

STANDARD COST MODEL NETWORK
Steering group meeting, 5 February 2007, Rome

Contribution from France

Administrative burden measurement and reduction in France
Methodological and project management advances in 2006

In spite of some delays resulting from the move from the Prime minister's office to the ministry of economy and finance, the Better Regulation Unit¹ pursued and developed in 2006 the ABM programme it had launched in 2004. The reason for the transfer as of 1 January 2006 was to give higher profile to the overall "reform of the State" policy, by associating it, under the same minister, with the traditionally respected Budget ministry. The new impetus is also comes as a response to developments at the E.U. level (the June Council mandate to the Commission) and France's wish to contribute in the overall Lisbon policy. The new trend was officially expressed by a higher priority given to the burden reduction policy: the new minister in charge, Mr. Jean-François Copé, "invited" his governmental colleagues to give full support to the ABM program, including the post-measurement simplification plans. A month later, the Prime minister, Mr. D. de Villepin, endorsed the policy in a speech to small business representatives (26 October). The French administration is officially committed to the reduction of burdens on business, with a **target figure of 20%, which applies to each wave of burden measurement.**

This paper will examine two issues that may be of interest to SCM colleagues pursuing similar operations in other countries or at the EU level:

- methodological developments: this paper will present two complements to the SCM, and a new re-engineering technique, which has been tested on a selection of the permits measured in 2005 (the so-called "30");
- project management tips stemming from the implementation of a new, major ABM operation (the "200") in a not specially BR-friendly administrative environment

The two great innovations of 2006 have been:

- actually re-engineering a number of procedures on the basis of AB figures according to a brand-new methodology, which has been applied, in a trial run, to the 30 most promising obligations measured in 2004-2005.
- extending the measurement of AB to encompass the costs to the administrations and the "cost of delays", to improve the data collected in support of the simplification process. Because of the shift of focus from permit regimes to information obligations (using the EU definition), these developments in France can be presented as a complement to the common methodology.

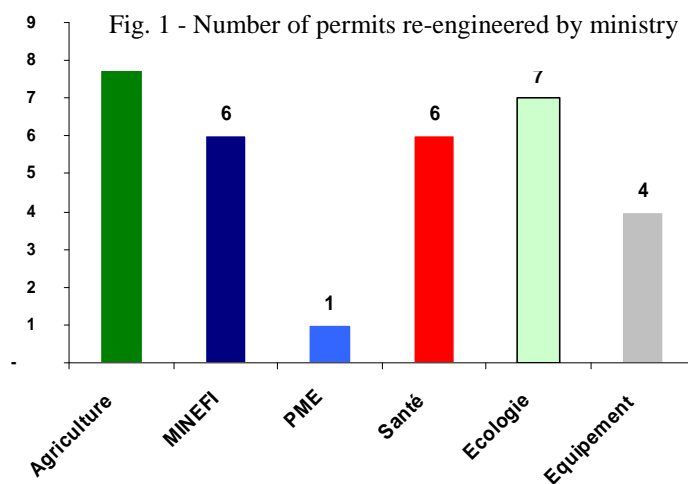
1/ The re-engineering methodology and its trial run ("the 30")

Early in 2006, it was decided by Minister J.F. Copé that we should immediately make use of the first ABM results, and contribute measures and results to the on-going simplification programme. As you may know, the main thrust of simplification in France is provided by the annual S-law, which collects and launches literally hundreds of simplification measures. Parliament approved, it can push aside objections grounded on the legal basis of many complex procedures and principles. Though very useful, S- projects had not been based on the requirement to reduce the burden placed on the "clients" of public services, but more generally on the "complexity" of the regulation.

The first step of the new process was to single out the most promising procedures in terms of possible savings, out of the 112 which had been measured. A set of criteria was drawn up to rank them according to complexity, weight of burden, frequency and criticism from the companies interviewed.

¹ Département de la qualité réglementaire, direction générale de la modernisation de l'Etat (DGME). Located at the ministère de l'économie, des finances et de l'industrie (MINEFI), but granted an interministerial rôle by décret. The BR Unit is assisted by a consultancy firm (Accenture for all the operations described in this paper.)

