2008/9/EC laying down detailed rules for the refund of value added tax	447,107,631	55.9
OP Tax 20	One-Pager	Enhance supply chain audits	81,134,874	15.4
OP Tax 23	One-Pager	Harmonise thresholds for special schemes	3,224,706,808	6.5
OP Tax 27	One-Pager	Real-time collection of VAT ⁵⁰	42,000,243,260	88.6
OP Tax 28	One-Pager	Extend optional cash accounting scheme to all Member States	0	N/a
OP Tax 29	One-Pager	Implement proposals COM (2007) 746/747 regarding financial and insurance services	0	N/a

*Please refer to footnote 45

Table 25: Transport Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Trans 02	Impact Fiche	Make broader use of wireless downloading of driver card data	268,608,959	9.0
IF Trans 05	Impact Fiche	Integrate the digital tachographs into the on-board computers	358,145,279	12.0
OP Trans 01	One-Pager	Remove the obligation for drivers to keep onboard records of sickness and holidays	154,897,833	5.2
OP Trans 03	One-Pager	Decrease the minimum period for keeping the driver card information in the vehicle from 28 to 7 days	137,885,932	4.6
OP Trans 06	One-Pager	Make broader national use of all exception categories defined in the EU Regulation	30,740,803	1.0
OP Trans 07	One-Pager	Increase the current exception of 50km radius limitation for trade and craft businesses that do not have transport as their core business to at least 150 km	82,074,960	2.8
OP Trans 13/17	One-Pager	Define the requirements and formats for the submission of a safety report more clearly	59,583	6.6

⁵⁰ This radical, long-term recommendation is not included in the aggregated calculations of the Priority Area Tax Law (VAT).

Table 26: Working Environment/Employment Relations Priority Area

Delivery ID	One-Pager/ Impact Fiche	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Work 100	Impact Fiche	Make labour inspection visits more efficient	93,069,940	44.0
IF Work 102	Impact Fiche	Provide more and better targeted information of practical use	346,006,012	12.8
IF Work 108	Impact Fiche	Simplify the obligation to report on occupational accidents suffered by workers - Option B	172,267,249	100.0
OP Work 103	One-Pager	Provide eGovernment solutions for risk assessments (in support of Recommendation 102)	216,931,669	8.0
OP Work 104	One-Pager	Diminish the need for outsourcing (in support of Recommendation 102)	271,164,586	10.0
OP Work 107	One-Pager	Introduce a more integrated approach for labour inspections	14,172,014	6.7
OP Work 112	One-Pager	Simplify the requirements imposed by the prior notice of construction sites	10,296,084	40.0
OP Work 118	One-Pager	Encourage Member States to use the possibility provided by the Directive to allow derogations from the obligation to draft a safety and health plan	179,576,534	40.0
OP Work 121	One-Pager	Adapt the safety and health plan to the actual characteristics of the specific construction site	210,149,439	46.8
OP Work 122	One-Pager	Diminish the need to resort to the services of an external health and safety coordinator	52,362,815	8.4
OP Work 123	One-Pager	Supply adequate and practical guidance on the health and safety plan, and file	82,781,945	13.3
OP Work 124	One-Pager	Limit the scope of application of the health and safety file	69,770,205	40.0
OP Work 127	One-Pager	Adapt the health and safety file to the actual characteristics of the specific construction site	81,979,991	47.0

4.5 Thematic view of burden reduction

The previous section looked at the specific burden reduction ideas by Priority Area and by different rankings. This section looks horizontally across Priority Areas at some of the themes arising from the burden reduction work of the project. The themes are:

- Theme 1 – Types of recommendations by category
- Theme 2 – SME focus
- Theme 3 – Risk based approach to burden reduction
- Theme 4 – eGovernment.

4.5.1 Types of recommendations by category

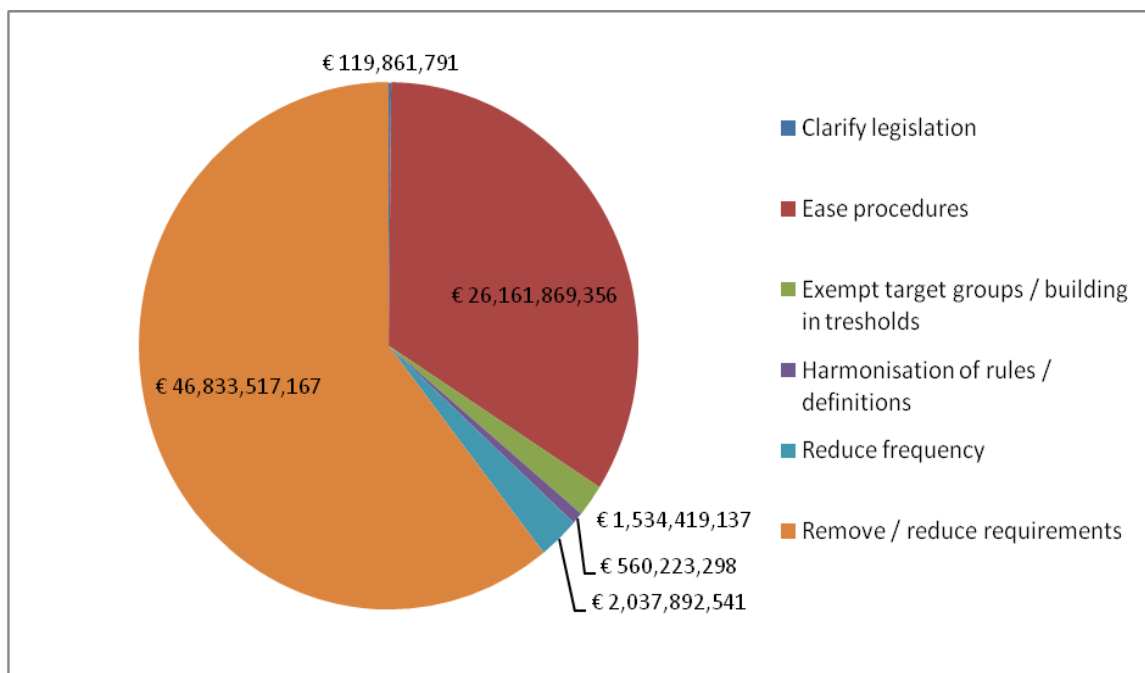
The recommendations developed by the Consortium fall into different categories:

- clarifying legislation – e.g. better guidance or clarification of the EU legislation itself;
- easier procedures – e.g. simplified forms and eGovernment solutions;
- exempt target groups/building in thresholds – e.g. exempting micro-enterprises; requiring certain documentation only from the winning bidder in public procurements;

- harmonisation of rules/definition – e.g. avoiding double or overlapping reporting requirements, standardising definitions for easy reuse of data, etc.
- reduce frequency – e.g. reducing the number of times per year companies must report certain information;
- remove/reduce requirements – e.g. changing the actual Information Obligations as they are expressed in the EU legislation or the national legislation implementing EU requirements.

