

**Report to the Public Accounts Committee
on**

The Impact of Better Regulation and Simplification

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The National Audit Office of Denmark issues this report to the Public Accounts Committee in accordance with section 17(2) of the Auditor General's Act, see consolidated Act No. 3 of 7 January 1997. The report is related to section 7 of the Fiscal Act. Section 8, the Ministry of Finance. Section 9, the Ministry of Economic and Business Affairs. Section 11, the Ministry of Taxation. The Ministry of Justice and section 15, the Ministry of Social Affairs.

Report on the impact of better regulation and simplification

I. Examination results

1. The Public Accounts Committee's report no. 6/96 dealt with social housing associations. The National Audit Office of Denmark (NAOD) concluded in the report that the rules governing the subsidised housing sector were extensive, complicated and inaccessible. In the response document to the report from 2002, the Minister of Economic and Business Affairs stated that the government had set up a committee with the purpose of examining the possibilities of simplifying the regulations governing social housing. As the committee made slow progress, the Public Accounts Committee agreed to close the case on the condition that the issue of simplifying the rules governing the social housing sector would be raised at a later point of time in a separate and more broadly founded examination.

The NAOD has therefore carried out this examination of the impact of better regulation and simplification.

2. Better regulation and simplification has been on the political agenda for decades. The concept was launched by the government in the early 1980s and continued in the 1990s. The various better regulation and simplification projects have in common that they reflected the political ambitions of alternating governments.

3. The NAOD has chosen to base its examination on the broad interpretation of the better regulation and simplification concept which the government introduced in 2001, namely that better regulation and simplification should reduce the administrative costs which legislation imposes on citizens, businesses and public authorities. Thus better regulation and simplification can imply a simplification of current regulation, reduction of administrative costs and the introduction of electronic reporting solutions.

4. An important element in the NAOD's examination is the government's action plans for better regulation and simplification which the Ministry of Finance has worked out in collaboration with the other ministries since 2002. This focus has been chosen in relation to the combined effort managed and – until 2006 – also published by the ministries. It should be emphasized that the action plans reflect the government's political wishes and not projects that have been endorsed by the Folketing [parliament].

In the Folketing's resolution V 45 of 18 January 2001 – i.e. before the current government took office – the Minister of Economic and Business Affairs is committed to preparing an annual statement to the Folketing on the development in aggregate administrative costs. The Folketing has since then once a year received the statement "The Business Sector and Regulation". The statement presents the development in the ministries' better regulation and simplification effort in the area affecting businesses.

5. The examination takes stock of the better regulation and simplification effort made in the period 2001 – 2006. The examination was initiated in March 2006.

6. The examination comprises the government's overall effort within better regulation and simplification, and the following ministries were selected for examination: The Ministry of Finance, the Ministry of Economic and Business Affairs, the Ministry of Taxation, the Ministry of Justice and the Ministry of Social Affairs.

7. The objective of the examination was to check up on the impact of the better regulation and simplification activities by asking the following 4 questions:

- How have the better regulation and simplification activities been managed?
- Which measurement methods have been developed to evaluate target fulfilment?
- What are the gains of the activities?
- How do the ministries ensure that new legislation is kept simple?

8. A draft of this report has been presented to the Ministry of Finance, the Ministry of Economic and Business Affairs, the Ministry of Taxation, the Ministry of Justice, and the Ministry of Social Affairs, and their comments have been incorporated in the report.

Results of the examination

The NAOD has established that the impact of the better regulation and simplification activities launched in the period 2001 - 2006 cannot be assessed and presented as one overall result, because quantitative targets have only been set for the effort directed towards the business sector, and it hasn't been possible to measure the impact for businesses before 2005. So far the impact of the quantifiable initiatives directed to businesses has been relatively low. The ministries' action plans for the period 2006 – 2010 have now been targeted and they contain project descriptions, but target achievement is subject to some uncertainty, as certain ministries will not have identified all potential regulatory simplification initiatives till late in the measurement period. Reuse of the data which businesses report to the public authorities will lead to significant cuts in administrative costs, but the prerequisites of reusing these data are only partially in place. The NAOD's overall assessment is based on the following:

In 2002, the government set a quantitative target for the reduction of the administrative burden on businesses. The NAOD finds that the action plans for 2002 – 2004 have played an important role in the management of the better regulation and simplification effort, but that the prioritisation of the activities was not clear. The action plans for 2006 – 2010 are targeted and contain project descriptions. The Ministry of Finance and the Ministry of Economic and Business Affairs have coordinated the effort in a satisfactory manner.

- The Ministry of Finance has defined better regulation and simplification broadly and the definition includes several elements, e.g. simplification of current rules, reduction of administrative costs and digitalisation.
- The government's objective of the better regulation and simplification activities is to reduce the administrative costs incurred by businesses every year and by 2010 administrative costs should be reduced by up to 25 per cent. The formulation of the target is flexible, but it has been quantified and is adequately defined, as the impact of new regulation is included in the assessment of target achievement. The target guides the ministries'

effort in the area, even though the target has not been set on the background of a parliamentary decision. The Danish target of reduction is largely identical with the targets set in Holland, Belgium, Sweden, the Czech Republic and Great Britain.

- The action plans for 2002 – 2004 did not contain a clear prioritisation of initiatives. The ministries' action plans for 2006 – 2010 are targeted and include project descriptions.
- The Public Accounts Committee's report no. 6/96 dealt with social housing associations. The Ministry of Social Affairs has informed the NAOD that in spite of the better regulation and simplification activities, the rules governing social housing associations remain quite extensive and complicated, due to the launch of various innovative initiatives, reflecting changed political priorities in the sector. The NAOD agrees with the ministry's assessment of the regulation and finds that the impact of the ministry's better regulation and simplification activities in this particular area has so far been limited.
- The NAOD finds that the Ministry of Finance and the Ministry of Economic and Business Affairs have established appropriate follow-up procedures for the better regulation and simplification effort. The Minister of Economic and Business Affairs forwards an annual statement on the better regulation and simplification effort to the Folketing.
- The Ministry of Finance and the Ministry of Economic and Business Affairs have coordinated the better regulation and simplification activities in a satisfactory manner. The creation of a high level network in the ministries determines the division of responsibilities and roles in the better regulation and simplification effort. The ministries are aware of the nature of their responsibilities in their respective remits.

The Ministry of Economic and Business Affairs and the Ministry of Finance have established a systematic methodology to measure the administrative burden on businesses and municipalities.

- The Ministry of Economic and Business Affairs has developed the method: "Activity based Measurement of Businesses' Administrative Burdens (called AMVAB). The AMVAB method systematically measures whether the administrative costs carried by a specific business have been reduced and the method contributes to creating focus on the better regulation and simplification effort in the individual ministries.

- The Ministry of Finance has developed the method: “Evaluation of Administrative Consequences for the Municipalities in connection with new Government Regulation” (called VAKKS) to measure administrative and adjustment costs incurred by municipalities when new regulation is introduced. The method will be tested in a pilot project scheduled to be completed in 2007.

So far, the NAOD assesses the measurable impact of the effort directed towards businesses to be relatively low. To this should be added that a substantial number of the businesses do not experience any Target achievement in 2010 is subject to some uncertainty, as some ministries will have identified all potential better regulation and simplification initiatives relatively late in the measurement period. reduction of administrative costs in their daily work.

- In the period 2001 – 2005, the impact of the measurable effort directed to businesses made up around 1/5th of the gains target set for reduction of the administrative burden of up to 25 per cent in the period 2001 – 2010. The impact of the measurable effort directed towards businesses has therefore been relatively low.
- The NAOD notes that Holland has experienced the same development. Holland is the only country, whose measurement period in terms of time is ahead of Denmark and who is using the AMVAB method to measure the better regulation and simplification effort.
- However, there have been other positive, not measured effects of the better regulation and simplification activities, e.g. the effort to reduce the so-called “burdens of annoyance” like for instance the very short time limits set for reporting to public authorities.
- Target achievement in 2010 is subject to some uncertainty, as the ministries in some cases will not have identified all the potential better regulation and simplification initiatives till late in the measurement period.
- On the background of an examination conducted by the Danish Chamber of Commerce, the Chamber of Commerce and the Federation of Small and Medium Sized Enterprises have, as representatives of the users of the business directed legislation, stated that it is unsatisfactory that a significant number of the businesses have not yet in their daily work experienced any reductions of administrative costs.