Applied to the batch of procedures, it produced a list of 30 permits which were then subjected to a new scrutiny. A distribution of the permits by ministry is given in Fig. 1.



A novelty: measuring to costs internal to the administrations

This may have been the most innovative part of our work. The 112 permits had been measured according to a variant of the SCM methodology², which of course did not include the cost to administrations of managing each scheme. So, a new research was undertaken to establish that second component, for each of the 30 permit schemes under scrutiny. This was done by approaching a panel of 4 *préfectures*, which are the most relevant “deconcentrated” level of administration, in the *départements*, where colleagues can be counted upon to know how each scheme is practically implemented.

This is a new component in an ABM exercise, developed to improve the re-engineering process, by providing ministries with an accurate idea of the burdens, including their own management costs for the procedures, while facilitating the costing of simplification proposals that are actually put forward. It also provides a guarantee that burden reductions do not increase costs for the administrations.

During the visits to the *préfectures*, we collected data and opinions on:

- cost of internal resources required to manage each permit: receiving the applications from the businesses, handling them, consulting other bodies, convening meetings, handing down the decisions. Administration costs are calculated in much the same way as for the business component, i.e. on an ABC, activity based costing method. Official average wage costs per level provide a sound basis to value the figures on times spent collected in the survey.
- avenues for simplification: here we experienced our first surprise, when we noted the great interest of the “grass-roots” administrations to offer simplification ideas that would lighten the costs not only for themselves but also for the businesses.

This material was then used, in a series of “bilateral” meetings between the BR unit and the ministries to develop the re-engineering plans for each ministry. The most helpful colleagues from the regions were invited to provide the practical knowledge of real-life implementation, and sustain the momentum for change.

Results

One of the first outputs of the new approach was to provide a more complete picture of the burden, with the total cost of the permit scheme, including both the business and the administration components. The **total cost** of the 30 permit procedures was now € 128m.

² This methodology is available in English on simple request to the author of this paper.

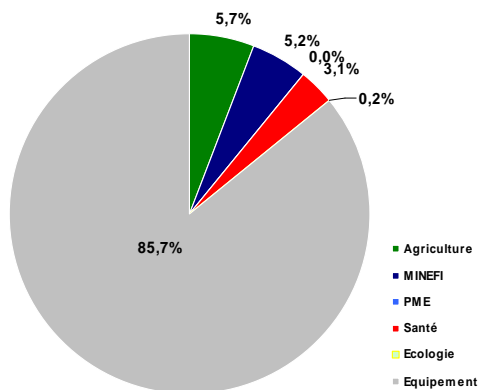
- On average, the cost for businesses is 4 times greater than the cost for the administration; there is a correlation between the two costs; there were however 5 schemes where the cost to the administration was higher than the cost to business

- There is a wide spectrum of costs: 14% of the sample (i.e. 4 procedures) represent 72% of the global cost measured. 3 procedures concentrate 69% of the global cost. These three heaviest permits are

- the authorisation for exceptional transport;
- the authorisation to install heavy medical equipment (IRM for instance);
- the certification of new vehicles that have undergone transformations.

The average cost per permit scheme was €4.5 m (ranging from 6k to 33 m). The unit cost of permits ranges from €79 to €48.5k.

Fig. 2 – Distribution of burden reductions by ministry (in percentage of total)



