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REPORT BY THE COMMISSION
ON ADMINISTRATIVE SIMPLIFICATION WORK
IN THE COMMUNITY
IN FAVOUR OF ENTERPRISES, IN PARTICULAR SMEs

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1. INTRODUCTION

Administrative Simplification work has its basis in the Council Decision of 28 July 1989 on the improvement of the business environment⁽¹⁾. This Decision led to the creation of DG XXIII responsible for enterprise policy, and in particular the establishment of a business environment conducive to the creation and development of small and medium-sized enterprises in the Community. This is the Commission's second report on this issue, the first report was submitted to the Council in June 1989⁽²⁾, and fulfils the requirement set out in a Council Recommendation for the Commission to submit a regular report on Community and national measures relating to administrative simplification⁽³⁾.

This report is set out in four main parts; Part One dealing with the organisational aspects; Part Two details some examples of administrative simplification work undertaken by Member States; and Part Three deals with some measures undertaken by the Commission. Part Four considers the future of administrative simplification work and possible Commission guidelines for future work.

WHAT IS ADMINISTRATIVE SIMPLIFICATION ?

What do we mean by administrative simplification? The problem is that the term tends to mean different things to different people. It is difficult to define. It is however neither simple or just related to administrative acts or procedures resulting from legislation. For the Commission it covers in particular all the measures set out in the May 1990 Council Recommendation.

(1) 89/490/EEC of 28 July 1989
(2) SEC(89)726 of 19 June 1989
(3) 90/246/EEC of 28 May 1990

The Council Decision of July 1989 was designed to establish, and put into effect, measures to improve the business environment and encourage the creation and development of enterprises, and in particular SMEs. These measures included the "removal of undue administrative, financial and legal constraints which check the development and creation of enterprises, and in particular SMEs". Other measures included the provision of information and assistance to enterprises on Community policies, and the encouragement of cooperation and partnership between enterprises from different regions of the Community. Much of this work was done previously by the SME Task Force set up in 1986 and the programmes involved were developed against the background of the Internal Market programme and the particular problems this posed for enterprises particularly SMEs. DG XXIII was largely spawned from the SME Task Force and became responsible for enterprise policy in order to carry out this programme.

A major part of the work considering the removal of undue administrative, financial and legal burdens on enterprises was to assess the impact on all business, but particularly SMEs, of existing and proposed legislation. Before the 1989 Council Decision and the setting up of DG XXIII the SME Task Force had established a Committee of Member States made up of officials dealing with the impact of regulation on business known as "administrative simplification". DG XXIII carries on this work through the Article 4 Committee, established under the July 1989 Council Decision, composed of representatives of the Member States and chaired by the Commission.

Following on from the first report on administrative simplification work, the Council Recommendation of May 1990 related specifically to the implementation of a policy of administrative simplification in favour of SMEs in the Community, but had implications for all business. It recommended Member States "to implement programmes of administrative simplification in favour of businesses involving all competent public bodies". The programmes were to include consideration of both new legislative proposals and existing legislation in order to assess the administrative burden on enterprises. At the same time the Commission was invited to continue to improve its own business impact assessment system (fiche d'impact) and, amongst other things, to "submit a regular report on Community and national measures relating to administrative simplification".

In addition, within the term administrative simplification under the Council Recommendation, Member States and the Commission were invited to consider such issues as :

- a) the modernization of the organisation of administrative departments, particularly those in contact with enterprises,
- b) to consider standardization and reduction of forms and returns in fields of taxation, statistics, etc,
- c) to establish where appropriate one-stop shops providing guidance on formalities for the creation of an enterprise,
- d) the consolidation or codification of legislation,
- e) the development of special measures for SMEs,
- f) to ensure adequate consultation with SME business organisations.

The legislative process in the Community involves all Community institutions. Both regulations and directives can have a considerable impact on enterprises. The implementing legislation by Member States of directives can in particular be especially important for business. The objective of administrative simplification work is to create and maintain an environment in which enterprise can innovate efficiently and competitively with the minimum of bureaucracy or red-tape.

The Council Recommendation recognises that in the Community's legislative process there should be transparency as to the need for legislation and that there should be a regard for the proportionality of the measures proposed. In other words do the benefits to be expected of a proposal justify the costs? Administrative simplification work therefore also includes the need for comprehensive consultation procedures with interested bodies, not just within the Commission, but also at the Member States level when implementing legislation. Administrative simplification work is about transparency in the decision making process and active participation in the discussions on the substance of proposed measures for legislation.

Administrative simplification work therefore deals with all issues that could ease the burden for business. In particular it means considering the whole of the Community legislative process including the practical measures that have to be taken to put the legislation into effect.

WHY IS ADMINISTRATIVE SIMPLIFICATION WORK IMPORTANT FOR ENTERPRISE POLICY ?

The reason administrative simplification work is important, particularly to business, is because putting legislation into effect often means that business incurs costs. These costs can usually be divided into capital costs and labour costs. Sometimes costs are difficult to quantify. There are often costs linked to regulatory obligations eg pressures of time, or the threat of sanctions. Sometimes these costs are not directly related to a legal responsibility on the business. For example, as employers businesses are expected to administer regulations for the government by collecting tax or national insurance because this is an efficient way of collecting the tax. It is however costly for businesses to do this and especially onerous for small businesses. In general it is probably true that when administrative procedures result in costs these are comparatively heavier for SMEs.

While the Commission does not have detailed statistics for the Community as a whole a study undertaken in the Netherlands in 1990 by Groningen University shows that while total administrative costs increase with the size of a company, the average costs per employed person decrease - see Table 1 below. In companies employing 1 to 4 people the unit costs came to 4.2 units per employee and in larger companies (over 500 employees) to 0.2 units per employee. Of the total administrative costs i.e. 7,300 million units, companies employing 1 to 9 people account for nearly 70 per cent, i.e. 5,300 million units. This, in one Member State at least, demonstrates that the smaller companies carry the bulk of the administrative burden. It is likely to be similar throughout the Community.

Since the 1940s, and especially during the last twenty years, Europe has developed politically and economically at a rapid rate. These changes have meant a need for controls, rules and regulations or, in one word, administration. The pace of change too has increased in a world where technological improvements have required a faster reaction to developments on the part of administrators.

Economic prosperity has led to a greater awareness and to a greater willingness to take steps to continue to improve the quality of life. This has meant regulations in all spheres of life dealing with amongst other things health and safety, social and employment policies, taxation and environmental controls. While these controls or regulations impact on the population as a whole their immediate effect is often felt first by business and has implications for their competitiveness and ultimately their survival. This of course affects jobs and our ability to sustain the increased standard of living we are striving for.

TABLE 1 ADMINISTRATIVE COSTS FOR DIFFERENT SIZES OF COMPANIES

Size class number of employed	Costs per Company in f 1,000 (1)	Average costs per person* in f 1,000 (2)	Number of companies X 1,000 (3)	Total costs in f 1,000 mln (4)
0 - 4	9	4.2	477.2	4.2
5 - 9	19	2.5	49.2	0.9
10 - 19	21	1.3	26.8	0.5
20 - 49	38	1.2	18.6	0.7
50 - 99	57	0.8	6.2	0.4
100 - 499	84	0.4	4.2	0.4
500 +	306	0.2	0.5	0.2
Total	12.5	1.7	582.6	7.3

* Average costs divided by average number of persons employed, including the owner.

The Internal Market programme presents a great opportunity for Community businesses by removing technical, physical and fiscal barriers to trading across national boundaries. By replacing twelve different sets of regulations with one, and introducing the concept of mutual recognition of rules and authorisations the Internal Market Programme has by its very nature introduced a major deregulatory effect.

Decisions to help complete the Internal Market Programme have been taken in all fields of economic activity. This includes public procurement, technical harmonisation of products, liberalisation of capital movements, banking and insurance, transport, company law, intellectual property etc. These

measures and the abolition of frontier controls including abolishing checks on transport vehicles and the introduction of Community wide veterinary regulations are all designed to make life easier for business. In March 1991 the Council agreed to abolish the single administrative document for intra-Community trade. This in itself should be seen as a major piece of administrative simplification.

But it is important to make sure that Community law through unnecessary complexity does not partly destroy the deregulatory and liberalising effect it aimed to achieve. The burden of regulation or administration impacts differently and varies between Member States and regions. The quality of administrations are different as are implementation and enforcement measures. Administrations have different goals or targets and measures of achievement. The burden of regulation often results in increased costs both in terms of capital and other resources including people, and is disproportionately felt by small and medium sized companies (SMEs). Administrative simplification work should therefore be focused particularly with SMEs in mind.

This report looks at the practice in Member States in respect of administrative simplification work. It includes issues such as regulatory review and reform, improved transparency and consultation procedures, increased awareness of cost benefit analysis, accountability of officials, reduction of rules or limiting the frequency of application, more attention to simple, clear and flexible rules; codes of good practice rather than prescription; and the greater use of information technology.

The report explains some of the ways Member States attempt to deal with these problems in the hope that there are lessons to be learned or ideas which can be adapted to meet slightly different needs. The report also explains something about what the Commission itself is trying to do by way of administrative simplification in order to improve the environment in which Community business operates.

PART ONE : ORGANISATIONAL

2. RESPONSIBILITY FOR ADMINISTRATIVE SIMPLIFICATION WORK IN MEMBER STATES

Member States have tackled the responsibility for administrative simplification in different ways. Most Member States have developed some form of organisational structure responsible for coordinating or controlling the effect of legislation. Some Member States have created a special central unit often involving a number of ministries. Others have nominated a particular existing ministry to have an overall coordinating responsibility. Sometimes the burden of administration is considered on the population in general and sometimes on business in particular. The actual involvement of business or business organisations varies greatly.

Before passing on to an analysis of some issues on a vertical basis it would seem appropriate to review and up-date the procedural arrangements in the Member States and the Commission for considering administrative simplification.

BELGIUM

COMFORM COMMISSION

A Working Group was set up in 1975 to look at the reduction and simplification of administrative formalities for SMEs and the self-employed, although little real success was achieved.