The Ministry of Finance, the Ministry of Economic and Business Affairs and the other ministries have, in order to keep new legislation simple, launched several better regulation and simplification initiatives. Reuse of data reported by businesses and citizens to the public authorities will lead to significant reductions of administrative costs, but the prerequisites of reusing these data are at present only partially in place.

- Several guidelines have been worked out and the NAOD assesses that these cover the different issues related to national and EU efforts within better regulation and simplification, and the ministries are content with the guidelines.
- The NAOD finds that the Guideline on Regulatory Impact Assessment cf. the Prime Minister's circular no. 159 of 16 September 1988, contributes to the simplification of new regulation.
- The Ministry of Economic and Business Affairs has set up the web-based business portal - Virk.dk - the purpose of which is to digitalise the businesses' reporting to public authorities. The NAOD has established that the targets set for Virk.dk have not yet been achieved, and that the board of Virk.dk late in 2006 recommended that the deadline for target achievement be postponed.
- The NAOD recommends the Ministry of Finance to create a platform for the reuse of data forwarded to public authorities. The Norwegian Brønnøysund Register Centre could serve as inspiration. The Brønnøysund Register Centre is partly a register, providing the public authorities with access to data reported by citizens and businesses, and partly a body, supervising the reporting requirements laid down by the public authorities to prevent the various government bodies from asking businesses and citizens to provide data which have been reported earlier. The Ministry of Finance has informed the NAOD that they will look into this possibility and the relevance of setting up a similar body in Denmark.

II. Preface

A. Background

9. The Public Accounts Committee's report no. 6/96 dealt with social housing associations. The NAOD concluded in its report that the rules governing subsidised housing were extensive, complicated and inaccessible. In the response

document to the report from 2002, the Minister of Economic and Business Affairs stated that the government had set up a committee with the purpose of looking into the possibilities of simplifying the regulations governing the social housing sector. As the committee made slow progress, the Public Accounts Committee agreed to close the case on the condition that the issue of simplifying the rules governing this sector would be raised at a later point of time in a separate and more broadly founded examination.

The NAOD has therefore carried out this examination on the impact of the ministries' better regulation and simplification effort.

10. The NAOD has chosen to base its examination on the broad interpretation of the better regulation and simplification concept which the government introduced in 2001, namely that better regulation and simplification is intended to reduce the administrative burden which legislation imposes on citizens, businesses and public authorities. Thus better regulation and simplification can imply a simplification of current regulation, reduction of administrative costs and digitalisation.

11. The examination takes stock of the better regulation and simplification effort made in the period 2001 – 2006, more specifically since the government took office on 27 November 2001 and up to 1 November 2006. The various better regulation and simplification projects have in common that they have all reflected the political ambitions of alternating governments.

B. Objective and delimitation

12. An important element in the NAOD's examination is the government's action plans for better regulation and simplification which the Ministry of Finance and the other ministries have been working out since 2002. This focus has been chosen to target the examination to the combined activities carried out, managed and – until 2006 – also published by the ministries. It should be emphasized that the action plans reflect the government's political wishes and not projects that have been endorsed by the Folketing.

In the Folketing's resolution V 45 of 18 January 2001 – i.e. before the current government took office – the Minister of Economic and Business Affairs is committed to preparing an annual statement to the Folketing on the development in aggregate administrative costs. The Folketing has since then once a year received the statement "The Business Sector and Regulation" which presents the development in the ministries' better regulation and simplification effort in the area affecting businesses.

13. The objective of the examination was to check up on the impact of the better regulation and simplification effort by asking the following 4 questions:

- How has the better regulation and simplification effort been managed?
- Which measurement methods have been developed to evaluate objective fulfilment?
- What are the gains of the effort?
- How do the ministries ensure that new legislation is kept simple?

14. The examination comprises government's overall better regulation and simplification effort and the following ministries were selected for the examination: The Ministry of Finance, the Ministry of Economic and Business Affairs, the Ministry of Taxation, the Ministry of Justice and the Ministry of Social Affairs. The latter was selected because the legislation governing social housing associations is drafted by this ministry. Common to the Ministry of Social Affairs and the Ministry of Justice is that they are the administrators of legislation which in particular affect citizens. The Ministry of Taxation and the Ministry of Economic and Business Affairs are the key administrators of legislation affecting businesses. In addition, the Ministry of Economic and Business Affairs is also the head coordinator of the activities to measure the administrative burden on businesses. The Ministry of Finance was selected because of its overall, coordinating role in the government's better regulation and simplification activities. As from 2006, a joint project organisation with representatives of the Ministry of Finance and the Ministry of Economic and Business

Affairs has coordinated the effort to simplify regulations for businesses.

15. The NAOD has also discussed the better regulation and simplification activities with the Danish Chamber of Commerce and the Federation of Small and Medium Sized Enterprises. Furthermore, the NAOD has visited the English and Norwegian national audit offices, and the English Cabinet Office and the Norwegian Ministry of Trade and Industry which are the bodies responsible for the measurement of administrative burdens and reuse of data reported to the authorities by businesses.

III. Management of the better regulation and simplification effort

The NAOD's comments

In 2002 the government set a quantitative target for the reduction of the administrative burden on businesses. The NAOD finds that the action plans for 2002 – 2004 have played an important role in the management of the better regulation and simplification effort, but that the prioritisation of the activities was not clear. The action plans for 2006 – 2010 are targeted and contain project descriptions. The Ministry of Finance and the Ministry of Economic and Business Affairs have coordinated the activities in a satisfactory manner.

This assessment is based on the following:

- The Ministry of Finance has defined better regulation and simplification broadly and the definition includes several elements, e.g., simplification of current rules, reduction of administrative costs and digitalisation.
- The government's objective of the better regulation and simplification activities is to reduce the administrative costs incurred by businesses every year and by 2010 the administrative costs should be reduced by up to 25 per cent. The formulation of the target is flexible, but it has been quantified and is adequately defined, as the impact of new regulation is also included in the assessment of target achievement. The target guides the ministries' effort in the area, even though the target has not been set on the background of a parliamentary decision. The Danish target of reduction is largely identical with the targets set in Holland, Belgium, Sweden, the Czech Republic and Great Britain.

- The action plans for 2002 – 2004 did not contain a clear prioritisation of the initiatives. The ministries' action plans for 2006 – 2010 are targeted and include project descriptions.
- The Public Accounts Committee's report no. 6/96 dealt with social housing associations. The Ministry of Social Affairs has informed the NAOD that in spite of the better regulation and simplification activities, the rules governing social housing associations remain quite extensive and complicated due to the launch of various innovative initiatives, reflecting changed political priorities in the sector. The NAOD agrees with the ministry's assessment of the regulation and finds that the impact of the ministry's better regulation and simplification activities in this particular area has so far been limited.
- The NAOD finds that the Ministry of Finance and the Ministry of Economic and Business Affairs have established appropriate follow-up procedures for the better regulation and simplification effort. The Minister of Economic and Business Affairs forwards an annual statement on the better regulation and simplification effort to the Folketing.
- The Ministry of Finance and the Ministry of Economic and Business Affairs have coordinated the better regulation and simplification activities in a satisfactory manner. The creation of a high level network in the ministries determines the division of responsibilities and roles in the better regulation and simplification effort. The ministries are aware of their responsibilities in their respective remits.

16. The NAOD has analysed the targets set for the better regulation and simplification activities and evaluated the impact of the effort made. Furthermore, the NAOD has examined the management of the better regulation and simplification activities. A key element in the management of the activities has been the government's action plans and follow-up procedures. Finally, the NAOD has examined the division of responsibilities and roles.

A. Definition of simplification

17. The Ministry of Finance has defined better regulation and simplification broadly and the definition includes several elements, e.g. simplification of current rules, reduction of administrative costs, and digitalisation. The Ministry of Finance finds that the definition of the better

regulation and simplification initiatives launched in 2002 cannot be formulated more concisely. According to the Ministry of Finance the effort to simplify regulation is synonymous with the launch of projects directed towards businesses, citizens and public authorities with the purpose of achieving more effective regulation, e.g. the reduction of businesses' administrative costs.

B. Quantitative targets

18. The Government has in its strategy "Growth on purpose" from 2002 formulated an objective to the effect:

"that businesses' administrative burden should be reduced by up to 25 per cent by 2010".