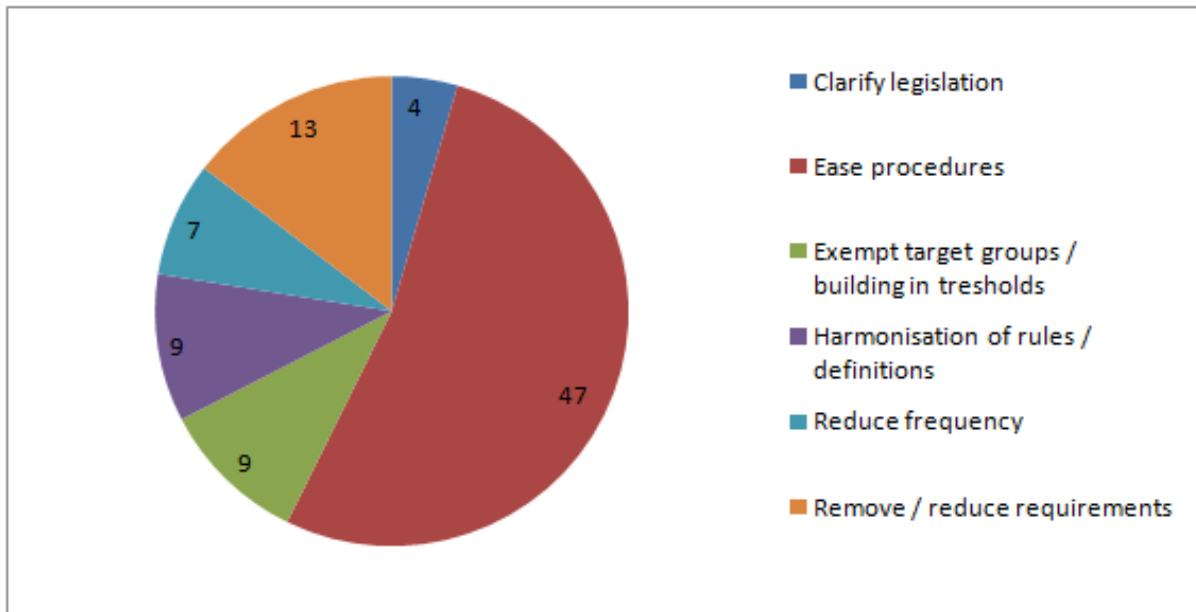
The figures below show how the impact of the recommendations is distributed across these categories by impact and the number of recommendations falling into each category.

Figure 8: Burden reduction impact by category⁵¹



⁵¹ The figures are based on the stand-alone impact of the recommendations. Hence the total adds up to more than the 45 billion euro of total burden reduction potential. See also detailed explanation in section 4.2 above.

Figure 9: Distribution of One-Pagers and Impact Fiches across categories



The Figures demonstrate that:

- the largest reduction potential among the recommendations put forward by the Consortium stems from removing or reducing the legal requirements. For a minor share (13) of the total number of recommendations, the recommendations deal with removing or reducing requirements – which nevertheless account for around two thirds of the impact;
- In terms of number of recommendations, more than half are mainly concerned with easing procedures. This is not surprising since easing procedures can often be carried out without any impact on the overall policy objectives behind the Information Obligations. Many of the recommendations concerned with easing procedures are eGovernment based recommendations (see also section 4.5.4.1 below).

4.5.2 Exemptions and SME focus

Within the Commission's Action Programme, special attention is paid to administrative burden reduction for small and medium-sized enterprises (SMEs). In March 2006 the European Council explicitly recognised the crucial role of SMEs in creating growth and better jobs in Europe and underlined the need for a regulatory environment that was simple and transparent, and conformed to the principle "think small first". Various studies

have indicated that small enterprises are faced with a disproportionately higher administrative burden in comparison with larger businesses.⁵²

As explained in Chapter 2 above, the measurement results indicate that smaller companies face relatively higher administrative costs in relation to turnover and/or number of employees. Combined with the fact that 99.8 percent of all European companies are SMEs, i.e. have fewer than 250 employees, and 91.8 percent of all European companies are micro-enterprises with fewer than 10 employees, this implies that burden reduction initiatives will in general be particularly beneficial to SMEs.

In terms of target groups, Information Obligations can be divided into horizontal obligations targeting most or all companies and obligations targeting specific industries or types of companies.

In the scope of this project, horizontal Information Obligations targeting most or all companies are found in the Tax Law (VAT), Company Law, Working Environment and Statistics Priority Areas. The first three of these are also the top three Priority Areas in terms of current burden and burden reduction potential. Any recommendations in these areas will therefore also have a strong positive impact on Europe's SMEs.

The remaining Priority Areas are either sector-specific (e.g. Agriculture, Financial Services, Fisheries, Pharmaceutical and Transport) or related to a particular sub-set of the business population (e.g. Public Procurement, Cohesion Policy, Environment, Food Safety). Within these Priority Areas, the effect of recommendations on SMEs will depend on the share of SMEs in the total population affected by the Information Obligations.

So in general, the conclusion is that most burden reduction initiatives will benefit SMEs in particular simply because SMEs are more affected by administrative burdens and because SMEs make up the vast majority of European companies. This also means that most of the recommendations put forward by the Consortium will contribute to the overall aim of making life easier for SMEs.