In 1982 the government decided to broaden the remit of the 1975 Working Group. It set up an Advisory Commission called COMFORM to investigate the simplification and reduction of the administrative formalities and obligations on SMEs and the self-employed. In principle, apart from urgent cases, the COMFORM Commission has to be consulted on any draft legislation and any decree or administrative act likely to impose any new administrative constraint on SMEs (defined as those employing less than 50 persons) and on self-employed businessmen. COMFORM can intervene on its own initiative and must give its views and proposals for simplification to the Minister concerned. It may also make proposals on existing legislation. The appropriate Minister must make known his views on COMFORM opinions. If in implementing a new administrative measure the Minister responsible decides not to follow the COMFORM Commission's opinion, he must then give the reasons for his decision.

Despite the 1982 reforms involving the COMFORM Commission, it was found that its powers and authority needed to be enlarged still further in order to make it more effective. This was the purpose of a new law, dated 6 July 1987.

The definition of what constitutes a "formality" was greatly broadened. Henceforth, "any material act imposed by a legal provision or regulation and concerning the performance of the professional activity of a self-employed person or a small or medium-sized enterprise" is to be considered as a "formality". The definition of the SME has also been extended to cover businesses employing up to 100 persons, under work contracts.

In the middle of 1989, implementing acts were adopted and the new COMFORM Commission became fully operational from 1 July of that year.

At the same time the human and material resources at its disposal were increased. Its 14 members have a permanent secretariat at their disposal. This secretariat also presents requests for opinions submitted to the Commission, which has to give its opinion within one month.

The COMFORM Commission is able to call upon the services of experts to help its permanent members, by explaining the nature of and reasons for a measure which is being envisaged. So far COMFORM has been able to judge only such matters as fall within federal competence. Given the high degree of decentralization of power in Belgium, there ought to be similar initiatives at regional level.

So far, COMFORM has put forward some 109 proposals covering such diverse issues as taxation, social security and administrative problems, the simplification of forms and adjustments to the thresholds below which SMEs may be exempted from certain administrative requirements or enjoy simplified regimes.

DENMARK

DEPARTMENT OF MANAGEMENT AND PERSONNEL : MINISTRY OF FINANCE

The Department of Management and Personnel in the Ministry of Finance is responsible for the coordination and review of regulatory policies at governmental level although it only considers the administrative consequences of new legislative proposals on government, both central and local, and not the consequences for business.

However in 1991 an expert group was set up by the government to analyse ways to estimate economic and administrative costs to business of new or amended regulations and to consider how to measure the current costs and benefits to business. A report is expected at the end of 1992.

FRANCE

COMMITTEE FOR THE SIMPLIFICATION OF FORMALITIES (COSIFORM)

COSIFORM was established in 1983 and is composed of twelve representatives from industry, trade, the crafts sector and enterprise consultants, and eight representatives of the ministries principally involved.

In December 1990 a decree on administrative simplification profoundly altered the responsibilities and organisation of COSIFORM which is now chaired by the Prime Minister with a Vice-Chairman who carries on the tasks of chairman in his

absence. There are seven representatives from the administration and ten individuals appointed for their competence in administrative formalities or relations between administrations and users.

COSIFORM's remit is no longer confined to business and can now consider any matter relating to formalities that effect users including relations with government and bodies responsible for providing public services under state supervision, as well as to the simplification of procedures and exchanges of information between institutions and users.

COSIFORM coordinates the activities of the government bodies responsible for administrative formalities or exchange of information with users. It examines problems deriving from the co-existence of formalities introduced either by the authorities of a foreign State, in the context of the European Community, or any other international body. COSIFORM also coordinates the activities of the Business Formalities Centres by keeping them informed and defining their operating rules.

Matters may be referred to COSIFORM for an opinion by administrations and bodies responsible for providing a public service, regional and local authorities and their institutions, and by any legal or natural person. Regional committees to consider the simplification of administrative formalities and the exchange of information with users are attached to the Regional Prefect's Office in order to submit opinions and proposals to the central authorities and COSIFORM. These regional committees are composed of representatives from the administrations and from users designated by the Prefect.

Each Minister shall designate someone responsible within the ministry to be responsible for developing measures to simplify administrative formalities and to improve relations with users. The person designated is also responsible for liaison with COSIFORM including information about the ministry's administrative simplification policy.

During its first six years COSIFORM examined 143 proposals presented by its members, by study groups from ministries and by companies. A total of 108 recommendations were transmitted to the ministries concerned and over 70 % of these recommendations were followed up in full or in part. The work of the regional committees will lead to an increase in the number of proposals from users.

GERMANY

THE FEDERAL MINISTRY OF THE INTERIOR

In May 1983 a Government policy statement stressed the need to simplify legislation and to remove unnecessary regulation. Since that date the Federal Government has resolutely pursued the objective of simplifying legislation and administrative procedures. The Federal Ministry of the Interior set up a special unit charged with simplification of legislation and administrative procedures. The unit's remit comprises the examination of existing and proposed legislation and administrative provisions, to consider the potential for the simplification of national and Community rules, and the improvement of relations between the general public and administrative departments.

In December 1989 the Government adopted a package of measures to improve the preparation of legislative and administrative provisions particularly in respect of their necessity, clarity and practicability. Each Federal Minister has to ensure that officials who draft or examine legislation receive appropriate training and to introduce arrangements for the inhouse examination of draft laws and orders at the earliest opportunity. The enforceability of the draft laws and orders has to be subject to rigorous prior examination and testing, using outside expert opinion and experience as necessary, in accordance with the constitutional division of competence between the Federal Government and the Länder. Federal Ministers are expected to monitor closely the success and effectiveness of legislation within their sphere of responsibility.

THE FEDERAL INDEPENDENT COMMISSION FOR LEGAL AND ADMINISTRATIVE SIMPLIFICATION

In 1983 the Federal Government set up an independent Commission for Legal and Administrative Simplification to support the Federal Government's efforts to simplify legislation and administrative procedures. The Committee has four main tasks :

1. to streamline existing law
2. to reduce the degree of regulation in an EC context
3. to examine new rules
4. to improve contacts between the public and the administration.

This Commission is chaired by Dr. Waffenschmidt, Parliamentary State Secretary to the Federal Minister of the Interior, and is composed of fifteen members drawn from business (executive members of the Federation of German Industries and of the Association of German Chambers of Industry and Commerce), politics, universities, the judiciary, central municipal organizations and the Länder.

In the early years of its existence, the so-called "Waffenschmidt Commission" concentrated on identifying problem areas within its remit and where necessary proposing solutions. In this context, the Commission dealt with over 1,600 proposals from the public and from various organizations.

The "Waffenschmidt Commission" is currently looking into possible ways of simplifying legislation and administrative procedures which affect the new Länder. One project is considering the simplification and speeding up of procedures for the location of businesses in the new Länder eg in respect of planning and building regulations, and approval procedures.

DEREGULATION COMMITTEE : FEDERAL MINISTRY OF ECONOMIC AFFAIRS

In 1987 the Federal Government set up an independent committee of experts on the removal of regulations that are inconsistent with market principles, the so-called "Deregulation Committee", which is attached to the Federal Ministry of Economic Affairs. Its main focus was to consider proposals to improve the operation of the market. The objective was to highlight the social and economic cost of existing regulations

in the market, both in domestic and foreign trade, and to make specific proposals for the liberalization of markets by amending existing legislation to contribute to a more flexible economy and hence higher growth and employment. The committee dealt with the insurance, transport and electricity industries, technical testing and expertise, the markets for legal and economic business advice, the craft sector and the labour market.

The Deregulation Committee finished its work in the spring of 1991 with the submission of its final report. Its proposals were examined between May 1991 and April 1992 by a working party on Deregulation composed of members of the Bundestag from the coalition parties under the chairmanship of the Federal Minister for Economic Affairs. The working party welcomed most of the proposals. In the meantime they have largely been implemented on the basis of European or national legislation, or are in the process of so being.

The working party considered that work was still needed on 30 proposals in the fields of insurance, transport, electricity, technical testing and standards, legal and business advice and the labour market. On the basis of the working party's recommendations, the Federal Government decided on 24 June 1992 to instruct the departments responsible to draft appropriate legislation before January 1993.

GREECE

In April 1991, as part of a law dealing with modernising public administration, the Government took the following measures.

- a) Established a Committee of eleven members charged with reducing bureaucracy and to simplify legislation and regulation. The Committee is required to :
- draw up an inventory of regulations by sector;
 - review existing regulations in force to see whether they meet peoples needs, and to do a cost-benefit analysis;
 - consider proposals for simplifying legislation, regulations and administration with the object of reducing the number of laws and bureaucratic procedures.
- b) Set Limits for Dealing with Administrative Procedures :
- 60 days to respond to different requests
 - 10 days for certificates and attestations or
 - 15 days if several services are involved
 - compensation from the responsible office for not respecting the timetable.

In order to assist the Committee each ministry has to establish its own committee of four members.

- c) Organisation for Documentation and Administrative Policy.

Responsible for the collection of information, editing reports, codification and creation of a data base on administrative rules. Also responsible for coordination of different information units in each ministry and to ensure each ministry establishes its own coordination unit.

IRELAND

INDUSTRIAL COSTS MONITORING GROUP (ICMG)

The need for an assessment procedure on the cost burden imposed on the private sector by Government activities was acknowledged in 1983 with the establishment of the Industrial Costs Monitoring Group (ICMG). The ICMG comprises representatives from relevant Government departments, the Industrial Development Authority and private industry and is chaired by the Department of Industry and Commerce. The role of the ICMG is to examine those Government proposals which have been referred to it, and which have cost implications for industry, to validate the extent of these cost implications and thereafter to advise the Government of their findings through the Minister for Industry and Commerce. Proposals to Government which have cost implications for industry are required to include an assessment of such cost implications. In addition, the ICMG prepares an annual report to the Minister for Industry and Commerce on its activities during the preceding year which includes a detailed assessment of the current cost environment for industry.

Administrative Burdens

As part of its programme to create a favourable environment for the expansion of industry, the Government decided in 1988 to initiate a programme of administrative reform. The first component of the programme was a review by relevant Government departments of their statutory and information requirements which impacted on business and industry. The second component of the programme involved the establishment of a formal

liaison with representative business and industry groups and invited submissions and consultations from these groups. A number of individual companies were also invited to give their views.

Responsibility for the liaison process, and co-ordination of the reviews undertaken by the relevant Government departments, was vested in the Industrial Costs Monitoring Group on behalf of the Minister for Industry and Commerce. Overall control of the programme rests with the Minister for Industry and Commerce who is required to report to Government on the progress of the programme.