No additional quantitative targets for the better regulation and simplification effort are set in the government's action plans for 2002 – 2004. The same target is repeated in the Government Platform document "New Goals" from 2005.

The quantitative target is the government's politically determined target. It has not been fixed on the basis of a parliamentary resolution, Danish or international legislation, calculations or other. This means that if the government does not achieve its reduction target, it will not be in breach of any legally binding norm.

19. The individual ministries have informed the NAOD that their focus in the better regulation and simplification effort has been on the quantitative target of an up to 25 per cent reduction of the administrative burden on businesses by 2010.

The Ministry of Taxation has in continuation hereof stated that the ministry attaches much importance to the achievement of their share of the target which may have the consequence that the ministry will not have the resources required to carry out any better regulation and simplification initiatives directed towards citizens and public authorities before 2010.

The Ministry of Economic and Business Affairs has informed the NAOD that its objective is to secure that administrative costs imposed on Danish businesses are among the lowest in the EU.

20. The quantitative target reflects a net statement in the sense that new administrative costs to be imposed on businesses will be included in the assessment of target achievement. To this should be added, that the administrative costs related to legislation of both national and international origin, including the EU, also form part of the target. The Ministry of Economic and Business Affairs has stated that more than 40 per cent of the administrative costs carried by businesses are related to EU legal precepts.

21. Furthermore, the NAOD finds the formulation of the quantitative target flexible, i.e. the target is formulated as an up to 25 per cent target. Thus it has not been determined at which point the quantitative target may be considered achieved.

The Ministry of Finance and the Ministry of Economic and Business Affairs have subsequently clarified that the calculation of the reduction percentage achieved will take place on the basis of an AMVAB baseline measurement based on the level of administrative costs recorded in 2001.

22. The Ministry of Economic and Business Affairs has informed the NAOD that Holland, Belgium, Sweden, the Czech Republic and Great Britain have also worked with a reduction target of 25 per cent for administrative burdens, but in these countries the target is not formulated as an "up to" 25 per cent reduction. Norway is planning to set a fixed target in the autumn of 2007.

The Danish reduction target is largely on level with the targets set in those countries. However, Denmark has had another starting point than these countries. In Denmark, the administrative costs made up approximately 2.2 per cent of the GDP in 2004, in Holland around 3.6 per cent, in Sweden some 2.9 per cent and in the UK around 3.2 per cent.

23. From the November 2006 action plans it appears that the 7 ministries responsible for around 96 per cent of the total administrative costs are to work out detailed project plans for each of the 10 most cost-intensive areas of ministerial regulation. The project plans are being collected

into an action plan for the respective ministry's better regulation and simplification activities up until 2010.

The other 12 ministries no longer play a central role in the business directed better regulation and simplification effort and are therefore not required to work out action plans. However, these ministries still contribute to the overall better regulation and simplification effort, as they have been requested to reduce the administrative costs in their most cost-intensive ministerial areas of regulation.

24. The Ministry of Finance, the Ministry of Economic and Business Affairs, The Ministry of Justice and the Ministry of Social Affairs have stated that no additional quantitative targets have been set for the better regulation and simplification activities.

The Ministry of Finance has informed the NAOD that no exhaustive measurement of the administrative burden on citizens or other public authorities is available. Furthermore, the Ministry of Finance has stated that it finds it problematic to operate with only one quantitative target as a success criterion for the better regulation and simplification effort and that qualitative objectives have therefore been incorporated in the activities. The Ministry of Finance has also informed the NAOD that Dutch examinations show that red tape takes up only a couple of hours of an ordinary citizen's time in the course of a year. Furthermore, the Ministry of Finance has stated that an essential objective of the better regulation and simplification effort is to promote a cultural change in the ministries to the effect that keeping regulation simple is considered an integral part of the ministries' work.

C. Action plans 2002 - 2006

25. The Ministry of Finance has worked out the government's action plans for 2002 – 2004. No action plans were prepared in 2005, instead the activities planned and implemented up to that point were assessed and the future activities targeted.

26. The Ministry of Finance made it clear that compared to the government's first action plan for 2002, the key element of the ministries' contribution to the action plan should be administrative cost reductions for citizens and

businesses. Furthermore, the minister stated that cost reductions internally in the public sector should also be included in the plans with the purpose of releasing resources. The action plans for 2003 and 2004 have been worked out within this framework.

The NAOD has established that the action plans for 2002 – 2004 are focused on citizens, businesses and public authorities.

27. The 3 actions plans for 2002 – 2004 present a total of 467 initiatives to simplify regulation, and cover a wide range of actions within rule adjustment, administrative cost reductions, analyses and digitalisation.

28. The initiatives presented in the action plans have not been prioritised which means that initiatives expected to have a high impact are not necessarily on top of the priority list.

The Ministry of Finance has stated the reason for this to be that in 2002 – 2004 no quantifiable method was available to prioritise initiatives. The Ministry of Finance has furthermore informed the NAOD that 6 focus areas were selected in connection with the launch of the publication “Less bother more freedom” and these focus areas reflect a prioritisation of the initiatives in the action plan for 2004.

29. The action plans prepared in 2006 were targeted to the business directed effort. The 7 ministries imposing the most cost-intensive administrative costs on businesses, i.e. The Ministry of Economic and Business Affairs, the Ministry of Taxation, The Ministry of Family and Consumer Affairs, the Ministry of Employment, the Ministry of the Environment, the Ministry of Food, Agriculture and Fisheries and the Ministry of Justice, have all been requested to work out action plans to reduce administrative costs. The Ministry of Finance and the Ministry of Economic and Business Affairs have subsequently coordinated the action plans.

The NAOD finds that the plans prepared in 2006 are better targeted than in the past and the proposed initiatives have been prioritised. The action plans for 2006 – 2010 also contain government approved project descriptions

which may contribute to achievement of the up to 25 per cent target by 2010.

30. The examination revealed that the contributors to the action plans for 2006 – 2010 were not requested to include initiatives directed towards citizens or public authorities.

The Ministry of Finance has informed the NAOD that the fact that the action plans are focused on businesses does not mean that citizens and public authorities are no longer considered target groups of the initiatives. Instead activities aimed at these two groups are included in other projects; digital payslip and a web-based portal providing each citizen with an overview of his/her outstanding accounts with the public authorities and direct access to all digital public self-service solutions are examples of better regulation and simplification activities directed towards the citizens. Also the so-called VAKKS project is directed towards public authorities as it measures the administrative burden imposed on municipalities as a consequence of government regulation etc.

D. Better regulation and simplification in 4 selected ministries

31. The following sections describe the better regulation and simplification effort in 4 selected ministries. The examples presented will illustrate the width of the effort as regards both the nature of projects and target groups. Furthermore, there will be examples of implemented projects and projects which for various reasons have not been implemented in accordance with the original purpose.

32. According to the Ministry of Social Affairs, the ministry's law portfolio was already in 2002 predominantly in compliance with the political requirements for legislation in the area. However, the Act on Social Housing is an example of an area which has been subject to new political priorities and subsequent efforts to simplify regulation, cf. **example 1**.

Example 1
Simplification of the Act on Social Housing, etc.

The Act on Social Housing etc. has been amended more than 25 times since 2002. The Act now comprises several new features, of which in particular the possibility of selling social family dwellings, free choice of dwellings and the introduction of uniform rules governing rent determination in dwellings and care homes have brought along many new sections. In addition, the act has been amended in order to capitalize the funds held in trust by an independent institution, managing the funds for social housing construction activities, keep the price of social housing construction down and prevent the formation of ghettos. The new sections in the act reflect the changed political priorities.

However, the Act on Social Housing etc. has also been amended with the sole purpose of simplifying the rules and ease administration. In 2002 the government issued a draft paper called "More dwellings – growth and innovation in the housing market". It appears from this paper that a committee on modernising and better regulation and simplification had been set up with the purpose of producing a report with proposals for wider modernisation and better regulation and simplification initiatives by the end of April 2003. The committee worked out a catalogue of activities including 9 proposals for better regulation and simplification in the social sector. The Ministry of Social Affairs has informed the NAOD that status as per 1 October 2006 is that 4 proposals have been implemented, the implementation of 1 proposal is progressing, implementation of 2 proposals is expected to start early in 2007, implementation of 1 proposal will be started in the course of the parliamentary year 2006/07, and 1 proposal has been abandoned.