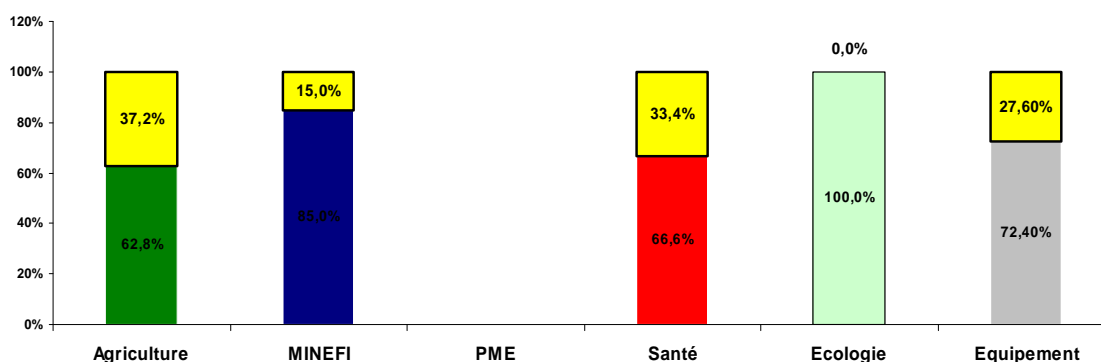
Savings obtained in this test-run

All 30 permit schemes were subjected to an depth analysis.

- Re-engineering plans were drafted for 18 schemes, two of which have generated 86% of the savings;
- In 4 cases, it was possible to conclude from the scrutiny that the permit procedure was not justified and could be suppressed.

Savings were found for both businesses (72%) and the administration (28%), for a total amount reaching €17m, which is 18.5% of the total burden from the 30 procedures (a little lower than the announced target of 20%, but still a good result for a test-run).

Fig. 3 – Share in the burden reductions, in %, for businesses and for administrations (in yellow)



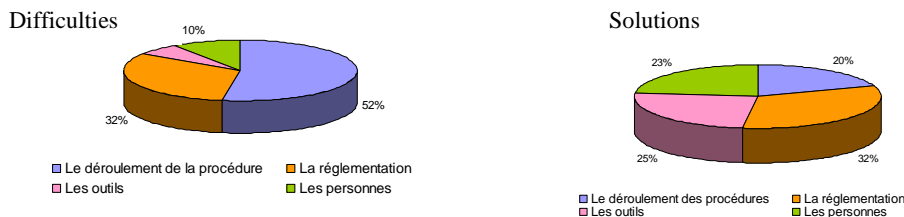
Main types of simplification measures

The distribution of the S- proposals endorsed by the ministries is quite homogeneous across the sectors. The proposals fall into three categories:

- acting on the number of times the permit is requested: proposals with a strong quantitative impact:
 - reduction of the number of companies subject to the permit scheme (by raising a threshold for instance);

- reducing the frequency (number of times a company must seek a permit), for instance by giving a longer validity to a permit;
- suppressing permit regimes (this is the most efficient way!)
- acting on the process: proposals with a strong qualitative impact:
 - reducing delays (there are many ways to achieve this);
 - dematerializing, or using IT tools to gather and process the data, and respond
 - regulatory cleaning up/tidying/streamlining of texts to facilitate understanding and
- improving implementation
 - greater expertise in the management of the procedure (often by outsourcing);
 - reorganization issues (one-stop shops, merging processes).

Fig. 4 - Analysis of the difficulties and suggestions for improvement (from the interviews with companies):



The two pie-charts above show that the suggestions for improvement collected during the survey are quite evenly distributed between four types of S- solutions: the process, the tools including ICT, the regulations and the structures.

Two examples can give a more practical idea of the process:

1/ the reform of the exceptional transport authorisation: savings amount to 9.4m out of a burden of 33.3 m (28%). This is achieved mainly by setting up an on-line procedure, where both the companies and the services can access the files. Where the company had to file one request for each département involved, there is to be only one request which is automatically routed to each service that needs to approve the transport;

2/ certification of new non-standard vehicles (burden reduction: 4.8m out of 20.5 i.e. 23%). The scrutiny yielded the idea that the approval could be transferred to the automobile bodywork yards, which had the advantage of suppressing one of the stages of the procedure without loss of control, and generating a reduction of delays. The certification is also to become valid for the full European market, and not only in France.