⁵² See for example "Models to reduce the disproportionate Regulatory Burden on SMEs", May 2007, http://ec.europa.eu/enterprise/entrepreneurship/support_measures/regmod/regmod_en.pdf

In addition to the general benefits of burden reduction for SMEs, some of the recommendations put forward by the Consortium are particularly *targeted* at SMEs. “Targeted” typically means that the recommendation either suggests exempting SMEs from the obligation or targets an industry segment dominated by SMEs. These SME-targeted recommendations are presented in the table below.

Table 27: Recommendations targeting SMEs

Delivery ID	Recommendation name	SME aspect	Administrative Burden Reduction (€)	Impact (%)
IF Food 02	Provide an EU-wide eGovernment solution that contains an online database for bovine, ovine and caprine animal life event registration and an online database for the registration of transport of animals	Sector is particularly dominated by SMEs	600,929,546	15.0
IF Food 09	Exclude SMEs/small shops from the obligation to indicate the unit price on products	Exclusion of SME target group	80,418,230	90.0
IF Work 102	Provide more and better targeted information of practical use	Better Information is particularly beneficial for SMEs	346,006,012	12.8
OP Stat 04	Lowering the imposed coverage rate	The recommendation will increase the threshold and thus exempt many SMEs	237,784,557	75.0
OP Tax 17	Abolish of obligation to file 'nil' intra-Community supplies listings	Targeted to businesses not performing intra-Community supply of goods during a given tax period – among which SMEs are overrepresented	11,140,283	2.1
OP Tax 23	Harmonise thresholds for special schemes	Part of the recommendation is an "exempt scheme" for small enterprises.	3,224,706,808	6.5
OP Tax 28	Extend optional cash accounting scheme to all Member States	The scheme is specifically for micro businesses and small businesses not exceeding a yearly turnover of €2 million	0	n/a
OP Trans 07	Increase the current exception of 50km radius limitation for trade and craft businesses that do not have transport as their core business to at least 150 km	Business segment is particularly dominated by SMEs.	82,074,960	2.8

4.5.3 Risk-based approach

The risk-based approach (RBA) offers intriguing possibilities for regulators to reduce administrative burdens while not reducing the effectiveness of regulation. RBA is a broad topic with varying degrees of applicability to the context of the EU Administrative Burden reduction programme. The concept features strongly in our thinking and appears in several of the reduction recommendations. It has significant potential for contributing to burden reduction if understood better and implemented more widely, and the European Commission can contribute to this process by using it more extensively in its own thinking.

4.5.3.1 What is the Risk-Based Approach to regulation?

Much regulation is designed to enable the State to manage specific risks on behalf of everyone, e.g. climate change measures. Thus, there can be “risk-based policy” at the rule-making stage. Risk analysis can be applied at this stage both in terms of the underlying policy and in its development.

Some regulation may in reality be about risk, yet be presented as only being about safety or protection, as in the case of most product safety regulation or detailed technical standards. These are not risk-based in a strict sense insofar as they may not balance the **cost** of strengthening the safety/protection element against the **need** for greater safety/protection. This can be a significant constraint on burden reduction where these rules may be very burdensome and deliver insignificant additional benefit. However, the definition of “insignificant additional benefit” is notoriously subjective – what is an “acceptable level of risk” is often a highly political and/or emotive issue. Application of risk assessment and cost benefit analysis in these areas may lead to greater burden reduction possibilities, yet may also be politically difficult.

There is also an increasing awareness of “risk-based enforcement” which involves regulatory agencies deploying their resources in a way intended to maximise the effectiveness of their efforts. In such an approach, inspections are determined by the probability both of non-compliance and resulting hazard, rather than a wholly linear progress through the list of premises/firms subject to the regulation. There is huge variety in how risk analysis can be – and is – applied to this situation by different regulators.

Risk-based enforcement can be applied independently of whether the rules themselves are risk-based or not. However, the nature of the rules can assist or hinder a risk-based approach. The more prescriptive the rule, the less scope there may be for applying RBA.

Application of RBA to Information Obligations

RBA can apply to decisions made about the substance of regulation or about the practical application of regulation. Where it becomes relevant to the EU Action Programme is in deciding what to do about the obligation:

- Should it be repealed?
- Should its scope be changed to apply to fewer businesses?
- Should the frequency be changed?
- Should the frequency be changed according to some principle/formula, rather than for everyone?

Considering whether an IO should be repealed can involve a risk-based policy approach – how does it fit in the wider context of the regulation, how necessary is it to the approach taken overall? Changing the scope can be a very effective way of reducing burdens since there is greater impact in removing a burden completely from a business rather than reducing it by 25%, i.e. removing 25% of the businesses affected will produce a greater impact than reducing the burden by 25% for everyone.

The scope can be affected either by policy or by practice. It may be decided that the policy need no longer apply to small businesses and they all become exempt. However, that may not be a risk-based approach, as with the debate over exempting small businesses from the food safety requirements, where a very significant part of the risk of food-borne illness comes from small businesses. So, exempting categories on principle is more likely to reflect a policy value relating to that category than reflect the risk posed by that category.

Risk-based Enforcement

Reducing the scope by practice is where risk-based enforcement models apply. If businesses have a strong record of compliance, the regulator may take the “risk” of not requiring any more information from those businesses. This concept of “*earned autonomy*” is central to most risk-based enforcement activities.

Writing the concept into the IO should be possible either by:

- making the obligation contingent on meeting compliance criteria (which may become very complicated); or
- giving the regulator flexibility to apply the obligation.

In the European context, the concept of earned autonomy is relevant in that, if it is deemed to exist for a compliant business, why not extend it cross-border where the same business has a presence in multiple Member States? Will one national regulator which applies an earned autonomy approach be prepared to accept a risk assessment from its counterpart in another Member State? Could a chain of businesses “earn its autonomy” across Member State boundaries where there are insufficient opportunities in any one Member State to build a strong case?

4.5.3.2 State of play – experiences in applying the RBA (EU, good practice examples from Member States)

In broad terms, the RBA has been adopted more by the northern Member States and less by the Mediterranean or new Member States.

The most comprehensive approach to risk-based enforcement is probably in the UK, following the Hampton Review of Inspection and Enforcement of 2005⁵³. It set out nine principles, which have been rigorously applied to all UK regulators in a “whole of government” approach and even given statutory force.

The Network of Heads of Environmental Protection Agencies is influential in spreading the earned autonomy approach for enforcement of environmental regulation, with some following the OPRA (Operational Risk Appraisal) model of the UK’s Environment Agency.