Government departments have submitted reports on the measures they are taking to ease their regulatory requirements. Submissions received from private sector representative bodies have resulted firstly in a report detailing a number of recommendations, mainly with regard to employment related issues. A second report, recommending measures to ease the administrative burden in a broader range of business activities - including the construction sector - has also been submitted to the Minister.

Experience to date suggests that many of the individual proposals submitted for action are relatively minor in nature but that the cumulative effect of their implementation could be of real benefit to the business community. A further, but intangible, benefit is that by raising the profile of administrative simplification within Government departments and the private sector, an attitude has been created which in itself helps to promote industrial development.

A recent decision has been taken to wind down the activities of the ICMG. The Government's 1988 initiative has been completed (the final report was issued in June 1990) and the role of the Industrial Costs Monitoring Group in the administrative burdens programme has effectively ceased. At the present time there are no plans to re-activate the programme on administrative burdens.

ITALY

The office of the President of the Council set up three sub-commissions to prepare reports on customs legislation, administrative jurisdiction, and deregulation. These reports were to consider the setting up of a central office for administrative simplification.

LUXEMBOURG

A 1987 report which considered the administrative obligations and formalities imposed on SMEs proposed the establishment of a small permanent Commission.

NETHERLANDS

MINISTRY OF ECONOMIC AFFAIRS

In the Netherlands, the overall responsibility for the coordination of matters relating to administrative costs for businesses lies with the Minister of Economic Affairs.

However, those individual ministries responsible for the policy areas which include the potential to impose administrative costs must themselves tackle this issue separately and take any necessary measures. In this, the Minister of Economic Affairs may initiate, intervene and apply any corrective measures. The policy areas most extensively concerned are social insurance, tax regulations, company law, economic law, administrative law and environmental regulations.

In May 1991, the Cabinet sent a memorandum to parliament setting out the basic principles and preconditions for its approach to reducing administrative costs for businesses, and indicated the lines along which such an approach is taking place. In broad terms, the government's approach is as follows :

- With regard to existing regulations, a systematic attempt is being made to see whether administrative costs can be reduced by taking advantage of current opportunities.
- With regard to proposed regulations (either new regulations or modifications to old regulations) a business impact assessment is undertaken to evaluate the level of administrative costs imposed.
- The ministries most closely involved regularly devote specific attention to the problem of administrative costs in their policy papers.

PORTUGAL

SECRETARIAT FOR ADMINISTRATIVE MODERNISATION

An Enterprise - Administration Commission was established in 1987 in the Secretariat for Administrative Modernisation. It is made up of experts nominated by enterprise associations, by the civil service and personally appointed by the Prime Minister. Its objective is to consider the administrative procedures that complicate relations between enterprises and the administration, to propose specific simplification measures for each ministry, and to draw up an interministerial programme for debureaucratisation.

The Commission holds plenary meetings monthly and is organised into five different sections dealing with particular issues including: administrative formalities concerned with the setting up, modification or closure of companies; obligations relating to fiscal, financial, investment and statistical issues; and customs, tourism and insurance formalities related to international trade.

The Commission quickly established the interministerial programme for debureaucratisation which was adopted by government in 1988. It contained some 90 wide ranging measures and set up debureaucratisation project teams. The Commission is specifically charged with following up and reporting on this programme.

SPAIN

MINISTRY FOR PUBLIC ADMINISTRATION

The Ministry responsible for coordinating action concerning administrative simplification is the Ministry for Public Administration, which is governed by a number of Royal Decrees.

Under Article 1 of Royal Decree 221/1987, the task of the Ministry, as a department of the central administration of the state, is to ensure "the preparation and execution of government policy as regards administrative organization, the legal arrangements and payment for civil servants, procedures and inspection of services, relations with autonomous communities and local administration, and cooperation by the state administration with other territorial administrations.

As far as simplification is concerned, Article 5 of the same Royal Decree lays down that "it shall be the task of the Inspectorate General of Public Administration Services to plan and put into effect annual programmes for the simplification of procedures and methods of administrative working, and standardization and rationalization of administrative management.

This unit has the rank of a directorate-general and reports to the Secretariat of State for Public Administration, which reports to the Minister. It consists of two sub-directorates:

Sub-Directorate-General for Management Procedures and Rationalization

Centre for Administrative Information

IMPI (INSTITUTE FOR INDUSTRIAL SMEs)

Independently of the above, each administrative unit carries out measures concerning its field of competence.

The IMPI (Institute for Industrial SMEs), an autonomous body reporting to the Ministry of Industry, Trade and Tourism, works in the field of improving the economic, regulatory and service environment of such businesses.

It is consulted on matters concerning SMEs by other departments or other units of the Ministry of Industry, Trade and Tourism. Some of this work both implicitly and directly involves matters concerned with simplification.

THE PLAN FOR THE MODERNIZATION OF PUBLIC ADMINISTRATION

As in other countries, work on simplification falls within a modernization plan undertaken by Spain's public administration. The aim of the modernization plan is to bring all action undertaken by the Ministry for Public Administration, since it was set up in July 1986, into an overall strategy and to introduce a series of reforms which are necessary in the present situation. This includes Spain's integration into the European Communities, the adoption of a highly decentralized system of regional and local government, the multiplication and diversification of government action, and the challenge of incorporating the new technologies in government action.

The aim is to guarantee the provision of services which are effective in achieving their social objectives and efficient in the spending of public money.

There is thus a twofold requirement: dividing of administrative matters from political ones proper, and then modernizing the former, incorporating a new culture of administration based on:

- effectiveness and efficiency;
- genuine responsibility of the administration vis-à-vis its citizens;
- the taking of strategic decisions by political bodies, with the administration doing what is needed for their implementation;
- more flexible structures, which are more easily adapted to different requirements;
- opening up the administration to innovation;
- a view of human resources as a basic element with which the public service can operate.

The modernization plan covers organizational and operational aspects, and procedures for action.

As regards the latter, experience in the operational inspections of services carried out by the Inspectorate-General of Services shows the need for the traditional concept of administrative procedures as instruments which guarantee effective action for the person being administered. At the same time, it is clear that defects in the allocation of functions in administrative organizations can generate unnecessary or overlapping procedures.

The model being developed to resolve these problems is based on the idea that the final aim of administration is a better service for citizens, for which it is necessary to adopt a series of techniques: budgeting by objectives, improvements in information systems, and the decentralization of management functions.

ACTION BY THE IMPI

With a view to its overall objective of improving the environment for SMEs, the IMPI is carrying out a series of measures concerning simplification. It provides information on the matters concerned when this is requested by other administrative units, laying special stress on administrative procedures being simplified as much as possible. It also has a series of measures of its own for this purpose.

The IMPI commissioned a study from the Spanish Confederation of SMEs (CEPYME) on administrative simplification, the conclusions of which are now being studied, under the following headings:

- simplification of legislation for SMEs;
- lightening the administrative burden on SMEs;
- improving procedures;
- replacing formal decisions by tacit ones as often as possible;
- improving information;
- directory of national legislation;
- impact assessment: effect of draft legislation on SMEs.

Work on this study was divided into three phases:

- field work in countries where the greatest advances are being made in this field;
- a survey of Spanish SMEs, with the data obtained in the first phase;
- conclusions.

These conclusions are now being studied by the IMPI.

UNITED KINGDOM

DEREGULATION UNIT : DEPARTMENT OF TRADE AND INDUSTRY

A 1984 report "Burdens on Business" listed the findings of a survey of 200 businesses, focusing on SMEs, and made recommendations which have formed the backbone of the UK's deregulation programme. The report's main conclusions were that the cost of administrative burdens was felt principally in terms of loss of time and that the smaller the enterprise, the greater the impact. Following the report, the Deregulation Unit was established and is currently located in the Department of Trade and Industry, reporting to the Minister with responsibility for deregulation across Government. An Advisory Panel on Deregulation was also established composed of business people with relevant experience which meets approximately every six weeks.

A number of annual reports have been compiled detailing action taken and making recommendations for improvements particularly in the deregulation field. In 1991 a booklet, "Cutting Red Tape for Business" was published detailing the achievements of the deregulation initiative and outlining new areas on which the Unit was focusing.

The Unit initially received a three-year mandate, which was renewed in 1988 and again in 1990. It works in close collaboration with all ministerial departments each of which has a small deregulation cell. A network of "administrative simplification" has therefore been set up within all the UK ministries including those responsible for regional affairs in Wales, Scotland and Northern Ireland.

The Unit also monitors the EC legislative programme for measures which may burden business unnecessarily. The Unit lobbies the Commission, the governments and business organisations of other Member States and other Government departments in the UK. The Unit also fully supports the work of DG XXIII in the Commission to improve the quality of the Commission's impact assessments and pressing for better consultation with business.

A number of regulatory measures in the UK affecting business are administered on behalf of central Government by Local Authorities (County, Metropolitan and District Councils). Other measures can be introduced directly by Local Authorities. This provides business with the benefit of local points of contact but can lead to a lack of uniformity of enforcement and the development of different methods and practices in different areas.

The Deregulation Unit is therefore undertaking a review of Local Authority regulation of business to highlight areas where this regulation burdens business unnecessarily and ways of reducing those burdens. Particular attention will be given to encouraging the development of central guidance, harmonising and improving enforcement practices, enhancing communication between business and the regulators and spreading best practice.

3. ADMINISTRATIVE SIMPLIFICATION WORK

A. IN MEMBER STATES

The previous section details how Member States are organised to deal with administrative simplification work perhaps by creating a central unit, often involving a number of ministries, or nominating a particular ministry to have an overall, coordinating responsibility. There are also differing degrees of direct business involvement and interest. Administrative simplification work has much to do with the legislative making process. Good legislation or regulation can make life so much easier for business. But how is legislation, both existing and proposed actually considered by Member States. Both the theory and the practice differ greatly within the Community.

Central Responsibility

The importance placed in administrative simplification work varies greatly between Member States and depends much on ministerial commitment and interest including at prime minister level. There are conflicting interests and concerns between ministries to resolve. On the one hand regulating ministries will be concerned about health and safety or environmental controls, while on the other hand the economics or trade ministries will be concerned about economic performance and businesses' competitive position. The secret is to strike the right balance between two important considerations.

A number of Member States as described in the previous section have set up central or special units charged with the simplification of legislation and administrative procedures and the coordination of these activities between ministries.