Main lessons-learnt on this test-run (“the 30”)

- the first instance of implementation of the methodology for measuring the burden on administrations was a great success. Though not strictly required by the SCM methodology, it has had many positive consequences in the French environment. It has been a learning opportunity for ministries, who were more open to considering burdens suffered by their clients, as long as their own burden was also examined, and an incentive for ministries to contribute to streamline costs, putting forward their own concerns in the discussion, though the priority was always to reduce business burdens.
- The burden reductions remain limited, but that was to be expected with a test-run, for which the procedures had been selected from a narrow sample (30 out of 112). This confirms how important it is to either start from a broad range of procedures (as when you measure the baseline), or to select them for their *prima facie* simplification potential, as manifested by the ministries reform plans, or pressure from the stakeholders.
- In spite of the final participation of all ministries, there were many resistances to be overcome *en route*. The interval between the measurement and the re-engineering had been too long, opening the possibility of criticising the burden figures rather than contribute simplifications. We hope that the next time round, some type of culture shift will occur and the appropriation of the project will be greater in the participating ministries.

2/ The 2006 ABM campaign (“the 200”)

Though France is not yet in a position to launch the full baseline measurement, much progress has been made in 2006 with a massive wave of investigation into 200 information obligations (I.O.’s) selected in 4 economic branches. So far only half the work has been finalized (102 I.O.’s measured out of the 200), but it is already possible to draw some useful conclusions on the methodological and management fronts.

Several improvements have been introduced into our methodology

- when work was resumed with a new consultant, it was made clear right from the start that the European Union methodology was to be used henceforth. Indeed, this phase was to concern not only permits like in 2004-2005, but **all 12 types of information obligations**.
- the scrutiny of burden would go beyond the costs to business, to include the **cost of delays** where the loss of income for businesses due to waiting for administrative decisions would be taken into account, in a monetized or qualitative manner;
- as stated above, France has determined to study the **full cost** of the I.O.’s and not only the costs to business. This means that the costs to the **administration** have been measured in parallel, right from the onset of the operation.

We have also gained considerable experience in managing such a project. Among success factors:

- A clear political message from the minister, helped to muster the contributions from the ministries;
- A dedicated consulting team, working alongside the BR unit, and collocated in the same building. New to the world of ABM, the consultant set to work on the basis of the accumulated experience, much of which originated from the SCM network;
- More direct bilateral work between the BR unit and the ministries, who now had some experience of the type of operation in process, and
- The early involvement of the four *départements*, which gave the BR unit access to the practical implementation of the I.O.’s under scrutiny, and was a source of feedback and proposals. This was new, and many complex procedures only became clear when examined from the grassroots level.

● A rich harvest of burden figures from the first batch of 100 IO’s

Over the period spanning from October to December 2006, a first wave of 102 obligations were measured; the measure targeted all three components of the global cost:

- administrative burdens as experienced by businesses;
- the impact of delays in administrative decisions for businesses;
- the burden as experienced by the administrations themselves.

Overall burdens measured: €1,000 m (€1 bn) for 102 obligations

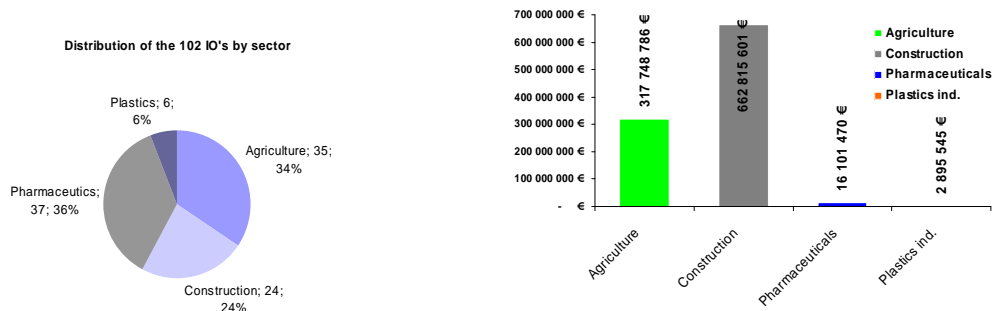
There is again a broad spectrum of burdens:

- 20 obligations represent 90% of the global costs while 20 other obligations represent less than 0.05% of the global annual burden measured in this operation;

In spite of evenly distributed efforts on our part, we have a great discrepancy in terms of burden measured by sector:

- **construction**: € 663 m for 24 obligations measured;
- **agriculture**: € 318 m for 35 IO’s;
- distribution of **pharmaceutical products**: € 16 m (37 obligations measured);
- **plastics industry**: € 3 m (6 IO’s measured) (measurements postponed to the 2nd tranche).