In February 2003, the Federation of Housing Associations, which is an interest organisation for housing associations, forwarded an index of ideas for better regulation and simplification to the committee. The index presented 2 key proposals on the strengthening of the tenants' right of disposal and co-ownership of social dwellings, respectively. Both of these proposals have been implemented through two law amendments.

To this should be added several other initiatives taken by the Ministry of Social Affairs to simplify regulation. Thus a law amendment made it easier for the local councils to transform family dwellings into dwellings for the elderly and on the same occasion the ministry lifted local governments' obligation to report planned new construction projects to the Minister of Economic and Business Affairs. Another law amendment simplified the rules governing collection of debts, including collection of rent claims taken over by central government from a social housing association. A third law amendment authorised the Minister of Social Affairs to issue a joint executive order on reimbursement, subsidies, accounting and auditing. This executive order is also of concern to the Ministry of Employment, The Ministry of Refugee, Immigration and Integration Affairs and the Ministry of Family and Consumer Affairs. This amendment has created uniform rules in the 4 ministerial areas and eased the administrative burden on local government.

33. The Ministry of Social Affairs has informed the NAOD that the Act on Social Housing, etc. is still very extensive and complicated as the area has been subject to changed political priorities. The NAOD agrees with the ministry's evaluation of the rules and finds that the impact of the ministry's better regulation and simplification activities has so far been limited.

34. The Ministry of Economic and Business Affairs has informed the NAOD that the ministry's better regulation and simplification effort is partly focused on already identified and immediately feasible cost reductions and partly on a number of large projects like, e.g. reduction of the administrative costs related to the Financial Statements Act, the Act on Denmark's Statistics and various construction legislation. The ministry has informed the NAOD that the implementation of amendments is not always immediately reflected in the businesses' behaviour, as some of them continue to operate in compliance with previous regulation. As an example, the ministry mentions the Financial Statements Act – see **example 2**. According to the ministry, it must be recognized that it takes some time before the majority of businesses change their behaviour and start utilising the new opportunities. In connection with the amendment of the Financial Statements Act, the ministry launched an information campaign to increase the businesses' knowledge of the new and less costs-heavy rules in order to reduce the businesses' administrative costs.

Example 2
The Financial Statements Act

The background for the amendment of the Financial Statements Act was a wish to adapt the regulations to the government's objective of creating better terms for businesses, and in particular entrepreneurs and small businesses. The Ministry of Economic and Business Affairs has stated that the financial accounts of small businesses are of interest to only a limited circle of people who rely on their personal knowledge of the business, and consequently the detail level of the financial statements does not have to be the same as for large businesses. The Financial Statements Act has now been revised in a number of areas and the audit requirement imposed on the smallest businesses has been repealed. If all the small businesses change their behaviour in consequence of the amended legislation concerning the audit obligation, then the Ministry of Economic and Business Affairs assesses the reduction in administrative costs to amount to DKK 674 million.

35. The Ministry of Taxation has simplified several major law areas, e.g. the VAT Act, the Tax Control Act, the Tax at Source Act, the Act on Car Tax, the Capital Gains Tax Act and the set of rules on joint taxation. The ministry has also carried out several analyses, e.g. concerning the notification requirement stipulated by the Tax Control Act, cf. **example 3**, with the purpose of mapping the possibilities of simplifying regulations even further.

Example 3

The Notification Requirement as Stipulated in the Tax Control Act

The Ministry of Taxation has stated that the purpose of the analysis was to find ways of reducing the number of reports which the businesses according to the rules of the Tax Control Act, are currently required to submit to SKAT (the Danish tax authorities). The analysis showed that around 4 million of 80 million reports submitted annually to SKAT were dispensable. However, on working with the analysis, it further became clear that this particular better regulation and simplification initiative was in direct conflict with another activity contained in the action plan for 2002, i.e. the vision of relieving 3.9 million private tax payers of the obligation to submit tax return forms, because the abolition of the businesses' duty to report would have the effect that the administrative burden would be transferred to, e.g. the citizens. The Ministry of Taxation has stated that the initiative dealing with the notification requirement stipulated in the Tax Control Act should therefore be considered implemented.

36. The largest simplification project for the Ministry of Justice has been the digitalisation of land registration. The better regulation and simplification effort in this particular area also comprises simplification of specific administrative procedures, organisation of new business routines, reorganisation of case processing and improvement of the information and service provided to the users. The digital land registration project is described in [example 4](#).

Example 4

Digital Land Registration

The Ministry of Justice has informed the NAOD that the purpose of the initiative is to develop a more effective land registration system based on modern technology. The digital land registration is expected to be cheaper and to provide the users with easy and fast access to land registration services, i.e. citizens, banks, mortgage banks, law firms, real-estate agents and land surveyors. Furthermore, the system will, according to the ministry, facilitate automation of case processing in the land registration office which will again reduce waiting time for the users to an absolute minimum. The activities planned include better regulation and simplification, simplification of administrative procedures, reorganisation of business processes and land registration as such, technological support and improved information and service through a digitalisation of land registration. According to the Ministry of Justice, the digital land registration system will be in operation in March 2008 as planned.

E. Follow-up

37. In the Folketing's resolution V 45 of 18 January 2001 – i.e. before the current government took office – the Minister of Economic and Business Affairs is committed to preparing an annual statement to the Folketing on the development in aggregate administrative costs. The Folketing has since then once a year received the statement “The Business Sector and Regulation”. The

statement presents the development in the ministries' better regulation and simplification effort in the area affecting businesses. The statement is among other based on the annual AMVAB update.

38. The initiatives in the government's action plans for 2002 and 2003 have been partially followed up in the action plans for 2003 and 2004, which presented the results of the implemented initiatives. However, status on current activities was not included in the action plans for 2003 and 2004.

The examination has shown that systematic follow-up on the action plan for 2004 has not taken place, and according to the Ministry of Finance the future action plan will not follow up on the initiatives in the 2004 action plan.

39. The action plan for 2006 will be followed up by the Ministry of Finance and the Ministry of Economic and Business Affairs through the collection of half-yearly status reports prepared by the 7 ministries responsible for the most cost-heavy legislation. The status reports will present the results of regulatory impact analyses carried out prior to the launch of future better regulation and simplification projects. The status reports will also include assessments of target achievement for current projects. Any deviations from the time schedule or the reduction targets should be reported and explained. The status reports should be prepared every year in September and March, and will subsequently be laid before the government's Finance Committee and Coordinating Committee.

On the basis hereof, the NAOD finds that the Ministry of Finance and the Ministry of Economic and Business Affairs have established appropriate follow-up procedures for the better regulation and simplification effort.

F. Division of responsibility and roles

40. The Ministry of Finance is the overall coordinator of the activities. The Ministry of Finance is assigned to develop and implement initiatives within administration and management policies which may secure a good and

effective public sector. The better regulation and simplification assignment is placed in a body under the ministry, coordinating administrative and management assignments. It has therefore been the task of the ministry to send out notices concerning the better regulation and simplification action plans for 2002, 2003 and 2004, and collect information on the results achieved by the ministries, etc.

41. The Ministry of Finance has, as part of the coordinating activities, established a network of better regulation and simplification ambassadors where each ministry is represented by a head of department.

The NAO has established that the Ministry of Finance and the 4 selected ministries all agree that because this network is anchored in the management team of the ministerial departments, it will contribute to the prioritisation of the better regulation and simplification work in the ministries.

42. The task of developing measurement methods and performing measurements of the businesses' administrative burden rests with the Ministry of Economic and Business Affairs. The assignment is placed in a centre for promotion of quality in commercial law under the Danish Commerce and Companies Agency.

43. In January 2006, the Ministry of Finance and the Ministry of Economic and Business Affairs entered a cooperation agreement called "Simplification and Administrative Cost Reductions". The core of the cooperation is the implementation of the action plans for 2006 – 2010 prepared by the ministries on the basis of the AMVAB reports. The Ministry of Finance and the Ministry of Economic and Business Affairs collect and process the ministries' action plans and support the ministries' specific initiatives within better regulation and simplification.