It is clearly important to have ministerial support right at the top. In France for example the Prime Minister formally chairs COSIFORM which demonstrates the importance placed in the issue. This kind of ministerial support is often crucial when a particular piece of legislation is being considered and conflicting interests have to be resolved. While Member States have slightly differing ways of evaluating legislation (both existing and proposed) most have some form of assessment process which might consider the implications both for business and government. It might be useful to consider in more detail the systems developed in one or two Member States.

Impact Assessment Systems

In May 1991 the Netherlands government set out its approach to administrative simplification including a systematic consideration of whether administrative costs could be reduced. A business impact assessment system, in operation for some years, is designed to identify the effects which a draft regulation could have on business and on general economic social development. These effects have to be taken into account during the political decision making process considering the regulation in question. Although responsibility for the business impact assessment lies primarily with the ministry which is drafting the proposed regulation, the Ministry of Economic Affairs plays a supportive and evaluative role. This business impact assessment is part of a general assessment which must be applied to every new draft regulation. The Ministry of Justice is responsible for the general assessment and works in close collaboration with the Ministry of Economic Affairs.

The important point is that the assessment, including that on business, will only be effective if those involved in the decision making process remain continuously aware of its availability and are prepared to use it in their consideration and evaluation of regulation. This is a crucial factor in any system which considers regulation and rests largely on the political importance placed in it by the government of the day. The advantage of instituting a specific impact assessment system requiring consultation with all interested parties is that it helps focus minds on the important issues and for the decision makers to see relatively easily what the implications of a proposed regulation are likely to be.

In December 1984 the German Government introduced the "Blue Tests" which asked ten questions about the necessity, effectiveness and intelligibility of proposed legislation. These questions are supplemented by other questions drawn up by the Federal Ministries of the Interior and of Justice which also focus on the impact on business particularly in respect of costs and their impact on small businesses. Cost benefit analysis must also be considered as well as monitoring of legislation for unwanted effects. All officials involved in a regulatory proposal are required to ask these questions and training programmes are organised to familiarize officials with the Blue Tests.

Other member States including the United Kingdom have similar systems. In general the assessments themselves are completed by the responsible ministry but there is a central body which monitors the system to ensure that the impact assessment is complete and examines all the issues.

Selectivity in Assessment Procedures

One question to consider is whether one should require an impact assessment for all proposed regulations or whether one can afford to be selective. There are arguments both ways. By requiring impact assessments on all proposed regulations one covers the possibility of regulations slipping through that have not been properly assessed and which could have a significant detrimental effect on business. On the other hand it could be argued that it is not reasonable to require an assessment on all regulations many of which will have little or no effect on business.

A more selective approach means that limited resources can be devoted to properly considering the important issues. It also has the advantage that administrators will be more inclined to take the impact assessment system seriously if they see a real need rather than a rather bureaucratic requirement. This more selective or targeted approach has been adopted in the Commission to assess Commission proposals. Although it is still early days the change looks to have led to an improvement in the quality of business impact assessments and a greater willingness on the part of Directorates-General to complete them.

The standard or quality of impact assessments varies throughout the Community. They also vary in format and the questions they are designed to answer. In the UK the Compliance Cost Assessment (CCA) is expected to be quantitative in character and completed by departments after consultation with the businesses involved. CCAs are also available to the public. This seems to be a good way of trying to ensure that the assessment is comprehensive and that departments have considered and costed all the implications of the proposed regulation. If they do not and the CCA is publicly seen to be inadequate the department should be criticised. Again the effect of this depends very much on ministerial commitment.

Setting up a Study

Some Member States have set up particular studies to consider the problem of costing the impact of formalities or administrative requirements. In France the Prime Minister instructed the Central Committee of Inquiry into the Cost and Efficiency of Public Services to carry out a study to assess the cost of formalities in terms of time and money for each administration and type of user. The study carried out in 1990/91 involved:

- an analysis of previous experience both in France and abroad;
- the drawing up of a methodology for assessing the cost to businesses and to administrations of two tax formalities i.e. apprenticeship tax and business tax;
- a cost-benefit analysis of the simplification to be expected in connection with two social formalities i.e. access to reimbursement of health-care costs and returns submitted by persons employing domestic workers;
- considering the possible characteristics of a permanent instrument for assessing and monitoring the costs of formalities.

As a result of the study it was possible to propose simplification in the reimbursement of medical fees and in the formalities required of employers of domestic workers. It was also decided to reinforce the means available to the Central Committee of Inquiry in order to enable it to introduce a system for measuring the cost of formalities and considering simplification.

In addition a draft impact assessment is being examined in consultation with the COSIFORM correspondents so that Members of Parliament can see an estimate of the costs of introducing a new procedure and the effects on both users and administrations.

In Denmark during the preparation of new legislation, as well as during its discussion in the Danish Parliament, it is customary to circulate the proposals among the relevant interested bodies. The extent of this practice however varies among the ministries. The Ministry of Labour carries out thorough compliance cost assessments in cooperation with the labour market organisations whenever legislation on the working environment is being considered. Similarly deregulation in the Ministry of Taxation is often planned and carried out in cooperation with the interest groups involved.

B. IN THE COMMISSION

The Commission is involved in all aspects of administrative simplification work in accordance with the May 1990 Council Recommendation. Some particular areas of Commission activity are described in more detail in part three of the report.

Commission's Business Impact Assessment System

One of the main ways that the Commission considers proposed legislation is through the Commission's Business Impact Assessment System.

Background

The Commission's original assessment system whereby legislative proposals are assessed to consider their likely impact on business was agreed at the European Council in December 1985 and became operational in June 1986.

The major points of interest to be considered in the impact assessment are : the sectors and sizes of business affected; the measures to be taken by firms to comply with the proposal; and the economic effects on employment, competitiveness and investment in the Community.

The system was established to assess the impact of proposals on enterprises in general although particular account was to be taken of the impact on SMEs because of their greater vulnerability to the burden of regulation either in terms of increased costs or other resource implications. The objective

of the system was to allow the Commission to take better account of the impact on business when adopting proposals. The system aimed at an objective statement of the impact and not to question the basis of the proposal itself. It was hoped that the preparation of an impact assessment at an early stage would alert the Directorate-General concerned to the potential difficulties for business which could subsequently be overcome without detriment to the aims of the proposal. A key element in this was the need for early and comprehensive consultation with business organisations.

A second aim of the business impact assessment system was to provide information to help the Community's decision making process and in November 1986 it was decided to extend the use of the impact assessment by sending it to the Council, the Parliament and the Economic and Social Committee (ESC) as part of the documentation with a Commission proposal.

On 30 June 1988 a Council Resolution on the improvement of the business environment underlined "the importance of the impact assessment exercise to assess the consequences and costs of compliance with Community legislation". It is clear also that Community business organisations see the impact assessment system as an important part of the Commission's enterprise policy towards improving the business environment and have asked that the system be strengthened and to be more closely involved in the process itself.

The Reasons for Changing the System

In the light of three years experience since the system was introduced it was decided to make a number of fundamental changes. These were: the targeting of the impact assessment system on proposals which are likely to have a significant impact on business; to extend the scope of the system to cover decisions taken by the Commission under delegated powers, and the improvement of the impact assessment questionnaire itself.

Targeting

It is important that the impact assessment system itself did not impose unnecessary burdens on the Commission services. It was clear that to require an impact assessment on all proposed legislation was creating unnecessary paperwork and risked leading to a devaluation of the system itself. It was therefore decided to modify the system and only target or select those legislative proposals which have a significant impact on business, because of the economic effects arising out of what firms will have to do to comply.

The actual selection of proposals to be targeted is an important process and is carried out annually by DG XXIII in consultation with the Secretariat-General and the Directorates-General concerned on the basis of the Commission's Annual Work Programme. The advantage here should be that DG XXIII will be able to establish a dialogue with the other Directorates-General at the initial stage when proposals for legislation are being drafted.

By targeting the Commission is attempting to improve the quality and relevance of the impact assessments where they matter. Where the impact of a proposal is likely to be minimal Directorates-General are encouraged to make a reference to this in the explanatory memorandum rather than complete a separate impact assessment form.

Scope of the System

The system originally only covered proposals from the Commission for legislation by the Council. Legislative acts of the Commission itself, such as those executed under powers delegated by the Council, were not previously included even though they can just as easily affect business. Such acts were therefore brought within the scope when they are likely to have an impact on business.

The Impact Assessment Form

The old impact assessment form, or "fiche PME" as it was called, consisted of rather general questions which encouraged general replies. The new impact assessment form was designed to make the questions clearer and more specific, and to act as a framework to provide a comprehensive picture of the impact on business of a particular proposal⁽⁴⁾. The important new points that the revised form was trying to bring out concerned a detailed description of what business actually had to do to comply, and to explain the consultation procedures undertaken by the Commission with concerned business organisations.

(4) A copy of the revised impact assessment form is shown on the following page.

COMMISSION'S BUSINESS IMPACT ASSESSMENT FORM

THE IMPACT OF THE PROPOSAL ON BUSINESS
with special reference to small and medium sized
enterprises (SMEs)

Title of proposal :

Document reference number :

The proposal

1. Taking account of the principle of subsidiarity, why is Community legislation necessary in this area and what are its main aims ?

The impact on business

2. Who will be affected by the proposal ?
 - which sectors of business
 - which sizes of business (what is the concentration of small and medium sized firms)
 - are there particular geographical areas of the Community where these businesses are found
3. What will business have to do to comply with the proposal ?
4. What economic effects is the proposal likely to have ?
 - on employment
 - on investment and the creation of new businesses
 - on the competitive position of businesses
5. Does the proposal contain measures to take account of the specific situation of small and medium sized firms (reduced or different requirements etc) ?

Consultation

6. List the organisations which have been consulted about the proposal and outline their main views.

Results of the Revised Arrangements for the Impact Assessment System

Revisions to the system were formally introduced from January 1991 although in practice it was some time after that before the new system was properly in effect or understood. While it is still early days it is probably fair to conclude that the revised arrangements have led to better quality impact assessments. The new selective system has been welcomed by Directorates-General, who see the requirement of an impact assessment on all proposals as much too bureaucratic, and by business organisations, who agree that the Commission should have an assessment system which concentrates limited resources on the important issues.

From the Commission's 1992 Work Programme just over 40 proposals for legislation were identified as likely to have a significant impact on business and would require an impact assessment. A list of these proposals is set out in Table 2 below and shows where impact assessments have been completed. In almost all cases changes have been made either to the impact assessment and/or the proposal itself as a result of the consultation process. The impact assessment has acted as management or policy document which helped to influence the discussion and the eventual outcome of the final Commission proposal.