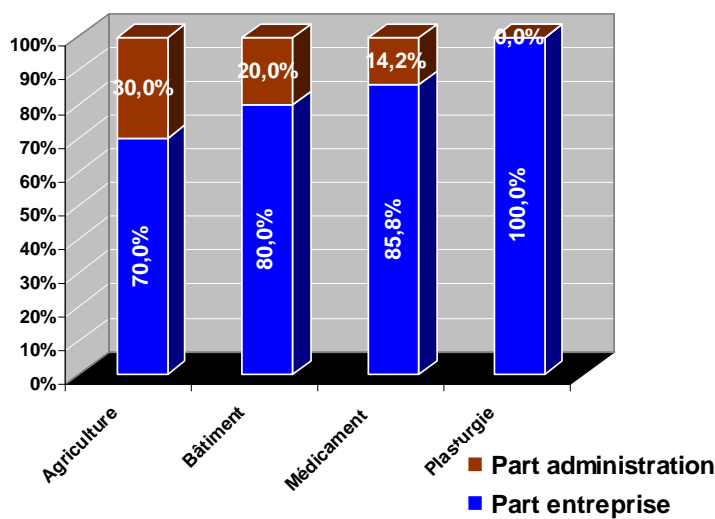
Fig. 5 – Distribution of 102 IO's and corresponding burden by economic sector



Distribution of the total burden between the administration and the businesses

The burden on businesses (780 million euros) is overall 3 times greater than the cost for the administration (218 million euros). In percentages, that represents on average 77% for businesses represent and 23% for administrations. The split is however quite variable according to sector.

Fig.6 – Relative shares per sector of businesses and administrations in the total burdens



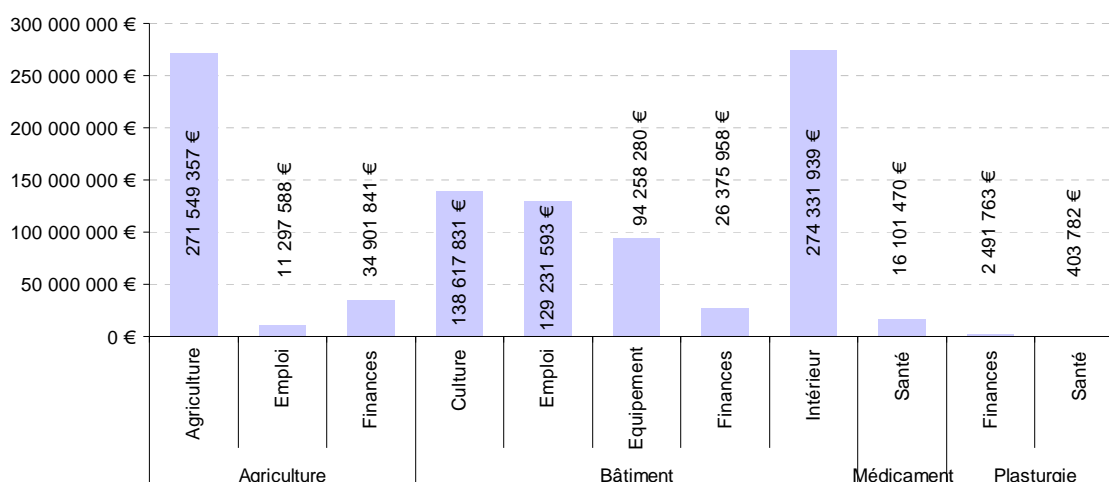
This distribution between the components varies from sector to sector. The indicator is useful to identify the cases where the simplification effort must be directed at the businesses or within the administration. More detailed studies about the costs in full annual time spent on a specific obligation have been usefully compared with the equipment costs required for the same obligation; indeed, an obligation demanding high equipment costs usually requires little time as a counterpart. Finally, the unitary cost per file of each IO has been studied, which brings into relief the relative weight of national frequency of the IO in the global cost of the obligation, which helps determine the type of simplification required.