The area of Food Safety is leading-edge in risk-based policy in its adoption of the Hazard Analysis and Critical Control Point (HACCP) system for regulations on food safety. Yet the related area of Meat Hygiene has the most intense inspection regime of any form of regulation in the EU, with the memories of BSE (“mad cow disease”) still causing anxiety. The relevant Dutch regulatory authority, the Voedsel en Waren Autoriteit, has probably

53 <http://www.hm-treasury.gov.uk/d/bud05hamptonv1.pdf>.

taken the calculation of “earned autonomy” for compliant businesses further than any other regulator in terms of mathematical models. These differences in approach within one policy area illustrate the way in which a risk-based approach may be applied in very different ways depending on political sensitivities – the basis for a more liberal approach in one area may exist in another, yet not be followed because of the public perceptions of the risk, which may be at variance from the scientific or expert viewpoint.

The UK’s Health and Safety Executive’s victory in the European Court of Justice⁵⁴ on “so far as is reasonably practicable” (SFAIRP) as a cost/benefit test of Workplace Safety is an excellent example of a mature risk-based approach being officially endorsed.

There are few if any IO types (following the SCM classification of IOs – see below) that cannot be subject to a risk-based approach to their reduction. That is because the application of risk relates to the *purpose* behind the IO, not its type. Some IO types will be more likely to lend themselves to RBA, such as Inspection or Application for Individual Authorisation, than others, such as Non-Labeling Information for Third Parties.

What matters more for a RBA is the purpose of requiring the information. In that context the following categories may be useful:

- The information is part of a financial audit where reducing the obligation risks compromising the audit – that is still a policy decision, but such an IO may be more amenable to reducing scope than reducing frequency, e.g. deciding that some sectors or segments need not be audited (IO Types 9 and 10 – see Table 28 below);
- The information determines the next step in the process, whether deciding on a permit/licence/grant or a continuing process – the risk element lies further upstream in the policy chain in determining the criteria (IO Types 2, 5, 6, 7, 8 and 11);
- The information is for monitoring, short of financial audit, and is for the requesting authority’s benefit and therefore dependent on its purpose (IO Types 1, 2, possibly 9);

⁵⁴ See the press release by the UK’s Health and Safety Executive <http://www.hse.gov.uk/press/2007/c07007.htm>.

- The information is for Third Parties – that may be in order to help them manage risk, such as flood warnings or a financial prospectus, and therefore a risk assessment may add value in considering reduction (IO Types 5 and 6);
- The information has value in itself, e.g. statistics; therefore reducing the obligation inevitably impacts the purpose of the regulation (IO Type 12).

The Table below comments on the applicability of RBA to IO Types. “Yes/No” is broadly indicative rather than absolute, as is the application of the indicators. The two indicators of applicability chosen are:

- *Scope* – whether IOs of this type lend themselves to a RBA in relation to who is (to be) covered by the obligation; and
- *Frequency* – whether the obligation could be relaxed in terms of when the information is given, although that would still have to be risk-based and not decided on a blanket basis.

Table 28: Application of RBA according to Information Obligation Type

IO types according to EU SCM	RBA applicable (Yes/No)	Applicability indicator 1 (Scope)	Applicability indicator 2 (Frequency)
01. Notification of (specific) activities (e.g. for transportation of dangerous cargoes)	N	N	N
02. Submission of (recurring) reports	Y	Y	Y
03. Information labelling for third parties (e.g. energy labelling of domestic appliances)	N	N	N
04. Non labelling information for third parties (e.g. financial prospectus)	N	N	N
05. Application for individual authorisation or exemption (i.e. authorisation each time a particular task has to be carried out, e.g. building permits)	Y	Y	N
06. Application for general authorisation or exemption (i.e. licence granting permission to engage in activity such as banking or liquor selling)	Y	Y	N
07. Registration (e.g. entry in a business register or a professional list)	N	Y	N
08. Certification of products or processes	Y	Y	N
09. Inspection (e.g. monitoring the conditions for employees)	Y	Y	Y

10. Cooperation with audits & inspection by public authorities	N	Y	N
11. Application for subsidy or grant	N	N	N
12. Other	Y	Y	Y

Our work indicates that, of the 13 priority areas covered by the project, the RBA is of little or no relevance to the Information Obligations identified in Cohesion Policy, Public Procurement, Statistics, Tax Law (VAT) and Transport. The remaining priority areas offer greater or lesser suitability for RBA – with Environment, Company Law, Financial Services, Food Safety and Working Environment demonstrating the most potential. This reflects the strong worker/consumer/citizen protection focus in the associated legislation in those areas.

To conclude, it is worth encouraging policy-makers to have the courage to identify successful examples of RBA in one or more Member States or Priority Areas and to seek to extend that success by persuading other regulators and/or Member States to adopt the same approach.

4.5.4 eGovernment

It is a truism that *eGovernment* can reduce the administrative burden. However, eGovernment is not always introduced as rapidly or used as wisely or as widely as it could be. The Priority Area reports and burden reduction recommendations which are part of this project provide illustrations of how and where eGovernment could be more usefully applied⁵⁵. They also contain examples of good (and “better”) practice, since the existence of an eGovernment solution does not necessarily mean either that it is user-friendly or that the latest technology is available to businesses in every Member State – with the result that the administrative burden is today unevenly distributed.

The principle of subsidiarity should obviously apply, but there are instances in which a pan-EU eGovernment solution – a 'one-stop shop' under the aegis of the European Commission (or a European agency) is justified. Criteria for when this is the case, and circumstances where information/registration requirements could be harmonised and/or key business statistics and data be available to all national authorities via a single entry

⁵⁵ The Consortium addressed national good practices in a separate report on "Implementing Measures Report"

point needs to be investigated further, in conjunction with identification of the technical and legal barriers that would have to be overcome.

