

Measurement and reduction of administrative burdens on businesses The French way

As in other OECD countries, the Government has recognised that the complexity of regulation imposes constraints on the economy and financial charges on businesses which need to be reduced. Administrative burdens (AB's) need to be listed and measured, to target and evaluate simplification programmes. Minister Jean-François Copé, in charge of Reform of the State, is assisted by the Direction Générale de la Modernisation de l'Etat (DGME) in implementing this programme which, in an innovative approach, aims to measure the baseline in the next few years and rapidly deliver simplifications and cost reductions, as the burden figures become available (this is the "simplify as-you-go" approach).

Burden measurement started in France in September 2004. It views itself as a contribution to the European process of administrative costs measurement and reduction, which stems from the "Lisbon strategy" for growth and jobs. France welcomes the priority given to this project by the European Council decisions of June 15th-16th.

Though based on the Standard Cost Model, France has developed a distinctive methodology based on the notion of **total cost**, including the cost for the administrations themselves, and the cost of delays for the businesses. Another specific aspect is that results of the measurement are immediately put to use in re-engineering the procedures that have been studied, with a view to reduce the burden. Minister Copé has asked administrations to cooperate in cutting the costs by 20% on those areas that have been subjected to measurement.

This report describes the programme of administrative burden measurement and reduction conducted in France since the Autumn 2004.

I - The 2004-2005 programme

1. First phase

As early as September 2004, a first study ordered and piloted by the DUSA (Delegation in charge of users and administrative simplification, part of the Prime Minister services) covered a first series of 30 regimes. Its central aim was to define the type of SCM methodology that should be applied to France. In order to carry out the task, the DUSA relied on the help of a private consultant (INEUM Consulting). This phase was directed by a Steering committee chaired by the minister in charge of the reform of the State; first Mr Eric Woerth, then Mr Jean-François Copé. All the representatives of employers organisations sat on the committee. Mr Jeroen Nijland, head of the administrative burden department at the ministry of finance in the Netherlands, was associated to the work of the Steering committee.

2 Second phase

From April to December 2005, the methodology was tested on a wider sample. Ernst & Young were chosen to apply the methodology to 100 new regimes. Moreover, as a member of the Steering committee, the Paris Chamber of Commerce and Industry volunteered to carry out tests on 10 regimes.

In the end, out of the 140 projected measures, 112 were processed in way to produce usable data. There was also an operation to measure the burden on citizens, on the basis of 30 procedures.

3 Methodologies and results

The methodology consists in analysing all the successive tasks of the process, in measuring the time spent, in evaluating the cost of each task according to the "burdened" salary cost of each contributor. This measure was carried out in 3 to 5 different companies in order to obtain an average unitary cost that is then to be multiplied by the national volumetric mass in order to obtain the national and yearly cost of a measure for businesses.

Here are the key figures for the **112** permit regimes:

- close to **550** businesses were contacted, **392** of which willingly took part in the study
- **551,000** permits were granted
- the unitary costs range from **a couple of euros** (transport permit for animals that may be hunted) to **1,110,000 euros** (building permit for a factory of the SEVESO type);
- **1.1 billion euros** is the global yearly cost (2004) for the 112 regimes.

II - The 2006 programme

Our first concern has been to promote support for the programme of burden reduction and raise awareness within the senior ranks of the ministries on issues related to burdens. The network of officials in charge of Modernisation has been repeatedly informed about the program and the expected contributions of their ministries. This year's programme was drawn up in consultation with them.

1 Improving the methodology

In December 2005, the Steering committee validated the methodology. In 2006, this methodology has been undergoing improvements, with a view to providing more comprehensive view of the economic impact of regulation by adding two dimensions to the measure:

- **the “cost of delays”**: knowing the cost of regulation for businesses is important but it is not enough. Indeed, the waiting period required before a permit can be delivered often generates costs and loss of earnings in the businesses. The costs must if possible be calculated.
- **the internal administrative costs**: the costs induced by the treatment of the permits inside the administration ought to be measured, to provide a global figure representing the real total cost for the economy of each administrative obligation or procedure, and to facilitate the simplification process.

Each of these two dimensions has now been incorporated into the French AB methodology. Methodological documents and interview guides have been prepared accordingly.

2. Making use of the data collected in 2005:

The figures collected in the 2005 measurement operation are used to streamline the procedures and achieve a corresponding reduction of burdens.

- a new consultant (Accenture) was hired, to bring in the competency related to re-engineering processes:

- out of the 112 regimes that were tested in 2005, we have focussed on a selection of 32 particularly complex or costly measures. To reckon the total cost of each procedure, the central and/or territorial administrations have measured their internal charges, with the cooperation of 4 préfetures. Simplification measures are to be drafted by end of 2006 for each procedure. The simplification may take the form of the suppression of useless or obsolete measures, the change of permits procedure into a simple declarations, the introduction of revised procedures or the reorganisation of the departments in charge. Simplification plans will be jointly adopted by the DGME and the administration concerned.

3. Launching a new wave of measures in 2006:

- To move closer to the AB methodologies in use in other countries, and planned at the European level, we have widened the scope of the measurements from the permits to the full array of information obligations imposed on businesses, using the definition given by the Standard Cost Model.

- Our objective is to do a full scale baseline measurement as soon as possible, to provide a basis for the calculation of burden reductions. A new phase of measurement is about to start and should be completed before end of January 2007, and concern 200 information obligations. To give maximum effectiveness to the operation, the IO's have been selected from the 5 most significant economic sectors, as defined by the national statistical office

The full cost will be measured, including burden on businesses but also the internal costs within the administrations and the costs of delays in administrative decisions.

Conclusion and work in 2007

The measurement and re-engineering operations conducted this far have done a lot to disseminate the principle that burdens must be measured and reduced. The French method, with its two “add-ons” and its simplify a you go approach, has been tested and is giving its first results. We intend to continue work, with increased resources in 2007 on an even broader selection of IO's, which may be cross-sectoral, to complement the 2006 operation. This tranche will cover as many as 400 to 500 obligations. This work will be reported regularly to our SCM and DBR colleagues, to continue our fruitful cooperation.

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