In connection with the preparation of the action plans for 2006, the NAO has established that the Ministry of Finance and the Ministry of Economic and Business Affairs have issued detailed instructions, time schedules and templates to the ministries concerning their contributions to the action and project plans

The Ministry of Finance has informed the NAOD that they, in co-operation with the Ministry of Economic and Business Affairs have completed all preliminary work at this point.

44. The examination has shown that the 4 selected ministries are well aware of their responsibility in connection with the better regulation and simplification effort in their respective areas. Besides, the 4 ministries have made it clear to the NAOD that the coordination provided by the Ministry of Finance and sparring initially with the Ministry of Finance and later also with the Ministry of Economic and Business Affairs have systematised the project and rendered it more effective.

The Ministry of Justice has stated that the Ministry of Finance and the Ministry of Economic and Business Affairs have on occasion put quite a pressure on the ministries to ensure project progress. The Ministry of Justice has further stated that it is quite essential to have a reliable, objective and well documented foundation for the proposed reductions of administrative costs.

45. On this background, the NAOD finds that the Ministry of Finance and the Ministry of Economic and Business Affairs have coordinated the better regulation and simplification effort satisfactorily.

IV. Measurement methods

The NAOD's comments

The Ministry of Economic and Business Affairs and the Ministry of Finance have established a systematic methodology to measure the administrative burden on businesses and municipalities.

This assessment is based on the following:

- The Ministry of Economic and Business Affairs has developed the method: "Activity based Measurement of Businesses' Administrative Burdens (called AMVAB). The AMVAB method systematically measures whether the administrative costs carried by a specific business have been reduced and the method contributes to creating focus on the better regulation and simplification effort in the individual ministries.

- The Ministry of Finance has developed the method: Evaluation of Administrative Consequences for the Municipalities in connection with new Government Regulation (called VAKKS) to measure administrative and adjustment costs incurred by municipalities when new regulation is introduced. The method will be tested in a pilot project scheduled to be completed in 2007.

46. The NAOD has reviewed the quality of these methods of measurement which is essential for the assessment of both target achievement and impact.

A. Measuring the administrative burden on businesses

47. The Ministry of Economic and Business Affairs has developed and implemented the measurement method AMVAB in order to follow-up on the government's objective to reduce administration costs by up to 25 per cent.

The AMVAB measurements serve 4 overall purposes:

- AMVAB measures the aggregate administration costs imposed on Danish businesses at a specific point of time.
- AMVAB provides a possibility to get an overview of the development in costs over time, both on ministerial level and for all business directed legislation.
- The AMVAB-method is used to analyse the bills that are expected to have a significant impact on administration costs incurred by businesses.
- AMVAB provides a detailed picture of the distribution of administration costs and enables the ministries to target their effort within better regulation and simplification towards the legislation, entailing the largest administrative costs.

The Ministry of Economic and Business Affairs has in 2004-2005 carried out AMVAB measurements in collaboration with various consultants and ministries.

48. The foundation of the AMVAB method is that businesses considered to be averagely effective in their

operations participate in the evaluation of the administration costs related to the compliance with national or international regulation, including EU regulation. The administrative costs are determined through interviews with relevant employees in the affected businesses.

The time spend on administration related to the compliance with specific regulation in an averagely effective business is converted into Danish kroner in accordance with the average hourly rate paid to the staff which is normally carrying out the administrative task. Subsequently, it is established how many times the particular task needs to be performed every year and by how many businesses. On the background of this information, the administrative costs related to each individual rule can be calculated and expressed in Danish kroner.

49. The subject of measurement is the so-called disclosure obligation stipulated in specific acts or consolidated acts. If the business is required to provide information to the authorities or a third party then it can be characterised as a disclosure obligation. In order to provide this information, the business will have to go through certain motions. In addition to the internal usage of resources in the business, such activities may also require the use of external resources such as auditors, specialists, etc.

The AMVAB method includes both the internal and external costs of making the required information available to the authorities or a third party.

50. The AMVAB method measures the costs imposed on the businesses through regulation. The AMVAB method implies that lifting a disclosure obligation will be perceived as a relief by any business, whether the business has considered the disclosure obligation a burden or not. In connection with the amendment of, for instance the Financial Statements Act, mentioned in item 34, it was emphasized that some businesses continued to work by the old rules and therefore did not experience any cost reduction in connection with the amendment of the act.

51. The AMVAB method has been developed on the basis of a Dutch Standard Cost Model (MISTRAL). The Ministry of Economic and Business Affairs has developed the Dutch model even further on the basis of pilot measurements made in the start-up phase of the Danish better regulation and simplification project. According to the Ministry of Economic and Business Affairs, the AMVAB is more accurate than MISTRAL, because the ministry has focused on the nature of the specific details which the businesses are required to report by law, and on the related administrative costs. Furthermore, the results of the measurements are validated in consultation with both ministries and industrial organisations. Finally, the range of staff categories has been increased considerably which helps to identify the costs related to each individual administrative action.

Today 18 European countries use the AMVAB method to some extent. Since 2003 these countries have been part of a network called the Standard Cost Model Network where experiences are exchanged and the method is being further developed.

52. The NAOD finds that the AMVAB method is systematic and contributes to raising awareness of the better regulation and simplification effort in the individual ministries.

53. In the period August 2004 – March 2006, all business directed legislation was made the subject of a so-called basic measurement. The purpose of the measurement was partly to assess the aggregate cost level in 2004 and 2005, and partly to identify the "heavy" sectors, where the ministries need to launch better regulation and simplification activities. As part of the follow-up on the objective to reduce administrative costs by 25 per cent before the end of 2010, a so-called "baseline measurement" was carried out, applying the AMVAB method to calculate the administrative burden at the time when the government took office on 27 November 2001.

The basic measurement is updated once a year through measurement of the adjustments made to business directed legislation within various ministerial remits.

54. The NAOD finds that the AMVAB measurements may be further improved, if supplemented with analyses of the administrative costs related to the repeal of a certain rule. For example, in situations where a cost reduction in one sector leads to increased costs in another sector. If exempting the businesses of a duty to report has the effect that the citizens are required to report the data instead, then the burden has just been transferred to another sector.

The Ministry of Economic and Business Affairs has informed the NAOD that the ministry is currently examining how the business economic costs of regulation can be assessed. A project has been launched with the purpose of developing a method, according to which both the administrative and business economic consequences and the utility value of regulation can be assessed. In the long term, the objective is to be able to create a more complete picture of the induced consequences of a bill, and to establish whether the regulation or amendment of the regulation will be expedient. This project is directed towards current and new regulation.

B. Measuring the administrative burden on local government

55. The Ministry of Finance has developed a method to measure local government's administrative costs in connection with central government regulation and the costs related to the adaptation to this regulation. This method is called "Evaluation of Administrative Consequences for the Municipalities in connection with new Government Regulation" (VAKKS).

56. The VAKKS method is in terms of method and process very similar to the AMVAB method. Like the AMVAB method, it breaks down the various rules into specific activities which local government is obliged to carry out.

57. The VAKKS method differs in some ways from the AMVAB method; in addition to the operating costs, the VAKKS method also includes the costs related to the adjustment to new regulation. Furthermore, it also provides an assessment of the impact of new regulation on autonomous local government, e.g. in the form of

consequences for the political and administrative organisation in the municipalities, planning of work processes, budgets, etc.

According to the Ministry of Finance, the VAKKS method is developed for the assessment of the net impact of new legislation and it should be applied in the law drafting phase to secure the quality of regulation and minimise the administrative costs borne by local government. At present, VAKKS cannot be used for assessment of current regulation, but according to the Ministry of Finance, further development of the method will make that possible too.

58. The development of the VAKKS method has been going on for the past year, and two pilot measurements have at this point been performed with VAKKS.

The Ministry of Finance has informed the NAOD that the method will be tested on 4 more bills in the course of the parliamentary year 2006/07. The pilot phase will be reviewed in mid 2007, at which point also future measurement activities will be determined, including financing and organisational anchoring. In the long term, the municipal review institute, Krevi, is expected to be in charge of the measurement activities and collection of knowledge on process reengineering and the administrative impact of central government regulation on local government.

59. The NAOD estimates that the VAKKS method may contribute to focusing on the effort within better regulation and simplification directed to local government.

C. Measuring the administrative burden on citizens

60. According to the Ministry of Finance, international experience with measurement of the administrative burden imposed on citizens is quite limited.