Ministries responsible for the burdens

It is also useful to look at which ministry “manages” the burden (they will be held to account): seven ministries are concerned by these 102 IO's (culture, agriculture, employment, finances, equipment, health and interior).

Half the costs for the administration concerns the ministry of the Interior, (113 million euros), a third the ministry of agriculture (77 million euros), and 10% the ministry of finance (26 million euros). The rest – 10 million euros - concern the ministries of employment, health, and finally culture, in that order.

Fig. 7 - Sector/ ministry distribution of the total cost of the measures (administration + businesses):



- The global cost of administrative obligations was observed to vary considerably from one IO to the next: indeed, the average global burden per obligation is 9.4 million euros, while the maximum reaches 174,5 million euros.

As noticed in the previous ABM wave, there is a great concentration of the burden on few IO's: 20 obligations among the 102 actually represent 90% of the total cost.

Though our prime concern was to establish figures by economic branch, the figures by ministry are also quite useful. They show how several ministries contribute to the burden imposed on a sector.

Fig. 8- Distribution of burdens by economic sector and by ministry

Ministry	Agriculture	Construction	Pharmaceutics	Plastics	total
Agriculture	271 549 357 €				271 549 357 €
Culture		138 617 831 €			138 617 831 €
Employment	11 297 588 €	129 231 593 €			140 529 181 €
Equipment		94 258 280 €			94 258 280 €
Finance	34 901 841 €	26 375 958 €		2 491 763 €	63 769 562 €
Interior		274 331 939 €			274 331 939 €
Health		- €	16 101 470 €	403 782 €	16 505 252 €
Total	317 748 786 €	662 815 601 €	16 101 470 €	2 895 545 €	999 561 402 €

Cost of delays

A new methodology was developed by the consultant and approved by the BR unit, for immediate implementation³. The result may appear somewhat disappointing in that few hard figures were collected, but much data useful to the project was gathered as a result of focusing on this issue. In brief, the investigation showed that:

- there was a varying degree of sensitivity to the issue: some types of IO's are at present notorious problems of delays, with the administration doing little to alleviate the hardship. The project has helped develop the culture that delays should always be soundly justified, in that they come at an economic price;

- the issue of "cost of delays" in euros was less important for the project than the information collected on "delays avoidance strategies" applied by business, which are quite IO specific, and which, where they occur, are generally the sign that the policy objective pursued by the IO is being missed. For instance, if a company applies for a subsidy but does not wait for the outcome to take its investment decision, the subsidy becomes a windfall profit, with no incentive value. If a company

³ The methodology is available in English upon request to the author.

applies for an authorization but does not wait for the response to market a product, and includes a provision for fines in its budgeting, it is clear that the onus of the public policy is paid for by the citizen or at least the client. The enquiry also elicited, for each IO, qualitative indications which will be very useful when we reach the re-engineering stage. All in all, there is a similarity with the Dutch approach to the irritability factor.

Avenues for burden reductions suggested by the businesses

Part of the enquiry concerned how the businesses themselves viewed the possible burden alleviation measures. Though not all companies could answer the question, as the administrative costs are often perceived as a fact of life, some were quite open and could formulate simplification proposals.

Main difficulties highlighted by the survey

- lack of efficiency of the processes, insufficient IT systems;
- too many inspection services;
- too many regulations, blurring the exact nature of the obligation.

Main improvements suggested by the companies:

- improve information systems;
- dematerialize the whole procedure or part of it;
- reinforce communication with the stakeholders (businesses) when constituting the file and investigating the case;
- suppress or amalgamate one or several actors intervening in the implementation of the obligation.