A significant number of the recommendations put forward by the Consortium are fully or partly concerned with implementing or improving eGovernment solutions as a powerful route to burden reduction. These recommendations are presented in section 4.5.4.1. The subsequent section 4.5.4.2 presents the general potential of eGovernment solutions and XBRL tools for the pursuit of administrative burden reduction.

eGovernment is defined by the European Commission as the use of ICT (Information and Communications Technology) in public administrations combined with organisational change and new skills in order to improve public services and democratic processes, and strengthen support to public policies.

eGovernment as a tool for reducing administrative burdens is commonly seen as a high impact route to cutting red tape. Using ICT to improve existing work processes and build new ones is expected to reduce the costs for businesses and governments. However, eGovernment is more than just technology. eGovernment can only be successful if a number of key factors are addressed. They include collaboration, sharing, political will, change, interactivity and ICT plans.

Effective eGovernment implies good design of the connection of information. When businesses contact governments, they want easy-to-use consistent entry points. These entry points can be multichannel, the web, phone, or in person. Businesses understandably and justifiably prefer and expect information that they have provided previously to be logged in the 'corporate memory' of the institution, and easily available for anyone in government to call on. This can require a complete re-thinking of how information is structured, captured, handled and transferred between organisations. Advances in technology and thinking are making it ever easier to do this cost-effectively.

4.5.4.1 eGovernment related recommendations

The table below presents the recommendations put forward by the Consortium that are fully or partly based on an eGovernment solution. 24 of the total 89 recommendations made by the Consortium are thus fully or partly eGovernment-based.

The number and high impact of recommendations based on eGovernment demonstrates the potential of eGovernment as one of the most effective routes to reducing administrative burdens. Each eGovernment-based recommendation and its estimated impact must be seen in its own context – including existing use of eGovernment solutions for that Information Obligation, the public investments costs required etc. Nevertheless, a general observation is that the average percentage impact of the eGovernment-based recommendations is some 26%. Given that this is an impact achieved without changing the substantial Information Obligations, it can be considered a high impact and a proxy for the general potential of eGovernment-based reduction of administrative burdens.

Table 29: eGovernment-based recommendations

Delivery ID	Priority Area	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Agri 11, 15	Agriculture	Introduce and/or encourage the use of online portals and Geographic Information Systems (GIS)	385,806,796	8.7
OP Agri 01	Agriculture	Introduce an electronic application system for licences	2,115,437	35.6
OP Agri 02	Agriculture	Introduce an electronic system for data exchange between authorities at national level or at EU level	2,097,945	90.0
IF Coh 01, 02	Cohesion Policy	Develop central Clearing Houses for Cohesion Policy reporting at national/regional level	236,904,239	13.8
IF Env 11	Environment	Use electronic notification systems in all Member States	19,348,539	22.0
OP Env 04	Environment	Set up a website for submitting and changing notifications	1,437,840	35.4
OP Env 12	Environment	Introduce online system for issuing vehicle destruction certificates at Member States that do not have such systems	8,920,835	16.0
IF Fin Serv 06	Financial Services	Introduce harmonised XBRL reporting	29,238,594	22.7
OP Fish 02	Fisheries	Introduce electronic logbooks and online submission	32,853,219	70.0
IF Food 02	Food Safety	Provide an EU-wide eGovernment solution that contains an online database for bovine, ovine and caprine animal life event registration and an online database for the registration of transport of animals	600,929,546	15.0
OP Food 13	Food Safety	Introduce an EU eGovernment solution: online database for registration of plants	5,560,767	30.0
OP Pharma 05	Pharmaceutical Legislation	Enable electronic submission of notification of a change to Member States	6,404,081	4.0
OP Pharma 08	Pharmaceutical Legislation	Extend the online submission of the Common Technical Document to all marketing authorisation procedures for new product submissions	10,921,197	3.2
IF Public 106	Public Procurement	Offer central database with all requisite documents and certificates available for use by different procurement authorities ('virtual' company dossier)	57,723,011	27.3
OP Public 105	Public Procurement	Provide information and forms by electronic means	48,573,565	23.0

Delivery ID	Priority Area	Recommendation name	Administrative Burden Reduction (€)	Impact (%)
IF Stat 05	Statistics	Enhance eGovernment solutions for Intrastat and explore synergies with the VAT domain	62,331,259	19.7
OP Stat 15, 18	Statistics	Develop an eGovernment solution (using XBRL or other appropriate standards) with the benefit of improvement of the exchange of information between the different administrations within the Member States to avoid redundant surveys at national level	14,502,605	6.8
IF Tax 08	Tax Law (VAT)	Promotion of eGovernment solutions	3,698,719,988	16.8
IF Tax 10	Tax Law (VAT)	Full one-stop shop	1,172,375,646	2.5
IF Tax 12	Tax Law (VAT)	Enable and facilitate electronic invoicing and (electronic) storage	18,414,756,318*	47.7
OP Tax 27	Tax Law (VAT)	Real-time collection of VAT ⁵⁶	42,000,243,260	88.6
IF Trans 02	Transport	Make broader use of wireless downloading of driver card data	268,608,959	9.0
IF Trans 05	Transport	Integrate the digital tachographs into the on-board computers.	358,145,279	12.0
OP Work 103	Working Environment/ Employment Relations	Provide eGovernment solutions for risk assessments (in support of Recommendation 102)	216,931,669	8.0
*Please refer to footnote 45				

4.5.4.2 Customer-centric approach

Today the majority of eGovernment solutions are based on portals on the internet. A (national) portal provides access to the different government services. These services are preferably at national, but may also be at regional, and in some cases, local level. Of particular value to businesses are customer-centric needs-driven portals which allow 'one-stop' information provision in relation to a range of Information Obligations.

In a customer-centric portal, information is shared between government agencies. Customer-centric portal solutions with interactive functionality and re-use of data provide significant burden reduction for companies. Replacing paper-based forms with online electronic forms provides benefits for both companies and government agencies. Advanced data sharing agreements between government agencies making it possible to retrieve information already held, in combination with the use of electronic forms, make it possible for companies to use pre-filled forms.

⁵⁶ This radical, long-term recommendation is not included in the aggregated calculations of the Tax Law (VAT) Priority Area.

The Norwegian portal Altinn constitutes best practice. In 1999 the Norwegian Government launched an initiative called “a simpler Norway” (‘et enklere Norge’).⁵⁷ Fundamental to this initiative was the goal that all public agencies and offices must be able to receive electronic forms, and even more important that information from the public should be requested only once. The project was named “Altinn” and was implemented and became operational in 2004. Over the five years which followed, full electronic reporting of all public forms was phased in.