In Holland, the government has tried to estimate the administrative costs borne by the citizens, and according to a Dutch report from 2005, the result was that an average Dutch family spend around 27 hours annually on compliance with legislative requirements. Naturally, single parents, disabled or people on social benefits spend considerably more time on compliance. In the Dutch

measurement, costs were calculated as the time spend by citizens on the contact with public authorities and the direct costs related hereto, e.g. transport to and from the local authority or fees charged in connection with case processing. According to the Ministry of Finance, the Dutch examination shows that the impact of making a targeted effort to reduce the administrative burden on citizens in terms of time and direct expenses will be very limited. Instead, the ministry suggests, focus should be on providing better service to the citizens in the form of e.g. digital reporting solutions and a transparent public sector, since such activities will be perceived as simplifications by the citizens.

61. The Ministry of Finance has moreover informed the NAOD, that the ministry is currently working on a project, the purpose of which is to ensure improved coordination between authorities in order to make life easier for the citizens. According to the ministry, focus should be on events that typically involve administrative burdens for the citizen. An example of such an event could be a citizen who is moving to a new address and is required to report various information to e.g. the National Registration Office, the Rent Subsidy Office, the State Education Grants and Loan Scheme Authority, etc.

The NAOD finds the action proposed by the Ministry of Finance appropriate.

V. Impact of better regulation and simplification

The NAOD's comments

So far, the NAOD assesses the measurable impact of the effort directed towards businesses to be relatively low. To this should be added that a substantial number of the businesses do not experience any reduction of administrative costs in their daily work. Target achievement in 2010 is subject to some uncertainty, as some ministries will have identified all potential better regulation and simplification initiatives relatively late in the measurement period.

This assessment is based on the following:

- In the period 2001 to 2005, the impact of the measurable effort directed to businesses made up around 1/5th of the gains target set for reduction of the administrative burden of up to 25 per cent in the period 2001 to 2010. The impact of the measurable effort directed towards businesses has therefore been relatively low.
- The NAOD notes that Holland has experienced the same development. Holland is the only other country, whose measurement period in terms of time is ahead of Denmark and who is using the AMVAB method to measure the better regulation and simplification effort.
- However, there have been other positive effects of the better regulation and simplification activities, e.g. the effort to reduce the so-called “burdens of annoyance” like for instance the very short deadlines for submission of reports to the public authorities.
- Target achievement in 2010 is subject to some uncertainty, as the ministries in some instances will not have identified all the potential better regulation and simplification activities till late in the measurement period.
- On the background of an examination conducted by the Danish Chamber of Commerce, the Chamber of Commerce and the Federation of Small and Medium Sized Enterprises have, as representatives of the users of the business directed legislation, stated that it is unsatisfactory that a significant number of the businesses have not yet in their daily work experienced any reductions of administrative costs.

62. The NAOD has assessed the impact of the better regulation and simplification activities by analysing the achievements made so far and the risk which might be related to the planning process up to 2010.

A. Gains of the better regulation and simplification effort

63. As mentioned before, the objective of better regulation and simplification is to reduce the administrative burden for businesses gradually and by 25 per cent in year 2010. **Table 1** shows the development in the businesses’ administrative costs from 2001 to 2005, broken down on ministries.

Table 1. The development in the administrative cost burden for businesses in the period 2001 – 2005 broken down on ministries

Ministry	Administrative costs 2001	Administrative costs 2005	Change from 2001 to 2005	Share of total administrative costs in 2005
	----- DKK millions -----		----- % -----	
Ministry of Taxation	9.266	8.346	(9,9)	26,8
The Ministry of Economic and Business Affairs.....	8.726	7.750	(11,2)	24,9
The Ministry of Family and Consumer Affairs	6.974	7.175	2,9	23,1
The Ministry of Employment.....	4.095	4.097	0,0	13,2
The Ministry of the Environment	1.076	1.044	(3,0)	3,4
The Ministry of Food, Agriculture and Fisheries.....	1.017	1.007	(1,0)	3,2
The Ministry of Justice	657	715	8,7	2,3
The Ministry of Domestic Affairs and the Ministry of Health.....	453	433	(4,5)	1,4
The Ministry of Science, Technology and Innovation.....	318	319	0,3	1,0
The Ministry of Transport and Energy ...	107	112	4,5	0,4
The Ministry of Social Affairs.....	45	45	0,0	0,1
The Ministry of Finance	4	27	564,0	0,1
The Ministry of Defence	17	18	2,7	0,1
The Ministry of Education.....	8	8	0,0	0,0
The Ministry of Cultural Affairs	5	5	1,5	0,0
Total approximately	32.769	31.100	(5,1)	100,0
Note: The rounding of the numbers may have the effect that totals or variance percentages do not add up.				
Source: The Ministry of Economic and Business Affairs's statement of 31 May 2006 on the business sector and regulation 2004/05. All figures are stated in 2005 prices.				

64. Table 1 shows a total reduction of administrative costs for the businesses of 5.1 per cent from 2001 to 2005. This means that administrative costs imposed on businesses will amount to DKK 31.1 billion in 2005 against DKK 32.8 billion in 2001. In the first half of the measurement period, the better regulation and simplification effort has achieved 1/5th of the target of up to 25 per cent.

The Ministry of Economic and Business Affairs has stated that administrative costs were reduced by a total of 1.6 per cent from 2001 to 2004. From 2004 to 2005, administrative costs were reduced by 3.5 per cent.

In 2005, almost half the measurement period, running from 2001 to 2010, had lapsed and therefore the NAOD concludes that the impact of the business directed effort has so far been relatively low.

Holland has experienced the same relatively low impact of the better regulation and simplification effort. Holland is the only other country, whose measurement period is ahead of Denmark in terms of time and who is using the AMVAB method to measure the better regulation and simplification effort. However, the Dutch government expects to exceed the target set for the entire measurement period which lapses in 2007.

65. However, there have been other positive, not measured, effects of the better regulation and simplification effort. The Ministry of Finance and the Ministry of Economic and Business Affairs have launched several initiatives that will probably contribute to increasing the impact of the future effort within better regulation and simplification, as for example the following initiatives:

- Launch of AMVAB measurement activities, as described in chapter IV, A.
- Target the effort to ensure focus on the reduction of the businesses' administrative costs.
- Reduction of the so-called "burdens of annoyance" which cannot be measured. A burden of annoyance is for instance a very short deadline and unnecessarily complicated regulation which creates annoyance, but does not necessarily entail additional administrative costs.
- Information campaigns designed to inform the businesses of new and less cost-heavy legislation.
- Efforts to promote a cultural change in central government to the effect that keeping legislation simple and administration costs low become an engrained habit.

66. Table 1 also shows that the ministries to some extent have contributed to a reduction of the administrative costs borne by businesses.

The impact of better regulation and simplification in the 4 selected ministries varies considerably. The Ministry of Economic and Business Affairs and the Ministry of

Taxation have reduced administrative costs from 2001 to 2005 by 11.2 per cent and 9.9 per cent, respectively, whereas legislation drafted by the Ministry of Social Affairs imposes the same costs on businesses as in 2001. Legislation drafted by the Ministry of Justice has, on the other hand, increased administrative costs for businesses by 8.7 per cent in the same period.

5 ministries have in the period 2001 – 2005 reduced administrative costs for businesses. Results for these 5 ministries are influenced by the fact that their AMVAB measurements were carried out earlier than in the other ministries, and consequently they were in a better position to establish systematic follow-up procedures. 3 ministries are imposing the same cost level on businesses as in 2001 and 7 ministries have increased the administrative costs for businesses in the period 2001 – 2005. 4 ministries are not drafting business oriented regulation, entailing administrative costs for businesses, and have therefore not been subject to AMVAB measurements.

67. The Chamber of Commerce and the Federation of Small and Medium Sized Enterprises have as representatives of the users of the business directed regulation stated to the NAOD that they find it very unsatisfactory that a significant number of businesses have not yet in their daily work experienced any reductions of administrative costs.

From an examination conducted by the Chamber of Commerce in December 2006 it appears that 8 out of 10 businesses are of the opinion that the administrative burden in 2006 has been largely on the same level as in 2004. The two organisations have further informed the NAOD that their members are ready to report digitally to the authorities and it is therefore important that digital solutions are taken into consideration when new legislation is drafted. Finally, the organisations have stated that they do not, on the background of the impact of the effort made in 2001, expect the government to achieve its reduction target by 2010.