In addition there have been a number of other proposals for legislation which were not in the Commission's Work Programme at the beginning of the year but have since become a priority and where it was subsequently agreed within the Commission that a business impact assessment was necessary. In a few cases where it was originally agreed that a business impact assessment was required it was later agreed that it would not be necessary either because it turned out that business would not after all be affected, or that the impact would be insignificant.

TABLE 2

LEGISLATIVE PROPOSALS FOR 1992 TARGETED TO HAVE A BUSINESS IMPACT ASSESSMENT

Legislative Proposal	Impact Assessment Completed
<u>Internal Market</u>	
1. Notification procedures for technical rules updating Directive 83/189	Yes
2. Agri-foodstuffs: contaminants	Subsequently agreed impact assessment not required
3. Agri-foodstuffs: labelling	Yes
4. Agri-foodstuffs: hygiene	Yes
5. Agri-foodstuffs: additives	Yes
6. Explosives for non-military use - mutual recognition	Yes
7. Cableway transport installations: safety requirements	Proposal still under discussion
8. Shipboard equipment: harmonization	Proposal still under discussion
9. Community trademark: Trademark Office Fees	Proposal still under discussion
10. Community trademark: International registration	Proposal still under discussion
11. VAT Derogations from 6th Directive	Subsequently agreed impact assessment not required
12. VAT on carriage of passengers: new rules	Proposal still under discussion
13. Structure of taxes on private vehicles	Proposal still under discussion
14. Footwear labelling	Yes
15. Novel Foods	Yes

Legislative Proposal	Impact Assessment Completed
<u>Transport</u>	
16. Tachograph amendment to Regulation 3821/85	Proposal still under discussion
17. Weights and dimensions of heavy goods vehicles - extension of Directive 85/3	Proposal still under discussion
<u>Environment</u>	
18. Gasoline losses due to evaporation in distribution - VOC emissions first stage	Yes
19. Gasoline losses due to evaporation in storage - VOC emissions second stage	Proposal still under discussion
20. Environmental audit	Yes
21. Incineration of toxic waste	Yes
22. Packaging and Packaging waste	Yes
23. Controls on emissions from light vehicles amending Directive 70/220	Proposal still under discussion
24. Environmental Impact Assessments amending Directive 85/337	Yes
25. Industrial hazards - revision of Seveso Directive	Yes
26. Integrated Pollution Control	Proposal still under discussion
27. Energy Efficiency Labelling	Yes
28. Non-agricultural pesticides	Yes
<u>Statistics</u>	
29. Intra-Community trade statistics - transit and storage	Yes
30. External trade statistics after 1992	Yes
31. Multinational firms and groups - classification	Subsequently agreed impact assessment not required
32. Annual labour costs survey 1992	Yes

Legislative Proposal	Impact Assessment Completed
<u>Consumer Protection</u>	
33. Protection of Personal data	Yes
34. Distance selling	Yes
35. Cosmetics 15th Amendment	Yes
<u>Social dimension</u>	
36. Protection of workers rights in the event of transfer of all or part of an undertaking amending Directive 77/87	Yes
37. Protection of risks from exposure to chemical agents	Proposal still under discussion
38. Protection of risks related to physical agents	Proposal still under discussion
39. Protection of workers on means of transport	Yes
40. Protection of workers in agriculture	Proposal still under discussion
41. Protection of Young Workers	Yes
42. Proposal amending directive 75/129 on collective redundancies	Yes

The list of legislative proposals for 1992 where it was agreed that a business impact assessment is necessary has been circulated both to Member States and to European business organisations. The Commission will make every effort in the future to circulate lists as early in the year as possible so that there will be more time for the consultation process to take place.

Targeting of a limited number of proposals should allow for earlier and more comprehensive consultation with business organisations who themselves have limited resources and a requirement often to consult all their members before they are able to offer an opinion on an issue. The promotion of early consultation with business organisations is crucial and should be one of the main benefits of the impact assessment system.

Further possible changes to strengthen the system

Although there has been some improvement in the impact assessment system, and the quality of the assessments themselves, there is still room for further improvement particularly in respect of detailed costs and benefits where this is possible. Furthermore the Commission is committed to strengthening the impact assessment system in the light of the Union Treaty signed at Maastricht which included a "Declaration on Estimated Costs Under Commission Proposals". The Commission undertook to strengthen its system for evaluating Community legislation to take account in its legislative proposals of costs and benefits to Member States, both public administrations and all the parties concerned. A major interest here would be the detailed costs to business of legislation on which to date little work has been done.

In response to this declaration the Commission are considering how to improve and strengthen the impact assessment system and will inform the Council, the Parliament and ECOSOC about how it proposes to do this as soon as possible. Some possibilities are set out in the conclusions to this report.

The Commission will also, in conformity with the May 1990 Council Recommendation, submit a regular report on Community and national measures relating to administrative simplification.

The Commission intends to hold a seminar with Member States and interested parties in order to discuss the effectiveness of the impact assessment system and to exchange information and experience about how to assess the detailed compliance costs and benefits of legislation.

The main intention behind the proposed changes to the impact assessment system is to improve the transparency and effectiveness of the Commission's working procedures and ensure that all parties likely to be affected by legislative proposals are fully consulted and their views taken into account before decisions are made. The aim is to contribute towards finding the proper balance in a regulation between the essential requirements, eg those relating to fundamental social rights, health, safety and the environment, and the burdens imposed on business. A comprehensive business impact assessment should at least ensure that the Community Institutions, the Commission, the Council, the Parliament and the Economic and Social Committee, are aware of the issues as they affect business when they come to discuss a legislative proposal.

It is not the impact assessment form itself which is important but what takes place beforehand to make the assessment credible i.e. full and comprehensive consultation procedures with the business community and a balanced assessment of the costs and benefits of a proposal.

While some Member States have their own versions of a business impact assessment system which considers national legislation there is little evidence still that Member States are taking enough interest in the Commission's system, either in Commission chaired Committees or in the Council itself. It is only in this way that the quality of assessments will improve and the full implications for business of a proposal can be assessed and analysed - and perhaps improvements sought or burdens removed.

**PART TWO : ADMINISTRATIVE SIMPLIFICATION MEASURES INTRODUCED
BY MEMBER STATES**

This section is not intended to be a complete picture of all administrative simplification measures undertaken in Member States but to give an indication of some of the work with examples. It is based on information provided by the Member States.

4. SOCIAL POLICY

In the beginning of 1990 social insurance and the collection of employees contributions was seen in the Netherlands as an area where reform could lead to administrative simplification. An interdepartmental committee was set up charged with studying the possibility of introducing a levy on employee insurance contributions on an annual basis. The main objective was to remove problems in the current levying system. This would be seen as a way of reducing administrative costs on business. The Committee's report was sent to Parliament in June 1991 which included an overview of the policy related and administrative effects of the proposed adjustments to the levying system.

In 1989 a project group under the aegis of the Social Insurance Council, responsible for supervising the administration of social insurance, has been launched to look at simplifying data flows in respect of the administration of the insured. The project group includes representatives of the business community and government departments including Finance, Social Affairs and Employment. The project group's report made a number of proposals;

- a) to reduce administrative costs eg by standardising the basis for levying contributions although this idea presents political difficulties,
- b) that periodic discussions should be held between government and industry to discuss and comment on current developments regarding implementing regulations on social insurance administration from a point of view of costs to business,
- c) to establish an integrated annual statement made by the employer to the industrial insurance board for the levying of employee insurance contributions with the annual statement to the tax inspectorate for income tax and national insurance contributions. This integrated annual statement has been set up for both the computer and paper supply of data through the introduction of duplicate forms.

In addition the Social Insurance Council relaxed the original regulations governing the registry with industrial insurance boards which reduced the volume of data and the number of transactions to be registered. Changes were also made to reform the requirements for an employment record enabling the registry process to be considerably simplified.

In France the social policy area has also seen a number of important measures towards simplification. For example the introduction of a simplified annual social data return for firms with not more than 3 employees affecting 600,000 firms, development of the transfer of social data using computerisation, and the harmonisation of invoice returns of non-agricultural employers and self-employed workers effecting 1.3 million individuals.

In Germany a number of recent pieces of legislation in the social field have been aimed particularly at relieving the burden for SMEs. One law about the supply of workers for temporary employment (always a difficult area) enables firms with less than 20 employees to file a simple notification rather than obtain permission through a burdensome procedure. This applies when they want to place workers at the disposal of an employer in the same branch or in the same or a neighbouring Chamber of Crafts district for a period of up to three months to avoid shorttime working or dismissals.

In the United Kingdom, a number of initiatives have been taken to simplify legislation and administrative arrangements in the social policy field. These include : a simplified system of issuing work permits which enables applications to be processed more quickly; abolition of unnecessary and inappropriate barriers to the employment of women and young people; and the introduction of an up to date framework of health and safety regulations replacing 350 individual regulations covering the control of hazardous substances.

5. ENVIRONMENT

With the continuing pressures from public opinion to maintain and improve the environment, the impact and requirements of environmental legislation are becoming an increasingly important consideration for business. It is necessary to obtain the right balance between the need for essential environmental protection and controls, and for the maintenance and preservation of the earth's resources, without creating unnecessary burdens and costs on business. These higher costs take the form, ultimately, of higher prices for the consumer.

In the Netherlands, the General Environmental Protection Provisions Act seeks to integrate and nationalise licensing in this area removing the need for many individual licences and the ability for a business to obtain its "environmental licence to operate" from one place.

The Netherlands Act also has a provision whereby orders in Council will remove the need to obtain a licence. If a business satisfies the general requirements of the relevant order in Council it will no longer need to apply for a licence but can simply notify the competent authority designated in the order in Council. The aim is to introduce 26 orders in Council based on the Act. In 23 of them the licence requirement will be lifted. 16 orders in Council have already been issued.

A study done on the costs of administering municipal environmental tasks has shown that the adoption of such orders in Council, assuming they are administered by the municipalities, will result in a reduction in costs for businesses.

6. TAXATION

The United Kingdom has made a number of modifications to VAT regulations and procedures in a particular effort to help small businesses. In 1991 it was considered that 50,000 businesses would not now have to register for VAT because the threshold level was increased and approximately 100,000 businesses would have the option to deregister if they wished.