A one-stop-shop might result in the establishment of a central IT-based repository (a pan-European database) or a clearing house where applications or data regarding the registration of business information might be lodged for EU and national authorities. On the businesses' side, the portal would have to provide several functionalities, such as prefilled forms, reliable identification, authentication and even the business's own ('personal') domain with an archive function.

There are several scenarios for the implementation of a central repository:

A central repository at EU level

In this case, the EU, i.e. in practice, the European Commission or its executive agent, is owner of the central repository, and is responsible for development and maintenance of the repository. The Member States have to adhere to common EU specifications.

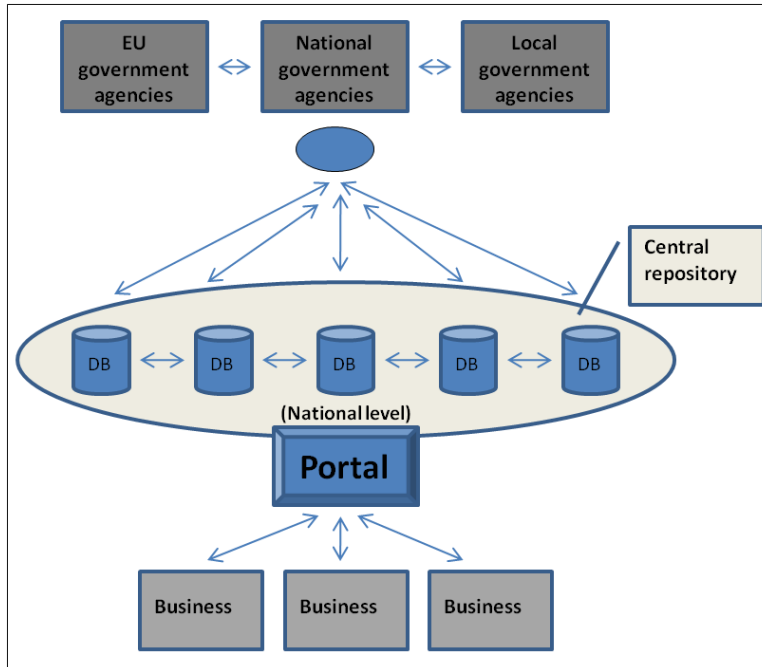
A central repository at national level

In this scenario, a central repository is developed and maintained at national level. The national government is responsible for the maintenance and development of the portal. For EU requirements the relevant information is sent through the national portal to the relevant EU body. This requires semantic standardisation of forms and data in all the Member States.

The Figure below shows the concept of one central repository at Member State level containing several databases for recording and archiving business information.

⁵⁷ <http://www.regjeringen.no/upload/kilde/nhd/rap/2005/0014/ddd/pdfv/251607-eeen2005-2009.pdf>

Figure 10: Concept of one central repository at Member State level



A central repository at local level

Alternatively, the local or regional government may be responsible for developing and maintaining a central repository for specific needs. The local repository is able to send information needed at national and/or EU level to the next level of governance, or the national/EU agencies are able to download the necessary information through this repository.

This also requires semantic standardisation of forms and data in all Member States.

Clearing house concept

The clearing house concept applies when a great deal of data is stored in national databases, and this data needs to be exchanged or used e.g. to pre-fill forms for businesses. To achieve this, a central database can be put in place. The development of a clearing house (or information broker) at central level is cost-effective and less labour-intensive.

In the IDABC⁵⁸ implementation of the semantic interoperability strategy discussed below, a clearing house is defined as a pan-European online information and collaboration platform⁵⁹. The clearing house serves as a central information and exchange platform for (XML-based) data in the context of European and national institutions. The role of the clearing house is to facilitate the process through which assets are identified, documented, checked and distributed to the specific authority or users.

The clearing house may have several access points and is linked to several information servers and national (and local) databases. The national (or local) databases need to be adjusted for the link with the clearing house. The advantage of the use of a clearing house in comparison to a central database is the fact that data is not stored in the clearing house, and therefore there are fewer legal restrictions (e.g. in relation to privacy and ownership). For a clearing house to work well, it is necessary that stakeholders agree on governance rules, and that the roles of all the players involved – technical and organisational – are well defined and that interoperability is possible at data level.

Interoperability

In a European Commission working paper “IDABC Content interoperability strategy”⁶⁰, interoperability is defined as the ability for the components of an open, distributed information system to exchange data and services. It implies the ability for users to exchange meaningful information between one another and with programmes, and for programmes usefully to process information coming from other programmes as well as from direct interaction with users.

The requirements of global operability are: 1) that players should expect to provide and receive information and services to and from other actors at some moments and for identified objectives; 2) that the information should be provided in a form and through channels that make it easily accessible and processable; and 3) that the players should be able to understand the information they exchange, that is to share the meaning of the information elements with the least possible ambiguity and errors.

⁵⁸ Interoperable Delivery of European eGovernment Services to public Administrations, Businesses and Citizens (IDABC).

⁵⁹ Source: Feasibility Study on an XML-Clearinghouse for European eGovernment services,

⁶⁰ Source: <http://ec.europa.eu/idabc/servlets/Doc?id=24405>: IDABC Content Interoperability Strategy, Working Paper, September 2005.

Different data processing systems use different data formats, data models and data definitions. Semantic interoperability is the ability to exchange data while preserving the meaning of the data. This may be enabled by defining standard exchange formats and definitions. It is of particular importance in the context of reducing administrative burdens through eGovernment solutions.

Semantic interoperability cannot be achieved separately from the other interoperability dimensions: sharing knowledge implies that the organisational environment makes it easy and desirable, hence addressing the two dimensions of technical and organisational interoperability as well as the semantic one.

Consequently, most eGovernment programmes include some form of action aimed at semantic interoperability. The European Commission has defined a European Interoperability Framework (EIF) and set up a virtual Semantic Interoperability Centre Europe (SEMIC.EU) under the IDABC programme as an open repository of “interoperability assets” (data models, mapping tables, data definitions). National initiatives include a series of interoperability frameworks.⁶¹

- UK: eGIF
- Estonia: EstIF
- Denmark: OIO
- The Netherlands: NORA.

The work on semantic interoperability done within the BRITE project⁶² is of special importance to the Company Law Priority Area.