B. Target achievement in 2010 subject to uncertainty

68. The 7 ministries responsible for the most cost-heavy legislation have, as mentioned in chapter II, worked out

action plans for 2006 – 2010 from which it appears how the ministries will reduce the administrative costs for businesses.

69. The Ministry of Justice has already provided the necessary legislative framework for the ministry's contribution to the cost cuts. As mentioned before, the new digital land registration system is expected to be put into operation in the spring of 2008. The Ministry of Justice has in its action plan furthermore committed to investigate the possibilities of achieving additional cost reductions in the years leading to 2010 in the 10 legislative areas generating the most administrative costs according to the AMVAB measurements.

70. The Ministry of Taxation's projects are distributed quite evenly over the years leading to 2010. However, projects with the largest simplification potential are placed relatively early in the period.

71. **Table 2** shows when the remaining 5 of the 7 most cost-heavy ministries will have identified their activities and determined cost cuts.

Table 2. Time schedule indicating when 5 of the 7 most cost-heavy ministries will have identified their initiatives within better regulation and simplification.

Ministry	Identification of initiatives will be completed
Ministry of Economic and Business Affairs	In the course of 2009
Ministry of Family and Consumer Affairs	Late 2008
Ministry of Employment	Late 2009
Ministry of Food, Agriculture and Fisheries	Late 2007
Ministry of the Environment	Late 2008

72. Table 2 shows that 4 of the most cost-heavy ministries do not expect to have identified all cost reduction initiatives till late in the measurement period, i.e. after 2008. The Ministry of Food, Agriculture and Fisheries will complete its identification of initiatives late in 2007. The Ministry of Family and Consumer Affairs and the Ministry of the Environment will finish their identification late in 2008, and the Ministry of Economic and Business Affairs and the Ministry of Employments will finish their identification of activities in the course of 2009. Only then

will they be able to launch the initiatives last identified, and measure the scope of cost reductions.

The Ministry of Economic and Business Affairs has stated that part of the reason for the prolonged planning period is the large and wide-ranging initiatives which require more thorough and lengthy analysis work prior to project launch. Furthermore, the ministries need to ascertain that project launches do not interfere with the ministry's other tasks. The Ministry of Economic and Business Affairs has furthermore stated that the ministries are required to identify new areas of cost reductions on a current basis and intensify their effort in relation to legislation originated in the EU.

73. The NAOD finds that target achievement by 2010 is subject to uncertainty, as the ministries only late in the measurement period will have identified all potential areas of better regulation and simplification.

VI. Simple new regulation

The NAOD's comments

The Ministry of Finance, the Ministry of Economic and Business Affairs and the other ministries have, in order to keep new regulation simple, launched several initiatives within better regulation and simplification. Reuse of data reported by businesses and citizens to the public authorities will lead to significant reductions of administrative costs, but the prerequisites of reusing these data are at present only partially in place.

This assessment is based on the following:

- Several guidelines have been worked out and the NAOD assesses that these cover the different issues related to national and EU efforts within better regulation and simplification, and the ministries are content with the guidelines.
- The NAOD finds that the Guideline on Regulatory Impact Assessment, cf. circular no. 159 of 16 September 1998 issued by the Prime Minister's Office, contributes to the simplification of new regulation.

- The Ministry of Economic and Business Affairs has set up the web-based business portal – Virk.dk – the purpose of which is to digitalise the businesses' reporting to public authorities. The NAOD has established that the targets set for Virk.dk have not yet been achieved, and that the board of Virk.dk late in 2006 recommended that the deadline for target achievement be postponed.
- The NAOD recommends the Ministry of Finance to create a platform for the reuse of data forwarded to public authorities. The Norwegian Brønnøysund Register Centre could serve as inspiration. The Brønnøysund Register Centre is partly a register, providing the public authorities with access to data reported by citizens and businesses, and partly a body, supervising the reporting requirements laid down by the public authorities to prevent the various government bodies from asking businesses and citizens to provide data which have been reported earlier. The Ministry of Finance has informed the NAOD that they will look into this possibility and the relevance of setting up a similar body in Denmark.

74. On the basis of a review of various guidelines, regulatory impact assessments and a comparison of Virk.dk with the Norwegian Brønnøysund Register Centre, the NAOD has assessed whether the activities launched have contributed to making new regulation simple.

A. Guideline for the ministries' better regulation and simplification effort

75. In May 2005, the Ministry of Finance, the Ministry of Taxation and the Ministry of Economic and Business Affairs issued a joint "Guideline for Systematic Simplification Activities". The guideline is aimed at employees in central government, involved in the better regulation and simplification activities, and it takes the AMVAB measurements from 2005 as starting point. The guideline presents various tools and methods that may be used in the continued work, in particular with regard to reducing the administrative costs for businesses.

The guideline is constructed around 6 phases which the better regulation and simplification activities need to pass through.

- In phase 0, the activities are anchored and organised.
- In phase 1, potential administrative cost reductions are identified, e.g. by means of AMVAB.
- In phase 2, potential solutions are being reviewed.
- In phase 3, the consequences of the various solutions are being evaluated.
- In phase 4, the final proposals are being recommended.
- In phase 5, the solutions are put into practice

The ministries have stated that they find the guideline quite good and that it covers the issues which the ministries need to be aware of when simplifying regulation. The guideline is updated frequently on regelforenkling.dk (website address).

76. In June 2005, the Ministry of Justice issued an updated “Guideline on Quality of Law”. The purpose of this guideline is to contribute to an improvement of the quality of law and it concerns the law drafting done by the ministries. The ministries have informed the NAOD that they use the guideline actively when drafting laws, as it contains very specific directions to the formulation of the individual law sections, etc.

77. In 2005, the Ministry of Finance issued a “Guideline on Regulatory Impact Assessment”. The guideline deals with the assessment of the financial and administrative consequences for businesses and the public sector, and the administrative consequences for citizens.

78. In connection with the hearing on a bill or a new consolidation act, the Ministry of Economic and Business Affairs will estimate the administrative costs related to such new or amended legislation. In connection with bills, also the business economic consequences will be assessed. The ministry will base its estimates on AMVAB analyses. A bill which is considered to have a considerable administrative or business economic bearing on businesses will be presented to the Ministry of Economic and Business Affairs’ business panel. A bill entailing

administrative costs exceeding 10,000 hours may be put before the government's Finance Committee.

The ministries have stated that the assessment of bills and new consolidating acts made by the Ministry of Economic and Business Affairs contribute to the ongoing improvement of the regulatory impact assessments.

79. In 2006, new Guidelines for the Danish EU Decision-procedure came into force. These guidelines contain new requirements of assessment and quantification of administrative consequences. In the future all EU legislative acts and non-binding directions should be accompanied by a Danish assessment of their impact on the businesses' administrative costs. The assessment should be worked out before the Danish official position is determined and announced. Furthermore, it has been agreed that proposals from the EU Commission, entailing annual administrative costs exceeding 10,000 hours should also be put before the government's Finance Committee

Also the international Standard Cost Model network, which the Ministry of Economic and Business Affairs is a part of, is trying to influence the EU Commission's effort to reduce administrative costs; the Commission has set a goal of administrative cost reductions of up to 25 per cent for businesses affected by EU regulation. The network moreover encourages the EU Commission to use the AMVAB method to measure the administrative cost reductions achieved.

The NAOD finds these relatively new initiatives important.

80. On 1 January 2007, the Ministry of Finance established an electronic law procedure guide which is an important initiative in the field of new regulation. The law procedure guide is aimed at law drafters in all ministries. The guide collects all rules, procedure descriptions, contact data and guidelines in the form of templates, etc. in one place. The guide also contains a tool for the preparation of time schedules and a law dictionary.

81. The NAOD has established that several guidelines have been worked out, covering the different issues

related to national and EU efforts within better regulation and simplification, and the ministries are content with the guidelines.

B. Regulatory Impact Assessments

82. The purpose of the regulatory impact assessments is to secure that the Folketing is provided with the best possible basis for decision-making, cf. circular no. 159 of 16 September 1998 issued by the Prime Minister's Office concerning comments to bills and other government proposals and the procedure followed in connection with the drafting of bills, statements, administrative directions, etc.