Again in the United Kingdom the tax authorities in 1990 decided to introduce a simpler and more flexible system for SMEs returning details of their accounts. Individuals and partnerships with a small turnover are no longer required to submit detailed tax accounts. Instead they can produce a three line statement showing total turnover, total business purchases and expenses and the resultant net profit. Over a million small businesses are affected.

In France similar simplification measures in the tax field included the reduction from 13 to 5 in the number of returns for one million small businesses which were included in the simplified flat-rate scheme for charging VAT. 17 other formalities relating to intra-Community transport or tax regulations were abolished. Administrative procedures required in the printing, handling and dispatch of paper invoices was reduced.

An important development in the Netherlands is the reorganisation of the tax offices into units geared towards dealing with private individuals, businesses and large concerns. As a result, the supervision, levying and collection

of all the taxes and national insurance contributions paid by businesses will in future be handled by a single unit. For business, this "single stop approach" can be a procedural improvement.

In the spring of 1990, the minister and state secretary of Finance in the Netherlands appointed a tax reform committee (the so-called Stevens Committee). The committee's task was to issue advice on the further simplification and expansion of the basis for wage tax and income tax, and on the streamlining of taxation on company profits. In July 1991, the committee published its findings. A Cabinet position on this report is currently being prepared.

7. COMPANY LAW

Company law provisions and the need to make returns is another area where considerable help can be provided for SMEs. Changes to the United Kingdom Companies Act have benefited businesses by removing the need for SMEs to prepare group accounts and enabled private companies to dispense with certain formalities eg resolutions on the need to hold annual general meetings and appoint auditors annually.

A new form of annual return was also introduced so that companies would be sent a computer-generated return on which only changes would need to be notified rather than to submit a new form each year when much of the detail was the same.

In Greece legislation has been introduced to simplify unified Company accounts for parent companies if their balance sheet totals less than 500 million drachmas, and they employ less than 250 people.

8. TRANSPORT

Increasingly transport is an activity which plays an important role in our lives. It is important to find the balance between the economic benefits of improved transport systems on the one hand and the impact this has on the environment on the other hand. The transport of goods and people is an important business activity which is subject to more and more regulation and control particularly in respect of safety. The issue of licences and operating permits for vehicles is often fraught with difficulty and delay.

In France COSIFORM is studying with the motor vehicle manufacturers and the ministries of Transport and the Interior the possibility of using teletransmission techniques when applying for new vehicle registrations.

Simplifications in the transport field in the United Kingdom include the abolition of test reports on vehicles which pass the MOT test and the opening up of the market for the manufacture of tachographs.

9. SIMPLIFICATION OF FORMS, LICENCES AND RECORDS

The rationalisation, standardisation and simplification of forms is one of the easiest and most effective ways of helping business - if not perhaps the most spectacular. Businesses have to fill in so many forms, surveys or questionnaires that it becomes a real burden if the forms themselves are unclear and too detailed. It is also not just a question of one particular form to fill in or submit but the cumulative effect of many different forms for different administrative bodies.

A number of Member States have done a considerable amount of work towards removing or simplifying forms. Germany has published a number of explanatory briefs about the practical use of friendly forms and on plain administrative language. In the United Kingdom a special forms review programme launched in 1982 established specialist forms design teams within government departments to examine all existing forms and to ensure that new forms were of a high standard. Over 45,000 government forms and leaflets were abolished. In addition considerable attention has been given to clarity and ease of understanding.

In France COSIFORM has recommended that a dictionary of formalities should be compiled in order to harmonise the information which administrations request from users. The Centre for the Registration and Revision of Administrative Forms (CERFA) has been responsible for this work for over 20 years and administrations will be helped to draw up and simplify forms and procedures. CERFA's terms of reference were

extended in 1990 to include all information exchanged between administrations and users irrespective of the medium. This therefore now includes computer media and teletransmission. COSIFORM's correspondents within the ministries will be responsible for making their departments aware of the need to devise clear, well structured texts, to use standard concepts and to pay attention to the costs involved of completing the formalities.

In Italy in 1990 a law established a new set of rules in order to allow access to documents that are processed by the Public Administration and established fixed periods of time within which administrative procedures have to be concluded.

A technique to consider, particularly for forms which are to be used as an application for a licence or a permit, is that of the non-opposition concept. Here an application once received is automatically approved after a specific time unless notified. In the Netherlands the General Administrative Law Act streamlines the decision - making and assessment appeal procedures. The law provides that the administration has 6 weeks to make a decision after which there is an opportunity to appeal. By lodging an assessment appeal it would also be possible to ask the administrative body to review a decision before going to court. All legislation which involves the granting of a licence, subsidies and tax levies will be adapted so as to be covered by the General Administrative Law Act which should come into effect from 1 January 1993.

In April 1991 the Netherlands Minister of Economic Affairs and the chairman of the central employers organisations signed a joint declaration to update business licensing laws. This spirit of goodwill and cooperation between government and business means that the licensing bodies will only require evidence of general competence. Only in exceptional cases will there be a legal requirement to show evidence of specific professional skills. The requirements too will apply to the business and not to individual branches. The idea of only requiring a licence for exceptions and making them applicable to a business as a whole rather than individual units are concepts which can lead to a considerable reduction of unnecessary procedures and could have wide application throughout the Community.

RECORD KEEPING

A number of Member States have very onerous requirements for business to keep different kinds of records eg marketing authorizations, accounts etc going back many years. There are many possibilities for cutting back on unnecessary records. These include automatic reviews and discarding unnecessary records. In Germany a number of specific measures have been taken to simplify and rationalise the collection of statistics or to extend the time interval between the need to carry out a survey.

In particular for the collection of statistics major benefits can be drawn from a more efficient use of existing sources of information or data avoiding the need for extra surveys and forms. The use of standard terminology and concepts when designing or revising administrative forms in order to make them more user friendly should be considered.

Regular reviews of systems could allow the reorganisation and simplification of data collection. During these reviews it can be useful to estimate the cost for the administration of conducting any survey and the costs and benefits to business of responding to it.

INTEGRATION OF LICENCES

Often licensing requirements mean that a business has to obtain different licences for similar areas of regulation. For example in the Netherlands licences were needed under the Noise Hindrance Act, the Waste Products Act, the Air Pollution Act and others. From January 1992 under the General Environmental Protection Provisions Act the intention is to have one licence and that the licence holder will only have to deal with a single competent authority. It is also proposed that the procedures for obtaining the licence will be streamlined and simplified, and that recording and measurement provisions will be standardised.

10. CODIFICATION OR CONSOLIDATION OF LEGISLATION

The practice, or rather lack of it, in some Member States suggests that there is considerable room for improvement and manoeuvre in terms of codifying, consolidating or, even repealing outdated legislation. However some Member States clearly have limited resources to look back and consider improving old legislation because there is so much new legislation coming to the statute book.

In Germany, according to a decision taken by the Government on 13 July 1983, all federal ministers must check in the areas for which they are responsible which administrative or legal regulations can be abolished or simplified. As a result of this checking procedure a document was prepared which summarises and simplifies the city planning legislation. In addition on a number of occasions one law has been introduced repealing a number of different obsolete laws covering various Federal Ministries. Some of these removed the requirement for businesses to provide documentary proof or obtain authorization. This technique of using one umbrella law to repeal a number of similar rules or regulations which have become out of date is worthy of consideration and helps to simplify the regulatory environment for business.

In Italy administrative simplification for SMEs in general has been considerably assisted by the introduction of a specific and comprehensive law concerning the development and innovation of SMEs. Previously there were numerous different laws which dealt with SMEs. Now with just one law introduced in October 1991 SMEs in Italy have a single point of reference regarding what assistance might be available and whether they

qualify. The concept of self certification is introduced where firms declare under their own responsibility that they are eligible for the benefits provided by the law. Only after having received the aid do firms have to submit the documentation that proves they were eligible for the benefits.

In Denmark the Government has instituted an annual Modernization Programme with the aim of creating greater liberalisation for both business and individuals. Key considerations are deregulation, decentralised regulation and economic incentives. This programme includes a month by month monitoring of the development of regulatory instruments and analysis in selected areas with the intention to considerably reduce the burden of regulation.

This monitoring and analysis in Denmark has resulted in a considerable reduction in regulation over a wide range of government activity. A major reorganisation of both central and local tax administration has been followed by the Ministry of Taxation introducing the principle that each law should only be accompanied by one piece of subordinate regulation and one administrative directive. This restriction on accompanying subordinate legislation must make it easier for business to understand the full picture without having to read or understand too much paper. It is a practice which could have application in other areas of regulation. Limiting officials to a maximum amount of accompanying documents explaining a regulation should help to focus minds and limit the amount of unnecessary paper.

The success of a monitoring policy in Denmark is demonstrated by the reduction in regulation or administration that has been achieved. The Ministry of the Environment has consolidated some 20 laws into 5 laws only. The Ministry for Education and Research has reduced its total number of laws, subordinate regulation and administrative acts by 35 per cent.

A specific regulatory reform analysis was carried out in food inspection in Denmark which resulted in a halving of the number of laws and in a more than halving of the number of secondary regulations and administrative directives. Not only does this make administration easier but it also considerably improves compliance and therefore lowers the enforcement burden on government.

11. TRAINING, INFORMATION, CONSULTATION WITH BUSINESS

TRAINING AND INFORMATION

The proper training for officials, the provision of up to date and relevant information for business, and comprehensive consultation procedures with business organisations, are all part of providing a user friendly service. Just the provision of a guide to a particular government department with a brief explanation of responsibilities and the names and telephone numbers of the appropriate officials can save busy businessmen time and therefore money. This has been done in Italy where a law allows firms to know the names of the officials in the administration that are making decisions which affect them.

Belgium has a Ministry dealing specifically with SMEs, called the "Ministère des classes moyennes", which coordinates policy towards SMEs as regards representation, their organization, rules concerning professions, social security, etc.

Given Belgium's high degree of institutional regionalization, a large part of the implementation of economic policy concerning SMEs now falls within the competence of the regions, such as measures concerning economic expansion and vocational training, to name only two.

Reporting to the Ministère des classes moyennes, the "Conseil supérieur des classes moyennes" provides links with the official representatives of small business, craft industry and the professions. It aims to be a permanent forum for dialogue

and contact for the main trade and professional organizations of the self-employed and of small businesses. Its main tasks are to represent the interests of small business as regards administrative simplification (COMFORM Commission) and to give its opinions on all legal measures which might have a positive effect on SMEs.