⁶¹ Towards a Dutch Interoperability Framework, RAND Europe 2007.

⁶² Business Register Interoperability Throughout Europe (BRITE) is an integrated project funded by the European Commission, DG Information Society & Media.

5. The way forward

This closing chapter builds on the lessons learned from the project to present a number of reflections for possible future action by the Commission and Member States to take the administrative burden reduction agenda in Europe further.

The broader lessons learned from the measurement can be useful not only with regard to good ex post measurements, but also with regard to better regulation ex ante.

5.1 Deepening the Action Programme

(a) Following a first extension of the scope of the Action Programme in January 2009, the Commission identified in its October 2009 Communication on the Action Programme⁶³ a list of legislative acts of which all or some could be part of new initiatives for reducing administrative burdens under the following Commission. The list of new *legal acts* includes Directives and Regulations which would fall into the scope of the current 13 Priority Areas in scope of the Action Programme as well as legislation belonging to possible new Priority Areas such as Civil Law/Commercial Law, Internal Market for goods, Research and Development, and Tourism. The political support in Member States and the commitment of the Commission for extending the Action Programme in this way has been established and will further drive the Better Regulation agenda forward.

Additional measurements could be carried out in specific priority areas (e.g. Agriculture) or on legislation that has come into force or that has been enacted since the baseline date of our measurement in 2007.

(b) Clearly, the next step in relation to legislation already measured will be to *implement the Recommendations*. This is easier said than done. The majority of the recommendations require a joint effort by the EU institutions and the Member States. Overall, this will require political will and monitoring mechanisms to ensure that the momentum created by this project is not lost. The monitoring arrangements should not only record implementation of reduction measures but, in due course,

⁶³ COM (2009) 544 final

e.g. after five years, an ex post evaluation of the impact for business of the reduction in the administrative burden as a result of implementation of the Recommendations. This should also address the *perception* by business of the value of the reforms, as well as the quantitative assessment of the reduction in euro.

(c) Continued *interaction with stakeholders* is crucial. This is linked to the Commission's objective of working closely with national authorities as well as with the business community to disseminate good practices.

The role of the stakeholders will be of vital importance within the coming months and years.

Stakeholders will need to take an active role in implementing the reduction proposals:

- Member States have set national reduction targets. The Commission can play an important role in ensuring that information on existing national good practices is disseminated amongst the Member States.
- The business community can also play an important role in contributing to reduction ideas being implemented successfully. Indeed, businesses are active players in the processes of information exchange with their national authorities. They have the experience from the field and can therefore feed their national authorities with interesting input on how simplification of procedures and the corresponding legislation can be optimised. The Commission's role can be to create awareness that this mutual dialogue at national level is important. It can also stimulate the dialogue through the promotion of focused communication actions.

The experience so far has taught that stakeholder consultation to identify the areas that are particularly burdensome for business is critical. Continuing to stimulate businesses and national authorities to contribute to the selection of new areas to measure and analyse is therefore highly recommended.

Stakeholder participation can also help to generate a bottom-up demand for better regulation by creating a better understanding within business of the potential for administrative burden reduction.

One tangible way of building support for the Action Programme's recommendations would be to organise a series of sectoral events in cooperation with the Member States and their business communities. Over the last two years, successful national events have taken place, bringing together businesses and government administrations to brainstorm on potential routes to simplification in specific fields. Stakeholder events especially benefit from a focus on specific target groups, such as specific industries. Sectoral rather than general national seminars or conferences are a good way to create an active and focused exchange of ideas with the stakeholder groups that are directly impacted. Finally, targeted publications customised for specific target groups (national authorities, stakeholders from specific industries, etc.) can effectively complement the sectoral events. These publications should not only inform the stakeholders by disseminating the results of the Action Programme, but should also be vehicles to increase the active participation of stakeholders in the debate.

It is advisable that a mix of different stakeholder initiatives as described above be launched as quickly as possible, to respond to the enthusiasm for the process expressed by businesses during the project phases now completed.

5.2 Future ambitions

(a) The Commission and Member States could follow the example of some Member States, who are already in a second round of measurement and reduction, to address new legislation which has been enacted since the first measurement and to re-examine the original legislation and the burdens that remain.

(b) While business would remain the primary focus in the short term, the Member States could consider in the medium term extending this activity to *civil society*, both in relation to the administrative burden directly and indirectly imposed on civil

society groups. They could identify administrative burdens resulting from legislation with a direct impact on citizens.

(c) The *risk-based approach* (RBA) offers intriguing possibilities for regulators to reduce administrative burdens while not reducing the effectiveness of regulation. RBA is a broad topic with varying degrees of applicability to the context of the EU Administrative Burden reduction programme. As noted above, the concept features strongly in our thinking and appears in several of the reduction recommendations. It has significant potential for contributing to burden reduction if understood better and implemented more widely, and the European Commission can contribute to this process by using it more extensively in its own thinking. The Commission should seek successful examples of RBA in one or more Member States or Priority Areas and extend that success by persuading other regulators and/or Member States to adopt the same approach.

(d) Significantly greater benefits for businesses are possible if the ambition level is raised to targeting the *cost of compliance* with legislation as well as the administrative cost and burden. Some Member States (e.g. the Netherlands) are active in this area – and recently the Commission’s Agriculture and Rural Development DG has launched a study to assess the end-user costs of compliance with EU legislation in the fields of environment, animal welfare and food safety.⁶⁴ The cost of compliance (properly defined as “substantive or generic cost”) outweighs administrative cost, and the logic of analysing ways of reducing its unnecessary or inefficient components is clear. This could be a new frontier for the 2009–2014 Commission to address systematically.

5.3 Horizontal measures

(a) The building of an administrative burden reduction culture takes time. Training officials, who are in charge of drafting or reviewing legislation, in the SCM methodology is essential. There is also more that can be done to deepen the consideration of the administrative burden implications when drawing up impact

⁶⁴ 198081 – EUROPEAN COMMISSION – B-Brussels: assessing end-user costs of compliance with EU legislation in the fields of environment, animal welfare and food safety. Official Journal of the EU (OJEU) – S-136 (18/07/09).

assessments for legislation under development. This could be facilitated by stressing administrative burden analysis based on the EU SCM Methodology as part of the impact assessment process.