The NAOD finds that regulatory impact assessments are an important element in the ministries' law preparatory work since they constitute the basis for the Folketing's decision process in connection with the reading of a bill. The NAOD also finds that well performed regulatory impact assessments contribute to making new regulation simpler.

The NAOD has reviewed 4 regulatory impact assessments – one from each of the 4 selected ministries – with a view to assessing whether the regulatory impact assessments meet with the objective set for them, namely to secure that the Folketing is provided with the best possible basis for decision-making. The NAOD has not reviewed the ministries' work with regulatory impact assessments aimed at the government's internal decision process, which precedes the ministries' law preparatory work, or the process following the introduction of a bill to the Folketing.

83. The NAOD's review of the 4 regulatory impact assessments showed that the extent and depth of the analyses inherently varied, and that the assessments were subject to some uncertainty. However, the review also showed that the ministries had adhered to the Guideline on Regulatory Impact Assessment.

The Ministry of Economic and Business Affairs has carried out the assessment of the administrative cost burden imposed on businesses, using the AMVAB method for quantification.

84. Furthermore, the NAOD has noted the existence of a check list which enables employees to analyse the number of businesses that will be affected by, e.g. a bill, to what extent, for how long and finally, how the bill will impact other regulation. The NAOD finds that this knowledge will facilitate the planning of resource consumption in connection with the preparation of regulatory impact assessments.

C. Reuse of data reported to public authorities

85. The Ministry of Economic and Business Affairs has established the web-based business portal Virk.dk, with the purpose of digitalising and rendering more efficient the interaction between businesses and authorities. The portal was launched in 2003 and has since been reviewed which provided basis for a reorganisation of the portal. The objectives of the portal are as follows:

- Half the target group, equalling around 65,000 businesses, should have signed up as users of Virk.dk before the end of 2007.
- Contribute to the achievement of the government's goal of a 25 per cent reduction of the businesses' administrative burden.
- All business directed forms to be available on Virk.dk before 1 July 2006. The level of sophistication of the individual digital solutions will depend on the number of transactions made annually. (As per 1 July 2006, 86 per cent of all transactions could be made electronically and 34 per cent hereof through Virk.dk).
- Virk.dk to be a well known and respected service.

86. The NAOD has noted that the targets set for Virk.dk have not yet been achieved. The board of Virk.dk has late in 2006 recommended that the deadline for target achievement be postponed. Among the reasons stated for the postponement, are the reorganisation of public authorities as a result of the municipal reform, modernisation of ministerial systems and the tender for the operation and development of Virk.dk. The board's recommendation will be put before the government's Finance Committee for approval.

87. An examination conducted by the Chamber of Commerce in December 2006 shows that 35 per cent of its members have used Virk.dk to report data to public authorities. The examination also showed that 42 per cent of the members who have used Virk.dk find that it has become easier to report data to the authorities. 31 per cent of the users also find Virk.dk easy to use and navigate and 30 per cent of the users consider the information on Virk.dk relevant to the businesses.

88. Virk.dk is a web-based portal which to some extent provides the businesses with one point of access to all public authorities. However, the NAOD finds that if public authorities could reuse data which have already been reported by a citizen or business to another public authority, then administrative costs borne by citizens and businesses would be considerably reduced.

89. The OECD has singled out the Norwegian Brønnøysund Register Centre as a best practice example in terms of reducing administrative costs imposed on businesses. The Brønnøysund Register Centre provides the businesses with an overview of the data which they are required to report and according to the OECD, the register also contributes to reducing the future administrative costs related to the reports, as data and registrations are shared across public authorities.

90. The Brønnøysund Register Centre is an administrative authority placed under the Norwegian Ministry of Trade and Industry. The register is responsible for various control and registration procedures for both businesses and citizens. One of the most important tasks for the register is the coordination and simplification of the collection and registration of public data, and in this connection in particular the Register of the Reporting Obligations of Enterprises and the Central Coordinating Register for Legal Entities are quite important.

The fundamental task of the Central Coordinating Register for Legal Entities is to collect and coordinate data on businesses. The data are in the nature of master data which businesses are required to submit to the public authorities. The businesses will be spared the trouble of

reporting the same data several times, because the data are collected in and can be extracted from the Central Coordinating Register for Legal Entities. All public authorities are obliged to reuse the master data held by the Central Coordinating Register for Legal Entities.

The Register of the Reporting Obligations of Enterprises monitors and registers the businesses' registration duties in relation to the public authorities with a view to identifying possible alignments and simplifications. At the same time the purpose of the Register of the Reporting Obligations of Enterprises is also to inform the public authorities of data already on file with other public authorities in order to facilitate exchange of data. The Register of the Reporting Obligations of Enterprises does not store data, but has a supervisory and exchange function only.

According to the Norwegian Ministry of Trade and Industry, 800,000 businesses are registered in the Central Coordinating Register for Legal Entities so far.

91. The Register of the Reporting Obligations of Enterprises' supervision of potential alignments has, according to the Ministry of Trade and Industry, resulted in savings for businesses of approximately 930 man years from 1998 to 2005. This number equals around 11 per cent of the total registration costs imposed on businesses by the Norwegian public authorities.

According to the Ministry of Trade and Industry, additional registration costs corresponding to 4 man years were imposed on the Norwegian businesses in 2005. Moreover the alignment impact of existing registrations in 2005 amounted to 585 man years. This means that in 2005, Norwegian businesses reduced their reporting costs by 581 man years. The result achieved in 2005 is in addition to the alignment impact generated by the Register of the Reporting Obligations of Enterprises also related to the launch of the Altinn.no which is a web-based reporting portal.

The Norwegian Audit Office and the Ministry of Trade and Industry estimate savings recorded by the Norwegian public authorities to be substantial. However, they have not been calculated.

The NAOD finds that a similar arrangement for reuse of data in Denmark could also entail substantial reductions of administrative costs borne by businesses.

92. The NAOD finds it appropriate to consider alignment of cross-functional data, in particular with respect to the objective of reducing the administrative burden for the target groups. An alignment will have the effect that the target groups will not to the extent experienced before be requested to submit the same data to various public authorities. If the target groups experience that digital reporting is being rewarded with fewer costs, they may be more inclined to use the digital solutions. Also other incentives may be used to promote the use of digital solutions, like e.g. shorter reply deadlines.

The Ministry of Economic and Business Affairs has informed the NAOD that several initiatives to reuse reported data, e.g. within the area of foreign trade statistics and accounting, have been launched. At the same time, the Ministry of Economic and Business Affairs and the Ministry of Finance state that data in Virk.dk and other registers, e.g. eIndkomst and the Shipping Register, are to some extent being reused. The Ministry of Social Affairs has stated that data on developers and real property from other registers are to a wide extent being reused in the ministry's electronic case processing system for social house construction activities, called BOSSINF. Furthermore, data held in BOSSINF may to some extent be used by any public authority involved in publicly subsidised activities.

93. The NAOD recommends that the Ministry of Finance takes the initiative to establish a platform for reuse of data submitted to public authorities. The Norwegian Brønnøysund Register Centre may serve as inspiration. The NAOD finds that considerations in this respect should amongst other address the following areas:

- It should be examined whether there are any legislative barriers preventing public authorities' registration of master data on businesses and cross-functional exchange of necessary data. In Norway the necessary legal framework was established in connection with the

Central Coordinating Register for Legal Entities and the Register of the Reporting Obligations of Enterprises and both these registers are authorised by law to exchange specific data, provided that both public authorities have the authority to request the specific data from the business.

- The establishment of an IT infrastructure is essential, as this would allow the public authorities to use and exchange data reported by the businesses. The NAOD is aware that the Danish National Telecom Agency has set up a so-called “Info Structure Base” in connection with the project “Digital Administration”. According to the Danish National Telecom Agency, the Info Structure Base contributes to the exchange of data between public authorities and between public authorities and e.g. businesses.
- Finally, it is imperative that cross-functional data submitted to public authorities are aligned to secure that businesses are not requested to provide data which are already on public file. Focus on both current and new legislation may facilitate the identification of potential simplifications to the benefit of businesses. In Norway, the Register of the Reporting Obligations of Enterprises is to be consulted in connection with proposed amendments to forms or the design of new forms to ensure that businesses and citizens are not burdened unduly.

The Ministry of Finance has informed the NAOD that the ministry will look into the possibility and relevance of setting up a model similar to the Brønnøysund Register Centre in Denmark.

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