A further measure taken to defend the interests of SMEs was the law of 1985 on the specific representation of the "classes moyennes". This provides that representatives of SMEs must be included on all legally constituted advisory bodies with remits covering economic or social matters. This has enabled SME representatives to take an active part on many bodies where general and specific matters of economic and social policy are negotiated.

In Belgium, the general aim has been to harmonize the administration's approach to those it administrates. A law of 29 July 1991 lays down the same requirements for all administrative acts. It states in particular that each individual or business must receive correct information concerning his contacts with the administration.

This law came into force on 1 January 1992. It obliges civil servants to give the full formal reasons for all administrative acts containing decisions concerning either individuals or businesses. Similarly, in 1992 the Government put out a number of circulars requiring civil servants in charge of dossiers to give their names and telephone numbers on all correspondence with citizens. A group of experts has been set up to ensure that the language used in day-to-day correspondence should be correct, comprehensible and readable.

A further initiative, coming mainly from the Flemish community, aims to ensure that administrative documents are widely enough displayed in certain public services and establishments.

The Department of Trade and Industry in the United Kingdom offers an on-line computerised database, Spearhead, which summarises developments in the Internal Market Programme, and in other areas with substantial implications for business. This includes information about Community R&D programmes, health and safety at work measures, the environment and social policy, and is up-dated weekly. Also included is the name and telephone number of the responsible government official for each measure which allows businessmen to make quick contact as necessary.

CONSULTATION WITH BUSINESS

Business organisations should be properly consulted and informed about developments in government policy that are going to effect them. Member States should encourage transparency so that there are fewer misunderstandings about what is required by an administration from business. This kind of attitude should help facilitate cooperation on the part of business. Member States have established different organisations or mechanisms to tackle this problem.

In Germany both the Federal and Länder Ministries maintain close contacts with economic interest groups, business associations and trade unions through their specialist departments and their subordinate services. That is

particularly so for matters of interest to small and medium-sized businesses. The Advisory Council on SMEs attached to the Ministry of Economic Affairs offers representatives of SMEs and of the liberal professions the opportunity to engage in regular dialogue on current problems affecting SMEs and to make recommendations to the Federal Government. This guarantees that SME policy measures are always geared to the practical needs of businesses.

In France COSIFORM provides a forum for consultation with users representatives, particularly small businesses and administrations. This has helped foster within the administrations a new attitude towards reducing administrative costs which are borne by the nation and to the establishment of offices to advise and provide specific assistance to persons setting up in business.

In Ireland the Small Industry Forum was established in 1988 which seeks to ensure the most effective delivery of State assistance and to serve as a mechanism for the exchange of views on industry related topics. The Forum comprises representatives of the Department of Industry and Commerce, the state agencies with responsibilities for industrial development and small business.

In the United Kingdom the existence of the Business Advisory Panel also helps foster an improved exchange of experience and awareness between officials and businessmen and tries to ensure that the Deregulation Unit's efforts are geared towards practical considerations which actually impact on business.

Surveys too are a good way for administrations to consult business and to find out what particular kind of regulation is a problem or burden for business. In Denmark a survey was carried out in 1990 of some 600 small firms. The survey showed a marked difference regarding the extent of company knowledge about regulation. Customs, tax, and environmental regulations were reasonably well known while regulations concerning employment and planning were less well known or understood.

By conducting such a survey administrations will be able to see which areas of legislation or regulation are causing most problems and devote usually limited resources to improving the situation in particular areas.

Administrative simplification is also about how administrations actually deliver their services or implement their regulations. The survey technique is also a useful measure to try and establish the problem areas and involve business organisations in the process of improving those services which most impinge on their business. An interesting fact which came out of a survey of business and individuals conducted in Denmark in 1990 was that the problems of the public sector were not thought to be related to the staff delivering the services, but to the system itself i.e. the rules and organisational and managerial framework under which the administration tried to carry out its function.

ONE STOP SHOPS

The concept of "One Stop Shops" has been used in government administrations, both at the national and regional level, with varying degrees of success. The idea of providing in one place information eg about setting up a business, or better still, actually providing the licences or permissions required to start operating a business, is a good one in principle. A number of Member States have set up pilot projects in selected areas often seeking to provide the delivery of such services at regional or local levels.

In France COSIFORM have concentrated on the development of "One Stop Shops" in two areas. The Business Formalities Centres, set up in 1981, centralise formalities relating to the setting up, closing down or change of activity for a business. A second kind of one stop shop, the Social Data Transfer Centres, are responsible for collecting and distributing the annual social data returns for a number of organisations or bodies involved in social security, family allowances, sickness benefit, income tax and statistical or economic studies. COSIFORM is responsible for monitoring these one stop shops to see whether there is scope for extending such methods to other bodies.

"One Stop Shops" is also a central theme in the Netherlands government's policy for guidance and advice to SMEs. The intention is to create enterprise centres and to obtain the cooperation of all the parties primarily concerned. Pilot projects have been started in three regions.

12. THE USE OF NEW TECHNOLOGIES

The increased use of computers and other information technology developments has greatly eased the burden for business of information collection and dissemination. While the initial outlay on hardware is expensive, particularly for small businesses, it can quickly repay dividends. The use by administrations of computers has also eased the flow of paperwork in some cases but in others has quickened the speed with which paper is transmitted particularly on-line data bases and electronic mail facilities.

Electronic Data Interchange (EDI)

The application of electronic data interchange through a link up of computer networks could help to simplify procedures and reduce administrative costs in the field of tax legislation and social insurance. Administrative costs could be reduced by integrating data flows although this advantage is only applicable if businesses have computerised administration systems or use the services of an agent with such a facility.

An important condition for the application of electronic data interchange is the standardisation of the data to be supplied. An administrative organisation has been set up by the Netherlands Federation of Industrial Insurance Boards, including representatives from social insurance bodies, business and from the Ministry of Finance, with responsibility for administrative and policy related aspects of the standardisation of data flows.

Other pilot projects using electronic data interchange are by the industrial insurance boards for the retail trades and craft sector and for health care, for employers to register notification of worker absenteeism through illness. In the customs field another project is involved in the computerised processing of import declarations with the deduction of the duty owed on current account.

Videotext

In addition to the electronic data interchange facilities, the application of videotext also provides opportunities for reducing administrative costs.

Because of its easy accessibility, lower costs and user friendly nature, videotext is attractive to smaller businesses. In the Netherlands a study has been launched between consultants, the industrial insurance board, and employers organisations to look at the application of videotext in data exchange between SME employers and the social insurance administrative bodies. This initiative to look at the possibilities for utilising videotext was partly responsible for the setting up of the Foundation for Reducing the Administrative Costs for SMEs.

The Foundation, which receives some financial support from the Ministry of Economic Affairs, is intended to function as a representative body in which ideas for reducing administrative costs for SMEs can be discussed and under whose responsibility research and feasibility studies can be carried out.

Electronic Data Processing (EDP)

In Germany the "Waffenschmidt Commission" set up a working party on pay-roll accounting including representatives from federal associations and industry. The aim is to analyse the duties that businesses have to undertake and to help them to fulfil these duties by reducing bureaucracy especially in the area of reporting and where cooperation is necessary with the authorities. By 31 August 1992 this working party had dealt with 20 projects for simplification in the area of pay-roll accounting including improving data exchange between business and financial authorities and long distance data transfer.

The "Waffenschmidt Commission" is helping the initiative of a working group dealing with economic administration ("Arbeitsgemeinschaft für wirtschaftliche Verwaltung", e.V. (AWV)). A major aim is to standardise the various forms in use and facilitate their production using EDP. The result has been a documentation pack "Standardisation of certification procedures for firms and administrative departments" which contains only 16 standardised types of certificates used. This should enable firms with both customised and standard software packages to optimise and automate their certification procedures with the attendant cost savings.

In France one of COSIFORM's objectives is to encourage the introduction of new information technology. COSIFORM has therefore supported the setting up of EDIFRANCE, the body responsible for the standardisation of electronic data interchange within AFNOR (the French National Standards Body).

Significant progress has been made in France with increased transfer of social data and, to a lesser extent, tax data using computer media, in particular, electronic invoicing. Electronic data interchange is currently being studied in different areas including customs, transport, public works, health etc. In the health sector there is a considerable volume of data interchange and experiments are underway involving data teletransmission with smart cards being used as identification cards for the medical professions and as health insurance cards.

In 1991, in the United Kingdom the search facilities at Companies House for information on companies has been substantially automated. Magnetic card systems have reduced waiting times for personal callers and the Companies House database can be interrogated by customers using their personal computer.

**PART THREE : ADMINISTRATIVE SIMPLIFICATION MEASURES INTRODUCED
BY COMMUNITY INSTITUTIONS**

As with the section on Member States measures this section does not attempt to cover all areas but provide a brief snapshot and examples of the activity of Community institutions.

13. ENVIRONMENT

The Commission's proposals for a fifth Community Action Programme on the environment is an important step forward in the development of an environment policy. The concept of sustainable development which is the central objective of the 5th Action Programme, calls for a contribution from all economic players, including public authorities, public and private enterprise in all its forms, and the general public both as citizens and consumers, taking account of the principle of subsidiarity and the concept of shared responsibility.

In the context of an environmental policy one must take account of the impact on enterprises. It is necessary to consider on the one hand the fact that legislation constitutes a legal obligation on all economic operators, and on the other hand the essential need to develop and maintain the competitive position of industry.

Given the importance of SMEs in the economy, and the employment opportunities they provide, the application of environmental legislation must be accompanied by measures coordinated with the objective of avoiding or minimising the administrative, financial or legal burdens which might impede the creation or development of SMEs.

As far as control measures are concerned, for example, it may be possible in appropriate circumstances to provide for some variations in the timeframes for adaptation or implementation. In other cases it may be possible to provide direct practical assistance including provision of expert services, training programmes etc.

Environmental legislation and its need often for licences eg on emission limits, is an area where authorities can and should seek to rationalise. Some examples of this are dealt with in the section of this report dealing with the simplification of licences etc.

The Commission has also been active in relation to reporting requirements under environmental directives. A blanket directive standardizing and rationalising reports on the implementation of certain Directives relating to the environment was proposed by the Commission and adopted by the Council in December 1991⁽⁵⁾. While the provisions should be particularly beneficial to administrations there should be a spin-off for businesses that in turn have to submit reports to controlling authorities.