Lessons learnt in the “200” operation

a/ Methodological lessons

Lessons from the mapping of the obligations

Because this tranche could only handle 200 IO's, and perhaps because of this limitation, it was vital to select carefully what was going to be measured. One of the indicators of success is that the average cost per IO has more than trebled to €9.8m between the previous batch of 30 (themselves selected for their impact among the 112 measured in 2005) and the new tranche of 102. Two factors seem to have been very significant:

- concentrating on economically significant sectors was a basic option that turned out to be appropriate. The starting point was the distribution of GDP by sector available from the National Statistical Office (INSEE); however, to focus on a sufficiently homogeneous sample, we finally had to choose four “sub-sectors”, for which the volumetry (number of companies) was available;
- gathering data on the “significant” IO's right from the start from the sectors and the “supervising” administrations. Though we could not set up formal business panels as they exist in other countries, we submitted lists of IO's to both ministries and professional organisations for validation (from the point of view of their relevance to the businesses). Involving the ministries was also a first step towards building some support for further re-engineering work, and the assistance of the branches helped pinpoint the most relevant IO's in terms of burden.

Lessons from measuring the burdens

- the sector-approach was useful when considering the cost of delays, which requires some work on sector-specific economic models (capital ratio, cash constraints, labour intensity, etc.);
- one of the by-products of this wave of measure has been the calculation of an average cost of an IO for each of the 12 categories of IO's listed in the EU methodology. This will be useful at a later stage, when results are extrapolated on a much greater number of IO's;

Burden reduction proposals

This is the stage which is most markedly influenced by national administrative structures and practices. Getting ministries to offer streamlining of procedures resulting in business burden reductions is still a challenge. Thus the importance of :

- good initial selection of the IO's to measure, under the understanding that measurement should lead to simplification, if justified by the findings; it is therefore necessary to have this approach fully understood by the line ministries before the measurements are launched;
- early detection of the possibilities for improvement, to be collected during the survey, from the businesses themselves;
- discussing a range of re-engineering options with their costings, including the cost of introducing the reform: this has the advantage of enlisting greater support from the line departments;
- offering a panel of standard burden reduction techniques to pick from, to show ministries that their procedure is not unique and can be compared with similar IO's in other ministries, and can also yield savings through the implementation of bona fide measures: classify gain typologies and associate them with the improvement typologies.

b/ Project management lessons

France belongs to the group of countries where the burden reduction policy is still in competition with other substantive policies, in spite of the priority given at the EU level. Also, several ministries have similar (simplification) programmes, sometimes stimulated or coordinated from Brussels as in the case of Agriculture, but they do not necessarily feel the need for guidance from our unit (or our ministry of reform of the State). Hence the importance of a specifically designed project governance

- key role of the DGME: fortunately, our department has a long (and successful) history of conducting interministerial projects promoted by the minister of the reform of the State (central administration). It has been possible to draw on that expertise and the usages of such ventures to conduct the ABM programme. This central management of the project however had to rely more on the force of conviction than on authority. Much effort was put into "teaching" a new approach to the consequences of regulation on the social body, and the businesses in particular.

- the need for a contact person in each ministry: to reach the many units in charge of the substantive regulations under scrutiny, it is necessary to set up an effective relay in each ministry. The problem is that modernisation is not always high enough on the agenda, and our contact point did not always have the necessary authority to command participation of elusive or indifferent regulatory offices. However, with the maturing and insistence of the policy, with the greater political priority which is progressively being given, this type of difficulty should gradually be overcome.

- the prime role of implementation (local) services: it could be said that the methodology followed by the BR unit stresses the input from the "field". There is much to be gained from investigating the IO's from the point of view of the services with day-to-day experience of their practical import. The fact that we lend an understanding ear to their resource problems (when measuring the burden they face to manage the procedures) and collect their ideas for streamlining, has brought us first-rate support that was sometimes lacking at the central seat of the ministry.

3/ Next steps

In the first months of 2007, we will be finalising the measurement of the "200" with the second tranche of 100 IO's, and starting the re-engineering of a subset of the 200, to which the target of 20% reduction of the burden will be applied.

Later in 2007, following new tender operations, we will launch the 2007 campaign, which is foreseen to include a full mapping of IO's, followed by the measurement of a new, massive, wave of specially selected obligations, in order to obtain figures that can be extrapolated and give an approach to the baseline.

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Annex

List of the 17 most burdensome IO's measured in 2006
(total cost = business + administration burdens)