(b) The Commission's Impact Assessment Guidelines explicitly specify on page 42 that "For all policy options, the Impact Assessment should provide details of the Information Obligations for businesses, for citizens and national/regional/local administrations that are likely to be added or eliminated if the option would be implemented."⁶⁵ The Guidelines impose the Standard Cost Model as the methodology to be used in this regard.

The Commission could play a role in stimulating Member States to structurally embed administrative burden measurements in their Impact Assessments. In the Commission, where the practice is already established, its effectiveness could be reinforced by making the IT tools (EU SCM Database/Starter kit) accessible to all the Commission services and making sure the services are sufficiently trained in their use.

(c) Implementation of the recommendations above will be facilitated by dissemination and exchange of good practice. It is important for the European Commission to act as a focal point for collecting and publicising good practice. It should work with national authorities to provide information as widely as possible at every level of government responsible for regulation and enforcement. The mechanisms could include feedback loops so that communication on good practice feeds into policy and development of better regulation and improved implementation processes.

(d) As a result of this project, the Commission is in a position to provide specific technical support to national measurement and reduction programmes in order to prevent them needing to 'reinvent the wheel' and at the same time ensure that the approach – and therefore the data – is comparable in all Member States. This support should take the form of distributing support materials, such as the "National

⁶⁵ http://ec.europa.eu/governance/impact/commission_guidelines/docs/iag_2009_en.pdf

Application” developed under the project and providing training and other support services.

Annex 1 - Acronyms

Acronym	Explanation
AB	Administrative Burden
AC	Administrative Cost
BAU	Business-as-usual
BLC	Baseline Country
BSE	Bovine Spongiform Encephalopathy
DG	Directorate-General
EIF	European Interoperability Framework
HACCP	Hazard Analysis and Critical Control Point
ID	Identification Description
IDABC	Interoperable Delivery of European eGovernment services to public Administrations, Businesses and Citizens
IF	Impact Fiche
IO	Information Obligation
NET	Normally Efficient Transposition
OP	One-Pager
P	Price
PA	Priority Area
Q	Quantity
RBA	Risk-based Approach
SCM	Standard Cost Model
SFAIRP	So far as if reasonably practicable
SME	Small and Medium-sized Enterprise
SPOC	Single Point of Contact
SPS	Single Payment Scheme
WEEE	Waste Electrical and Electronic Equipment

Annex 2 - Overview of Total Administrative Burden and Burden Reduction Potential per Priority Area

Priority Area	Burden				Burden Reduction Potential						
	Admin Burden EU Requirements (€)	Admin Burden Stated Possibilities (€)	Admin Burden Not Stated Possibilities (€)	Total Administrative Burden (€)	Type I EU (€/%)	Type II National (€/%)	Type I/II EU and National (€)	Subtotal EU/National (€/%)	Stated Possibilities (€/%)	Not-Stated Possibilities (€%)	Total Impact (€/%)
Agriculture and Agricultural Subsidies	3,823,074,223	-	-	3,823,074,223	1,457,171,357 38.1	390,020,179 10.2	0 0.0	1,847,191,536 48.3	0 0.0	0 0.0	1,847,191,536 48.3
Annual Accounts / Company Law	13,539,292,567	126,908,557	292,307,110	13,958,508,234	0 0.0	0 0.0	0 0.0	7,901,577,048 56.6	126,908,557 0.9	292,307,110 2.1	8,320,792,715 59.6
Cohesion Policy	922,634,011	-	6,491,479	929,125,490	0 0.0	0 0.0	236,904,239 25.5	236,904,239 25.5	0 0.0	6,491,479 0.7	243,395,718 26.2
Environment	570,992,389	26,941,295	24,069,588	622,003,272	40,998,208 6.6	30,821,853 5.0	5,178,842 0.8	76,998,902 12.4	26,941,295 4.3	24,069,588 3.9	128,009,785 20.6
Financial Services	708,237,598	3,647,444	3,358,062	715,243,103	43,177,023 6.0	29,512,645 4.1	0 0.0	72,689,668 10.2	3,319,040 0.5	3,358,062 0.5	79,366,770 11.1
Fisheries	66,749,622	5,423	7,108,380	73,863,425	34,216,439 46.3	4,988,567 6.8	0 0.0	39,205,006 53.1	5,423 0.0	7,108,380 9.6	46,318,808 62.7
Food Safety	3,927,287,651	-	617,361	3,927,905,012	692,213,022 17.6	0 0.0	0 0.0	692,213,022 17.6	0 0.0	617,361 0.0	692,830,383 17.6
Pharmaceutical Legislation	836,279,648	-	8,763,431	845,043,079	93,573,577 11.1	0 0.0	17,002,243 2.0	110,575,820 13.1	0 0.0	8,763,431 1.0	119,339,251 14.1
Public Procurement	211,586,280	4,419,751	300,263	216,306,294	12,473,403 5.8	56,410,631 26.1	0 0.0	68,884,034 31.8	4,419,751 2.0	300,263 0.1	73,604,047 34.0
Statistics	541,661,918	-	10,590,036	552,251,954	143,203,918 25.9	39,428,053 7.1	0 0.0	182,631,971 33.1	0 0.0	10,590,036 1.9	193,222,007 35.0
Tax Law (VAT)	66,058,887,634	2,040,816,497	1,136,645,741	69,236,349,873	24,459,886,285 35.3	3,833,073,010 5.5	0 0.0	28,292,959,295 40.9	46,106,157 0.1	1,136,645,741 1.6	29,475,711,194 42.6
Transport	3,026,783,688	-	28,075	3,026,811,763	374,858,725 12.4	388,945,665 12.9	0 0.0	763,804,391 25.2	0 0.0	28,075 0.0	763,832,466 25.2
Working Environment / Employment Relations	3,754,038,401	-	32,353,516	3,786,391,917	342,416,679 9.0	528,569,345 14.0	0 0.0	870,986,024 23.0	0 0.0	32,353,516 0.9	903,339,540 23.9
Total	97,987,505,631	2,202,738,966	1,522,633,042	101,712,877,638	27,694,188,636	5,301,769,947	259,085,324	41,156,620,956	2,202,738,966	1,522,633,042	44,881,992,963