(5) 91/692/EEC OJ L377, 31.12.91

14. TAXATION

The main achievement of administrative simplification in this area naturally results from the abolition of tax frontiers in the Community.

The new regulations in respect of indirect taxation (VAT and excise-duty) come into effect on 1 January 1993, representing for business, and particularly for SMEs, a substantial simplification of the administrative formalities in intra-Community trade. All frontier controls will be removed, notably those resulting from the simplified administrative document which numbered 60 million a year. This means in respect of the VAT charge the disappearance of the notion of imports and exports between Member States.

The only formality that the seller in another Member State needs to do, after having obtained the VAT identification number of his client, is to fill in the periodical statements, which he is normally required to do, by adding a summary of his intra-Community sales.

As far as the buyer is concerned, his obligations will be limited to declaring, in the regular return established for internal purposes, his purchases in intra-Community trade.

The obligation on enterprises to provide trade statistics will be considerably reduced for the largest companies. SMEs will only be required to provide statistics in a simplified form or will be exempted.

The new taxation regime will also have important consequences for the structure and methods of work in Member States administrations. This will particularly be the case when bringing into effect the administrative procedures. It will be up to each administration to take the necessary organisational measures. The Commission will be responsible for ensuring that implementation has been properly accomplished. To help do this the Commission has established, with the Member States, a telematic network, VIES (VAT Information Exchange System) where the Commission took the initiative and ensured the essential part of the financing, on the basis of the regulation on administrative cooperation, and where the Member States must ensure the proper functioning of the system by providing sufficient resources.

15. COMPANY LAW

The need in this area at a Community level for the removal of unnecessary requirements was also recognised and the 1990⁽⁶⁾ Directive provided for a reduction in reporting requirements for SME company accounts and for an increase in the financial thresholds defining such companies.

(6) 90/604/EEC OJ L317, 16.11.90

16. CODIFICATION OR CONSOLIDATION OF LEGISLATION

In March 1991 the Commission recognising the importance of codification towards making legislation more transparent and understandable launched a series of initiatives. The first of these initiatives sought to replace a number of pieces of legislation on one issue or subject with one comprehensive regulation without changing the substance of the directives being consolidated. In the cases of fertilisers, agricultural tractors, units of measure, public procurement of works, dangerous substances, cosmetics and doctors diplomas, nearly one hundred separate measures have or will be replaced by less than 10 new directives. The Commission is also looking at similar codification work in other areas including fruit juices, detergents, machinery safety and public procurement of supplies.

In addition the Commission have been operating since February 1989 an information network "INFO 92" which gives the public "on line" information on the make up of the Internal Market programme in the White Book. In 1990 this data base also included those national measures which Member States adopted to transpose and to put into effect the Internal Market proposals. The objective is to complete the information base and to introduce a third element in a consolidated form of all legislation adopted from the White Book's Internal Market programme.

In the same way the Customs Code, adopted by the Council on 12 October 1992, is an example of simplification procedures which gives a single tool to those working in the import/export business. It regroups and organises all the Community's customs regulations which were dispersed in 30 different texts. From now on the new Code brings together all these texts into one volume particularly the customs regulations governing trade with third countries and the general conditions of the application of the common customs tariff. In this way the code will also help to ensure the equal treatment of business at all external frontiers of the Community.

17. TRAINING, INFORMATION, CONSULTATION WITH BUSINESS

Individual government departments should be responsible for training and developing their staff to provide a professional, high quality, accessible and responsive service to business - and to the individual citizen. Exchange programmes between government departments and business should also be considered in terms of developing understanding and awareness of each others problems.

The provision of up to date information services for business has become increasingly necessary. The use of commercial on-line services carrying as much government held information as possible has become widespread. The Commission attempts to cover this need across the Community with the European Information Centres (EICs) which is now an established computerised network providing up to date information to Community business particularly in respect of the Internal Market.

In the Commission consultation with business organisations at a European level is vitally important when considering legislation. Some Directorates-General have very comprehensive consultation procedures while others are not so good. To take account of the particular needs of SMEs who are less well resourced than large enterprises, DG XXIII has developed a regular consultation forum with the main European SME business organisations which meets to consider regulatory proposals from the Commission, and other issues, which might have an impact on SME businesses.

18. THE USE OF NEW TECHNOLOGIES

Computers, and for SMEs, micros are used more and more to store and process all the basic data and other elements needed to answer and deal with administrative requirements either directly within the enterprises or by others eg accountants, working for them. Improvements are needed in the commercial software available for enterprises in order to help them develop and produce the information required by administrations and government. The Community might consider supporting studies and research to improve commercial software capability in this area to meet the needs of business on administrative requirements.

The Commission too is much involved in the use of EDI systems through EDIFACT, (Electronic Data Interchange for Administration, Commerce and Transport), a standard developed through UNECE. This seeks to ensure that business is not burdened with another standard incompatible with the standards already defined and used by businesses themselves in their dealings with public administrations. This has application in the field of customs, statistics, social administration, public health and public procurement.

Other Community programmes include TEDIS (Trade Electronic Data Interchange Systems) which is oriented towards business. The EFTA countries are associated with TEDIS which allows the exchange of data throughout the Community and Europe across a wide range of interests. In the context of the Internal Market the introduction of new information technologies such as EDIFACT and the standardization of EDIs provides for greater simplification of administrative procedures.

PART FOUR : CONCLUSIONS

19. MEASURE OF ACHIEVEMENT FROM ADMINISTRATIVE SIMPLIFICATION WORK

It is extremely difficult for the Commission or Member States to measure the achievement flowing from administrative simplification work and the impact on business particularly SMEs. In some Member States it is felt by the business community that the level of administrative burdens and the resulting costs have risen over the last few years.

What seems to be clear in all Member States is that there is a need to continue administrative simplification work if the business environment is going to improve.

The main purpose of this report, apart from the need to respond to the Council's request, is to raise the profile of administrative simplification work and the importance of reducing the regulatory burden on enterprises, particularly SMEs. Some of the measures taken might suggest ideas or act as a catalyst for future action in Member States. In the light of the Council Recommendation of 28 May 1990 is the Community, both the Commission and Member States, doing enough in the context of administrative simplification work in order to improve the business environment? At the end of this concluding section the report suggests some possible guidelines for future administrative simplification work both for the Commission and Member States.

In the text dealing with Industry (Title XIII) on European Union, the Community and the Member States are encouraged to create an environment favourable to initiative and to the development of undertakings throughout the Community, particularly SMEs.

In addition at Maastricht a "Declaration on Estimated Costs Under Commission Proposals" was agreed whereby the Commission undertakes to strengthen its system for evaluating Community legislation to take account in its legislative proposals of costs and benefits to Member States, both public administrations and all the parties concerned. This of course includes business.

As far as considering legislation is concerned the Commission has undertaken to justify, in the recitals of future proposals, the relevance of its initiative with regard to the principle of subsidiarity and to re-examine certain Community rules in order to adapt them to the principle of subsidiarity. Member States might also simultaneously launch a similar approach at national and sub-national levels. A Community-wide debate at all levels should assist identification of those areas with the greatest possibilities for relieving the burden of regulation and red-tape on enterprise.

While some progress has been made to improve administrative simplification work both in the Commission and in Member States it is difficult to quantify because of the rather piece-meal approach. This is partly explained by the fact that much of the work is based on reactions to individual proposals over a wide-range of new legislation.

Consideration should therefore be given to the need for a thorough examination, both at Community and national levels, to identify the legislative areas where administrative simplification work would yield the greatest benefits to business particularly for SMEs. Once these areas of legislation and the resulting administrative procedures have been identified it should be possible to simplify or adapt certain regulations or provisions. This targeting of legislative areas should help to maximise the results of this work.

Any strengthening of the Commission's evaluation procedures to take account of the costs and benefits of its legislative proposals is most likely to be reflected in the Commission's business impact assessment system as part of the Commission's contribution to administrative simplification work in the Community. In the guidelines for future work the report suggests some possibilities for strengthening the impact assessment system.

20. POSSIBLE GUIDELINES FOR FUTURE ADMINISTRATIVE SIMPLIFICATION WORK IN THE COMMISSION

The following are suggested possible guidelines for future administrative simplification work for the Commission.

1. Continue to monitor progress on administrative simplification work in both the Commission and Member States and report to the Council on a regular basis. It would be helpful, particularly for the compilation of this report by the Commission, that the Member States provide not only information on concrete administrative simplification measures but also an overall evaluation of their efforts in this field.
2. Continue to initiate and launch ideas for improvements to the general business environment, particularly for SMEs, at Community level in order to reduce their administrative work.
3. Continue to improve and strengthen the Commission's business impact assessment system. Possibilities include the following :
 - a) To make known in the publication of the annual legislative programme of the Community the proposals on which it has been agreed that an impact assessment should be completed.

- b) Consult fully with all interested business organisations, including those representing SMEs, in good time in the consideration of new proposals so that the impact on business can be assessed as the proposal develops.
- c) To remind the Council, the European Parliament and the Economic and Social Committee of the fact that the impact assessment should be used as part of the decision making process.
- d) To ensure that impact assessments are revised when substantial amendments to proposals are accepted by the Commission, in the context of the inter-institutional legislative process.
- e) To develop in cooperation with Member States methods of assessing the detailed costs and benefits of legislative proposals taking into account the expertise and experience of Member States and business organisations.
- f) To programme its meetings with the European SME business organisations, together with the involved Directorates-General in the light of the annual legislative programme of the Community, and the targeted list of proposals to have an impact assessment, in order to ensure the detailed consideration of individual proposals at an early stage in the development of the proposal.

4. To collect information on the impact on enterprises of existing Community legislation in the light of experience gained from implementation, and to formulate proposals to reduce the burden as necessary.
5. Encourage cooperation between Member States particularly to stimulate the exchange of experience and information in order to :
 - a) Consider how the particular problems for SMEs can be best addressed bearing in mind their limited resources and the fact that regulation impacts disproportionately on SMEs.
 - b) Consider setting targets and criteria for considering and assessing proposed legislation which is likely to be a significant burden on business.
 - c) Promote greater transparency between government departments and business organisations and the setting up of comprehensive consultation procedures which ensure full and timely consultation on legislative proposals.
 - d) Set targets for administrative simplification work to consider existing legislation eg to modify or codify a particular area of legislation that is burdensome.